TrygVesta

February 2010

Capitalisation

Results of the fourth quarter 2009 (Q4 2009)

- Total adjusted capital after Q4 2009 is DKK 11,443m compared to a required capital of DKK 8,959m. After suggested dividends of DKK 1,790m adjusted capital is DKK 9.653m.
- During Q4 2009 the buffer to A- range increased by 4% point (DKK 373m) to 28% (DKK 2,484m). After suggested dividends the buffer is 8%.
- The NOK/DKK exchange rate increased by 1.6%, which has contributed adversely to the buffer by 1% point.

DKKm	Q3 2009	FY 2009	Change quarter	Exchange rate effect
Asset risk	2,295	2,423	129	20
Liability risk	7,429	7,383	(46)	71
Diversification	(848)	(848)	1	(8)
Required capital	**8,875**	**8,959**	83	84
Available capital	**10,987**	**9,653**	(1,334)	16
Buffer	**2,112**	**694**	(1,417)	(68)
Buffer %	24%	8%	-16%	-1%

Asset risk

The average asset charge by Q4 2009 was 5.4% of the total assets (D) giving a charge of DKK 2,423m. This represents an increase of DKK 129m which is driven by an increase in the credit risk of the bond portfolio. Also, the proportion of equities increased slightly to 4.0%. Compared to Q4 2008 the asset risk has increased by DKK 655m.

Liability risk

Liability risk has decreased by DKK 46m to 7,383m, which is explained by the decrease in net reserves (excluding annuities). The average risk charges for the two largest components within liability risk, premium risk and reserve risk are 19.8% and 18.5%, respectively. From Q4 2008 to Q4 2009 the liability risk has increased by DKK 672m.

Total adjusted capital (TAC)

The total adjusted capital amounts to DKK 9,653m – a decrease of DKK 1,334m compared to last quarter. This corresponds to a buffer of 8% to the A- target. The DKK 1,334m decrease in available capital is mainly made up of Q4 2009 result of DKK 449m (positive effect) and suggested dividends of DKK 1,790m.

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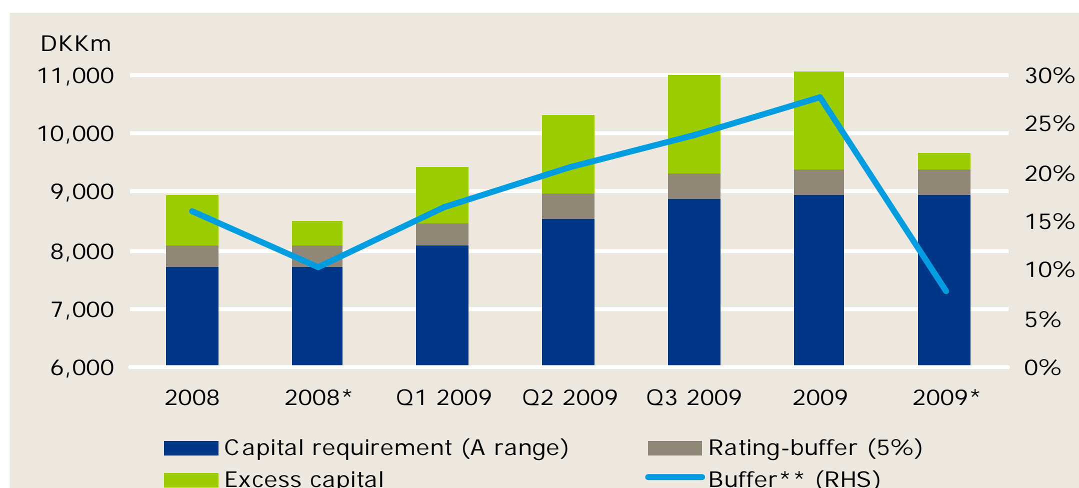
Development in total adjusted capital and target capital

The figure below shows the development in the capital requirement, the self imposed rating buffer, excess capital, and the buffer to the A- range. The sum of the first three mentioned is the available capital.



* After dividends
** The buffer includes the 5% percent self imposed buffer to the A-range

Sensitivity analysis

The table below illustrates the impact of four different scenarios. E.g. a 1% increase in weight of equities in the total investment portfolio will have an effect on required capital of DKK 110m after diversification, corresponding to a 1% reduction of the buffer to the A range.

DKKm	Scenario A: Equities	Scenario B: Exchange rate	Scenario C: Growth	Scenario D: Reserves
Asset risk	117	116	121	0
Liability risk	0	255	369	179
Diversification	(6)	(32)	(48)	(18)
Required capital	**110**	**338**	**442**	**161**
Available capital	**0**	**101**	**1**	**0**
Buffer	**(110)**	**(237)**	**(441)**	**(161)**
Buffer %	-1%	-3%	-5%	-2%

Scenario A: 1% increase in weight of equities in total investment portfolio
Scenario B: 10% increase in the NOK/DKK exchange rate
Scenario C: 5% growth of businesses
Scenario D: 5% strengthning of reserves in all line of businesses

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Results from the simplified capital model

	DKKm	Risk charges Q4	FY 2008	Q3 2009	FY 2009	Change Quarter	Change YTD
A	Net premiums (12 months) *		16,635	17,595	17,601	6	966
B	Net reserves incl. annuities		18,855	21,234	21,305	71	2,450
C	Annuities		1,822	1,772	1,989	217	167
D	Total assets		38,453	45,997	44,743	(1,253)	6,291
E	**Asset risk**	5.4%	**1,769**	**2,295**	**2,423**	129	655
F	Premium risk	19.8%	3,260	3,481	3,483	1	222
G	Reserve risk	18.5%	3,134	3,628	3,574	(54)	440
H	Life reserve risk	0.9%	16	15	17	2	1
I	Catastrophe		174	174	174	-	-
J	Bond insurance		126	130	135	5	10
	Liability risk		**6,711**	**7,429**	**7,383**	(46)	672
K	Required capital, `A´ range		8,479	9,724	9,806	83	1,327
L	Diversification	8.6%	(755)	(848)	(848)	1	(93)
M	**Diversified required capital**		**7,725**	**8,875**	**8,959**	83	1,234
N	Diversified required capital +5% buffer		8,111	9,319	9,406	88	1,296
O	Equity		8,244	9,249	9,666	417	1,422
P	Hybrid capital		1,102	1,586	1,586	(0)	484
Q	Expected pay-out		(788)	-	(1,790)		(1,003)
R	Deferred tax		843	1,094	1,125	31	282
S	Intangibles		(450)	(942)	(934)	8	(484)
T	**Total available capital**		**8,951**	**10,987**	**9,653**	(1,334)	701
U	**Buffer to `A´ range**		**16%**	**24%**	**8%**	-16%	-8%
V	Buffer in DKKm		1,227	2,112	694	(1,417)	(532)

* Includes a full year Moderna effect

The simplified model is disclosed to give insight into the capital planning in TrygVesta and will be updated on the trygvesta.com/Investor every quarter on the same dates as the financial results. The model is a simplified version of the internal Standard & Poor's capital model, however, the results give guidance to the capitalisation of the Group. The results can not be viewed as the opinion of either rating agencies.

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Capital strategy
TrygVesta follows an active capital strategy and coordinates the capital planning with risk management. Both capital planning and risk management are supported by the internal ALM framework. 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. The targeted rating is to sustain a minimum rating of A- and A3 respectively. This target satisfies the demand for security by the corporate customers and the broker sales channel and gives a high degree of certainty that TrygVesta will be able to execute the business strategy and still service our debtors.

TrygVesta's dividend policy is to pay out a minimum of 50% of the results as a cash dividend and to return any excess capital to the shareholders as share buy backs. The dividend policy is thereby also based on risk management and is derived from the capital strategy.

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, risk management, strategy, corporate management, current and potential profitability. Moody's does not apply an explicit capital model.

The capital model – determination of target capital and available capital
Standard & Poor's capital model determines a target capital required per rating class ('AAA', 'AA', 'A' and 'BBB') reflecting different confidence levels in the 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. All other transfer effects are not accounted for in the model. In particular risk hedging is not accounted for hereunder the currency effect for premiums and claims in foreign subsidiaries.

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.

A simplified version of the capital model is disclosed every quarter with explanation of the elements and differences in results to the full internal capital model which is not disclosed in public. The alphabetic reference is to the corresponding lines in the capital model presented in the table on page 3.

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. The following components are charged:

- Bonds, by credit rating and duration
- Equities, by land of origin
- Real estate portfolio
- Receivables and outstanding reserves by re-insurers' credit rating
- A general credit risk adjustment of 6.6% on assets

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The charge for asset risks varies significantly between asset classes, and the total risk charge is therefore dependent on the actual investment mix and size of portfolio.

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

- Premium risk
- Reserve risk
- Workers' compensation insurance risk (annuities)
- Catastrophe risk
- TrygVesta Garanti

The premium risk (F) is calculated in the full model by multiplying different factors to the annualised net premium per line of business. These factors range from 13% to 30% depending on line of business. Liability risk is the type of risk that has the highest charge i.e. 30%. The required capital for reserve risk (G) is calculated in the full model by multiplying different factors to the net discounted reserves per line of business. These factors range from 9% to 26%, where accident & health has the highest risk charge.

Reserves for annuities in Danish workers' compensation insurance are separated out and treated as a life insurance risk in the model.

A capital charge for catastrophe risk was added to the capital model in 2007. The calculation includes the net exposure for the 1-in-250 year scenario for property risk. TrygVesta's reinsurance programme covers the 1-in-250 year event on an occurrence basis with a retention of DKK 100m.

The required capital for TrygVesta Garanti's insurance bond portfolio (J) is the result of taking the historically largest loss in any one year related to that year's gross exposure and then applying this to the current exposure of the insurance bond portfolio.

Total adjusted capital (TAC)
The available capital is based on the equity position adjusted for different accounting measures and hybrid equity. The equity (O) is adjusted for the following accounting issues:

- Hybrid / Subordinated Capital
- Expected payout (Q)
- Equalisation reserves (R)
- Intangible assets (S)

Hybrid Capital can count for up to 25% of the available capital for A- rated companies. Equalization reserves can also be counted as available capital. According to IFRS the equalization and security reserves are no longer booked as liabilities, but are part of the equity position after deduction of deferred tax liabilities. In the Standard & Poor's total adjusted capital, these reserves are included in full (without deduction for deferred tax), whence the deferred tax liability is being added. Intangible assets and expected dividends are deducted from the available capital.