



## Conference call transcript

Full-year 2007

25 February 2007 at 17:00 CET

## Corporate participants

**Stine Bosse**  
TrygVesta – CEO

**Morten Hübbe**  
TrygVesta – CFO

**Ole Sæberg**  
TrygVesta - Head of IR

## Conference call participants

**Matti Ahokas**  
Handelsbanken

**Will Morgan**  
Goldman Sachs

**Rodney Alfven**  
Cheuvreux

**Jesper Brydensholt**  
FIH Capital Markets

**Anders Hornbak**  
Carnegie

**Giulia Raffo**  
Citigroup

**Ben Cohen**  
UBS

**Simon Christensen**  
SEB Enskilda

**Gianandrea Roberti**  
Danske Equities

## Presentation – 2007 highlights

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### Operator

Good afternoon, ladies and gentlemen. Welcome to the TrygVesta Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. I would now like to turn the call over to your host, CEO Stine Bosse

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### Stine Bosse – TrygVesta, CEO

Before that, I think Ole wanted to do a short introduction. Come on, Ole.

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### Ole Sæberg – TrygVesta, Head of IR

Thank you, operator, and welcome to the TrygVesta Conference Call for the Full Year Results 2007. If you have additional questions after the call, please feel free to call myself and Lars. We'll be at the phones for the evening if you wish so. Also, for investor meetings, we have a large schedule setup for the next few weeks which will take us to Copenhagen, London, Edinburgh, Dublin and a lot of places in the U.S. With this short introduction, I'll give it over to you, Stine.

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### Stine Bosse – TrygVesta, CEO

Thank you very much, Ole; and with us today is also CFO Morten Hübbe, and you will see more of him later.

First of all, thank you very for attending the conference. 2007 was a good year for TrygVesta. We saw an accelerating growth. We had one percentage point growth in the first quarter, and we ended the year close to 4% with a 3.8% growth. Our processes, our good risk selection and our reservation practice combined with our very high customer focus is all or all areas that contribute to the very good performance on the technical side and on the core business of the insurance, and it provides us with an improvement in the technical results of DKK 300m from 2006 to 2007. Now equity

markets, of course, for everybody were difficult, and especially in the second half. Where we saw earnings of DKK 0.5bn at the midterm of 2007, we saw that end up with a full year result of only DKK 3bn. So of course for everybody, the equity, sorry, was of the equity performance was difficult in the second half. We will return to that issue later on. Finally, an after tax result of DKK 2.3bn; we find that very good for a year like 2007. Now if we look at what we are going to actually pay back to our shareholders, you can see that the payout ratio on the total is going to be 113%, and this in a year where we had the general assembly 3 April are going to hopefully decide to go forward with the share buyback programme, and there, of course, it's interesting that we can come up with higher payout ratio than our results on an ordinary basis. It has a three-stepped composition, DKK 1.15bn is going to be paid out as cash dividend. That translates into DKK 17 per share. Now the share buyback programme where the ordinary part translates into DKK 660m and then there is an extraordinary part of the programme, which is actually finalising our whole program for the way that we have now changed...

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### **Morten Hübbe – TrygVesta, CFO**

Discounting.

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### **Stine Bosse – TrygVesta, CEO**

...the discounting of our books, and that is now actually resulting into a change of our capital model. Morten is going to return to that in detail.

Now if we look at the next slide 4, you can see that first of all, I would like to tell you the story about our new markets, a growth of 69% in new markets is of course catering for a good part of the growth. That is interesting in what you traditionally would call a mature market of the Nordics. Also, the expense ratio is worth commenting. If you look at the low end of the slide where you can see the performance of the Danish and the Norwegian business, you can see that we actually go from 16.6% in cost

ratio in 2004 to now 15.4%. So we gradually year-on-year improve our performance in the large part of our books, and that is of course back to new processes and higher efficiency. On top of that, you see the development for Finland and Sweden where we of course are talking about investments and then finally it all translates into what we have promised you, mainly that we were going to take down the cost ratio within the area of 0.1 percentage point year-on-year.

Now if we turn to slide no. 5, we've chosen here to show you our results against our peers, and just one quick remark is that we only name ourselves as good when we can show both growth and profitability. This is of course why we think that compared to our peers here, it is a good result for 2007 showing the highest growth and also showing the highest level of profitability.

Now back to slide 6 where you can see that there has been a decrease in the average price of Motor in Denmark during 2006 and 2007. There is no reason for that to continue. We will show that you later on. The underlining trends of Motor are not necessarily dramatic, but they are definitely not falling for any kind of price competition. The development in House insurance in Denmark has been, according to the Index, a nice and gradual development. In Norway, as we have showed you earlier, we have seen a decrease in our prices in both House and Motor or cars, private cars, and you can see here the effect of the premium increases that we did in the middle of 2007 and we have hide also the premiums again here 1 January in Norway. On top of that of course it is nice to tell you the story about the Norwegian market share which has gone up from 17.5% to now 18.2%. That is of course what we want to do, but we only want to grow the market share if we can do that on a profitable basis.

Then on to slide 7 where you can see that also by geography there is a good balance in our business. If you look in the low left side, the gross premium between Denmark and Norway is very balanced. You can also see on the right side of the slide that the technical result is also balanced. There isn't a sort of geography or geographical unbalance in the portfolio, and I think is very important that you notice that. I

know that some of you sometimes think that Norway is some kind of an issue for us; and I think when we show you these figures, it is also to get you on to the sort of total impression that Norway is actually a good and integrated and also from a financial point of view, a very good piece of our business. Now also here we show that the technical result of course from Finland and Sweden; they are impacted by the fact that we are investing, and this is mainly costs that you see here, of course also some claim. But the issue is cost and of course as we grow, that issue is going to become smaller.

Then on to slide 8 where I guess, it is difficult to explain this so I'll be very accurate and very careful in doing so. Now if we start looking at our outlook for 2008, you should picture that the first three lines, they are not in at all effected by any of the stocks that I'm now later on going to tell you about. That goes for the expectations for combined ratio, technical result and the growth expectations that we communicated late last year. So the line to focus on is the investment income, and what we guide here in the red frame is based on having a 4% equity and weight exposure and not what we came from where it was 12%. So here it is taken down to 4%, but it is with expectations that the equity markets are going to perform as you can see on the low left end of this slide, namely 7% on equity. Now having or knowing already that January we realised a loss on our equities when we took down the equity exposure, we have chosen this time to go a bit further in our guidance and here tell you that our expectations for the full year of course will be impacted by that, and that will take the difference between what is was going to be realised and the full expectation down with DKK 400m, and that of course travels into both the results before and after tax. Now I'm quite sure you're going to have questions in this area, so I'll leave you with this. But it is one of the more difficult areas for us to explain this time; we realise that. But we have also chosen to be more open and more close to the date of today in our guidance that we will usually do.

Over to you, Morten.

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## Morten Hübbe – TrygVesta, CFO

I think that if you move on to slide no. 11, and thank you, Stine, you see that we have a slide that shows our development in the fourth quarter. The fourth quarter was a strong quarter, particularly in terms of growth, but also in terms of combined ratio in technical results. The quarter had a growth of 5.1%, which is the best quarter of 2007, particularly corporate grew by 8.6% and Finland and Sweden grew by more than 80% taking the total portfolio level to almost DKK 0.5bn. But also when we look at the combined ratio, we have improved the combined ratio by one percentage point to 86.2 despite the negative impact from large claims and from weather-related claims, but then again a positive impact from run-offs, and underlining that is actually a fourth quarter which has improved the combined ratio underlying by 3 percentage points. But of course, as we all know, equity markets is a huge swing factor and has impacted all of 2007, in particular the second half.

If we turn your attention to slide no. 12, we have illustrated the positive impact in '07 from run-offs, DKK 744m, which is 4.5% on a combined ratio and helps the overall ROE post tax by 5%. The graph on the right-hand side indicates that even before run-offs, we've also seen a positive trend in the technical result, a trend that we expect to continue, as you mentioned Stine, in 2008 where we expect a technical result before run-offs to increase by 6%.

Turning to slide no. 13, you see that on the left-hand side that we've had an unusually high number of large claims. So actually within this very strong technical result, we've had large claims of more than DKK 1bn before reinsurance and DKK 637m after reinsurance. Particularly Marine has been a big part of this with large claims of more than DKK 450m. We have large reinsurance on that, which is of course helpful in a year like this, but it has also taken us into increasing the prices of Marine considerably 1 January. If you look at our 2008 expectations, we increased our expectations for large claims to DKK 500m, whereas when you look at the right-hand side weather-related

claims has also been quite high in 2007, had mild winters, but on the other side we've had hail; we've had floods; we've had lots of rain and that of course is also weather and perhaps something that we need to get used to. For 2008, we expect DKK 225m.

Turning to slide 14, we have shown the development in frequency on average. Particularly the strongest trend we see on this slide is the development in the average repair cost of houses in Norway, which has increased on average by 9%, whereas when you look at the frequency development in Norwegian cars, you see a significant downwards trend which is both families having their car number three, but also we see a drop in the number of thefts or partial thefts in Norway, which is quite the opposite in Denmark. We see the second year in a row a 6% increase in claims frequency in cars. We see both that thefts have increased by more than 15%. We see that vandalism has increased by 18% and then of course hail has impacted also. When you look at the frequency in house, then of course the weather-related and water claims have had a significant impact here.

Turning to slide no. 15, you see the development in investment income. Of course 2007 has been a weak year in terms of equity returns. We've had a total return of 4.1%, which includes an increase in the bond return up to 3.7%, but then an equity return which is approximately 2% after a couple of good years in 2005 and 2006 where 2006 had more than 20% return, so significant change there. As indicated, we sold 10% of our equities in the summer of 2007. We sold another 200m in December and then in the second week of January 2008, we sold another 2.3bn of our equities taking to the total exposure down to 4%. Now as we communicated at that point in time, we realised the loss of DKK 200m, and at this point in time, we now have a realised loss of DKK 200m on the equity sold and then another DKK 200m that comprises unrealised losses and changes to expectation.

Now this leads us to our final slide, which shows the development in capital and capital repatriation. Stine, you commented on that briefly. But we said on our Capital Markets Day in June that we would carry on also a buybacks programme for the first time since

our listing. What is shown on this final page is that when we've had a result post tax of a little below DKK 2.3bn, we need DKK 450m for additional capital requirements, both in terms of growth but also in terms of changes to the total equity. We have an ordinary dividend of a bit more than DKK 1.1bn. Then as Stine mentioned, a total buyback of DKK 1.4bn which is consistent of a both ordinary share and then more extraordinary component which is the implementation of the new raising model from S&P and then the changes where we have included our methodology, and the Danish has the same methodology of doing discounting, so a total capital repatriation of 113% of which the ordinary part is 80%.

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#### Stine Bosse – TrygVesta, CEO

Then we have to go back to...

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#### Morten Hübbe – TrygVesta, CFO

Yes, I think we skipped a slide, Stine.

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#### Stine Bosse – TrygVesta, CEO

We skipped a slide, the last minute change that is on here. Now if you turn back to slide no. 9, as we promised all last year and even on the Capital Markets Day I think also you questioned it: When are you going to revisit your medium-term guidance? We said at the latest with the full year report, so here they are. We have even with the slightly increase of competition with a growth profile that we can see of our business with all the efficiency things that we have initiatives that are in our plans, the claims development and so on and so forth, we can now see that we can actually lower the expectations for combined ratio to now 89 to 91 and we can also change our expectations for return on equity after tax to now 21 to 23. That is after having done careful studies on all the market conditions and of course also the different developments in our own books.

I think that finalises our presentations and we're ready to answer your questions. Thank you.

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## **Operator**

*Operator instructions.*

*Matti Ahokas from Handelsbanken is online with a question.*

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## **Matti Ahokas - Handelsbanken**

Yes, good afternoon. Matti Ahokas, Handelsbanken in Capital Markets. I have three questions, if I may. First of all, the 8% to 10% equity weight that you're now referring to in the mid-term, I kind of understood that when you brought it to down to 4% it was more of a kind of a structural reason. Why now kind of increase it or plan to increase it going forward? The second question would be on the medium-term as well. You kind of bring it down 2 percentage points and 1 percentage points on the discounting factor, but what's the remaining 1 percentage point? Is it more on a claims or a cost related? The third question is on the bond investment return, 4.7% sounds quite generous taking into account the interest rate scenario at the moment. Is this based on some kind of corporate bond exposure or some kind of other reason why the expected yield is so high? Thank you.

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## **Stine Bosse – TrygVesta, CEO**

I'll take the first one and then you can take the two second ones or the next ones. I think you should read it when we guide light it. When we went to do 4, it was from the point of view that we had, the work we had done during last year, and sort of the more overall work we had done, pointed out for us to be at the area of 8% to 10%. So when we took it down to 4, it was more of a case of an actual situation where we wanted to go very safe. It is not sort of on a mid-term view where we want to be. Why we have chosen to say this specifically is of course for all of you to understand the mid-term guidance on an actual basis.

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## **Matti Ahokas - Handelsbanken**

Sorry, if I may cut in there. Is this 8% to 10% based on any kind of more strict thinking or is just that what you feel is good or where does the figure implicitly come from?

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## **Stine Bosse – TrygVesta, CEO**

It comes from an internal discussion on where do we want to position ourselves, and this is of course back to how much capital is needed to have this 8% to 10% of equity and what do we believe is the right composition over time between equity, bonds and real estate. That is of course an ongoing debate, and I'm not saying that we have ended this because we need to discuss this repeatedly in the future. But I just wanted to comment on your specific question on: Why did you say 4? Four was not where our own methods and models took us. Our own methods and models took us 8% to 10%, but then we saw at the beginning of this year, and we still think that that was the best thing to do, that we're actually for this time of the circle wanted to take it down to 4. That's the explanation.

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## **Morten Hübbe – TrygVesta, CFO**

Regarding your second question, I see on the improvement to the mid-term on the combined ratio, you're right, so roughly half of that is due to the discounting but also that when you look at the other part that is comprised of both improvements to the claims and to the costs. I believe in the first couple of years of the mid-term, the main component of that improvement will be from claims, considering and following the trends that we've seen and we're quite comfortable with at the moment. But also when you look at costs, we see that we have significant initiatives in Norway. We've improved a lot of our processes that will help our cost in the coming period, still see higher cost ratios in Private & Commercial Norway than in Denmark. That will improve in the coming year. Also, as Stine showed, we have 2007 impact of 1.3% from our Finnish and Swedish operation. Over the next couple of years that impact will increase, so then we will start to see that decline again and having a positive impact to the cost ratio. So

overweight claims to begin with and then more to the cost side.

On the bond returns, it's clear that bond returns move all over the place at the moment. It was very high in the autumn, then it fell in the fourth quarter and then we're seeing significant falls again during the start of this year. You should of course see that when we look at bond returns, we have both the Danish portfolio and the Norwegian portfolio with a higher bond yield generally in the Norwegian markets than in Denmark. But no, there's no signal in there of doing large scale corporate bond investments nor starting to do investments in structured products which you know that we have not done in the past and will not do in the future either. You're of course right that during 2008, the bond yield can move all over the place, but we believe 4.7 including Norway is a reasonable assumption.

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#### **Matti Ahokas - Handelsbanken**

Great. Thanks.

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#### **Operator**

*Will Morgan from Goldman Sachs is now on line with a question.*

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#### **Will Morgan – Goldman Sachs**

Good afternoon. Yeah, it's Will Morgan at Goldman Sachs in London. I have a few questions if I may. The first one is just on the interest rate side of things. Relating actually to a combined ratio guidance because given the falling yields we've seen so far in 2008 that presumably is going to have an impact in terms of a raising claims ratio or at least rising pressure on the claims ratio. I just wondered if you could comment to what extent this has been factored in for your combined ratio guidance in 2008? The second question is again on the bond yields, and I know you've sort of addressed this in the answer to the last question, but I guess when I look at your book value split, how should we think about the way you guide for your investment return? Because if I look at let's say two-year type bond yields, we're only looking at about 3.7%

in Denmark maybe kind of bond in Norway is higher, I think maybe you have some Europe bonds, I don't know, but that's considerably lower. It seems very hard that I can blend it to get a rate that is up around the 4.7-type level. I understand that from a medium-term perspective rates do swing around a lot and it's hard for you to always be up to the minute in the guidance, but could we perhaps suggest that there is some downward pressure to your guidance; or at least if there isn't, if we could understand how you're thinking about it to help us reconcile the numbers? The final question just relates to Norway where obviously there's been a lot of talk about increases in rates coming through this year because of claim sensation, and that's encouraging that you're able to offset that, but could you give a sense of how you expect on the claim side that the claims ratio to develop from these price rises? Is this something we should see as actually improving your profitability or is it going to enable your claims ratio to remain constant given the kind of pressure we're seeing on the claims environment in Norway? Thanks.

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#### **Morten Hübbe – TrygVesta, CFO**

Good day to you also, Will. I think on your first two questions on interest rates, it's clear that the combined ratio in 2007 has been positively impacted by a higher interest rate and therefore higher discounting, whereas if we see lower discounting and lower rates in 2008 that could potentially negatively impact the combined ratio. We've made simulations that indicate that it could worsen, all other things equal, the combined ratio by roughly half a percentage point in 2008. We believe that the rest of our underlying business will be more than offsetting, more than not to offset that. But you're right that all other things equal that is a negative impact to 2008, but given the yields we have now and the impact of that to discounting, that is included in our guidance. But of our course, if yields change significantly more and fall a lot more, then of course that could have even more impact to the combined ratio than included. But as said, the yields up to now and the negative impact of that are included. In terms of the bond yield, there is not much more to put to that story. You're right that the Danish yield is

lower than that at the moment and the Norwegian significantly higher. You're right that when you look at the markets as they are now, there's a risk that yields will develop further downwards during 2008. Of course the question is how big a part of 2008 will that be the case, how will the first half be relative to the second half? But you're right that that could potentially be a negative impact. On the other hand, we've guided fairly conservatively in terms of returns on our real estate portfolio which has yielded 10% in 2007 and almost 15% in 2006. We have included here a valuation in 2008 on real estate which doesn't include rising up the value of these real estates. So there are various potential ups and downs in that calculation.

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### **Stine Bosse – TrygVesta, CEO**

I think on your last question on the claims inflation in Norway, and I think that the thing that we've done to the premiums in Norway are not going to decrease our combined ratio. It is very, very good. We have... We write good and profitable business in Norway, but it should be able to cater for the underlying claims inflation. So you shouldn't expect us to do not very good in Norway in the years to come. We will always make sure that the level that we see nowadays that we also predicted would be in the end of the 80s rather than in the beginning of the 80s, which we saw just a couple of years ago. In the end of the 80s that is going to be the sustainable level for our combined ratio; and you can also see if you compare it to our competitors, we are even with the growth that we now show, we are absolutely the best also in Norway on combined ratio.

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### **Morten Hübbe – TrygVesta, CFO**

Of course the big dark holes is what happens in the Norwegian construction sector because we showed a huge increase, 9%/10% in average repair of houses, which is of course significant impact to our combined ratio. We're starting to see a slight slowdown in the sales of houses and flats in Norway and we're hoping that that will also translate in the coming years into less pressure on the repair cost on houses and that could potentially be positive. But it is very

much too early to say when we will see that and to what extent. But it is potentially an upside over the coming year.

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### **Will Morgan – Goldman Sachs**

I'm throwing in another question, apologies for doing this, but if I look at ways you could offset rising interest rates and, sorry, falling interest rates and the pressure that would have on the combined ratio, the obvious one is your reserve releases. I guess I probably ask you this question every quarter and I get pretty much the same answer back, not that it's a bad one, but I suppose if we look at the trend on a quarterly basis, you are releasing increasing amounts as a percentage of that (inaudible) premium from your reserves and this you're doing at a time when claims inflation is running at quite high levels. Clearly you're adjusting pricing to some extent to reflect this, but I guess your pricing is becoming increasingly reflective of the kind of change in the claims environment as you see it. Now I understand that you always price your business conservatively and therefore we could expect some kind of sustained release on an ongoing basis. I'm just quite interested to know why you've actually seen it effectively come accelerated over the last number of quarters and should we be looking at the new kind of 4.5/5% like levels you're doing in recent quarters as being something that's quite sustainable for 2008? Because I guess every time there may be pressure on the investment result, (inaudible) pretty impressive release of reserves and I guess I'm just a little bit stumped to think about it going forward.

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### **Stine Bosse – TrygVesta, CEO**

Yeah, it's a very welcomed question, Will, even though you do put it forward every time. Now you have to look at our reserve policy to also sort of view the future, and we are equally careful today as we have been historically on the reserves that we actually do just now for the business that we write today. Having said that, there are areas of our books where we have seen that we were able to because of the underlying development especially in personal accidents in Denmark, we have seen a positive underlying development and that has given us

the possibility of actually releasing a bit more reserves this year. I think the accurate way to put it is that the range that we have communicated between is it three and, was it 2% and 4%, up to 4%, which is the level that you should sort of when you forecast us, that is the level to expect. Then sometimes you might see that it would be rather 2 than 4 and other times, as this recent year, you could see that it was even above 4. But that has had an extraordinary view put on top of it.

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### **Will Morgan – Goldman Sachs**

That's very helpful. Thank you.

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### **Operator**

*Rodney Alfvén from Cheuvreux is now on line with a question.*

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### **Rodney Alfvén – Cheuvreux**

Yes, thanks. Rodney here. I have a few questions. First of all, on the accounts to distribution policy, if I calculated correctly you will give dividends and buybacks of approximately 80% of the profit in ordinary buybacks and dividends. If I remembered correctly, you said that in your guidance before that it were to be 87%/88%, suggest why there was difference there. Secondly, when it comes to back to the run-off gains, I know this is difficult to forecast, but given the trends you've seen, because the last six months you have done some extra releases and given how the year has started, what's your feeling for 2008 when it comes to run-off gains? Is it still a very positive environment or is it more challenging. Then thirdly, when it comes to the corporate segment where you once again surprise on the (inaudible) when it comes to the premium growth, if you can elaborate what's happening there. Is it that the gaining market share is the favourable market and what's your feeling for 2008? Thank you.

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### **Morten Hübbe – TrygVesta, CFO**

Good afternoon to you as well, Rodney. You're right that when we did our second quarter and

third quarter, we expected the ordinary payout, so to speak, to be roughly 87%/88% and now the ordinary part of the 113% is roughly 80%. Of course that comprises both the ordinary growth and then other changes to our shareholder's equity. One of those is that when for instance we see drops in interest rates during the fourth quarter of 2007 then our Norwegian pension liability scheme becomes slightly higher than we anticipated in the third and the second quarter, which means that we then do adjustments to our shareholders' equity based on that. Also the tax treatment of our currency exposure when it comes to translating Norwegian equity and the currency hedge of that equity to DKK, they're treated non-parallel from a tax point of view. Those are two examples of areas where we do adjustments to the total shareholders' equity, which is not reflected in the result after tax. In this fourth quarter that has meant that the ordinary calculation of ordinary capital repatriation has a couple of negative from the shareholders' equity adjustments.

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### **Stine Bosse – TrygVesta, CEO**

On your second question on the run-off side, I don't think there's a lot to add to what I just answered, just that the bear fact that we hadn't seen any negative trends up till now and sort of no more social inflation than expected and so on and so forth. So there you can put your weights in probably the higher end of the 2% to 4%. But that is mentioning that it is a young year still, so be aware of that.

On the corporate lines, we of course, as it should always be, we see competition; we see some tendencies for newcomers to come in. We see Zurich now wanting to sort of start up their own book business in Denmark and Norway. But on an overall basis, we still see that there is a very, very good understanding amongst the companies in this possibly, especially in corporate area that you really do need to be careful with your underwriting. If you look at our, the number of large claims and the size of the large claims that we have actually done last year and that of course have an impact on our book, of course that is also studied carefully by people coming into this area with office for corporate business. So we don't see in any way that the rates are under

dramatic pressure. We see competition, as we always should, and of course we've also seen late last year some kind of debate on the rate, but nothing that should demand from us to guide you otherwise than we have just done.

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### **Rodney Alfven – Cheuvreux**

May I just add one short question also regarding, there seems to be some kind of fight between Tryg's shareholders and TrygVesta foundation. If you just can shed some light there because it seems like the foundation that their million policyholders want DKK 28,000 each as some kind of settlement, if you can just elaborate about that.

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### **Stine Bosse – TrygVesta, CEO**

The 60% shareholder of TrygVesta is an entity that could be compared to a foundation. The court Tryg i Danmark, which of course make things a bit difficult to explain, but they are completely different entity. If this entity was ever to be completely, what do you call it, dissolved, the money that that would result in would go back or go to the policyholders of Denmark. That would be the policyholders of some time in the year or whenever. It's not a historical policy ownership or anything like that. That is the debate; and if that happened, I mean TrygVesta would still be listed. You would be their shareholders. The thing that would be impacted would be Tryg in Denmark, the 60% shareholder, and they would have to find out whether they wanted to sell their shares and give cash back to somebody or give shares or whatever model. Now this is not true. This is all ideas in some people's minds and there is a law case coming on, on the issue, but it shouldn't be anything that should disturb you. It has nothing to do in that fact with TrygVesta. It is something that has to do with 60% owner of TrygVesta.

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### **Rodney Alfven – Cheuvreux**

Thanks very much for that.

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### **Stine Bosse – TrygVesta, CEO**

You're welcome.

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### **Operator**

*Jesper Brydesholt from Kautphing is online with a question.*

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### **Jesper Brydesholt – Kaupthing**

Yes, hello, good afternoon. I have a couple of questions, some related to the capital side where you changed the model. Is there any more capital releases to be expected in the first quarter '08 from other changed interest rate principal on the annuities and the workers compensation pool or from the reduced equity portfolio generally which is not included now but that will be included later in the capital requirements so there could be some more releases from this or is there any kind of other things that has taken place here in the first quarter that we will see situated in the first quarter results on the capital model? That's one thing. The second thing is there any kind of inclusion in the 2008 guidance from potential changed interest rate on these annuities that we have or you have talked about previously that could take place? That's on the capital side. Then this on the premium growth side, it still looks that your premium growth in Denmark on a sequential basis is very, very low, about close to 0% and in the Danish corporate operations you also see some declines from third quarter to the fourth quarter. Could you explain what is going on there? Thank you.

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### **Morten Hübbe – TrygVesta, CFO**

Could you repeat your last question, Jesper, thanks...

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### **Jesper Brydesholt – Kaupthing**

Yeah, that's related to premium growth in Denmark both in the private commercial part but also the corporate part that we can derive

from your numbers, it seems that your sequential growth from third quarter to fourth quarter in the P&C part in Denmark is 0% and in the corporate part it's actually declined from third to fourth quarter in premiums.

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**Morten Hübbe – TrygVesta, CFO**

If we take your first questions on the capital side, what we actually have done regarding your question on annuities is that during the fourth quarter of 2007, we changed from fixed rate discounting on annuities to variable interest rates on annuities, which has meant a rather small adjustment to the total result because the swap from one to the other was almost neutral. On the other hand, when we look at 2008, we will have a longer duration bond portfolio due to the fact that the duration of the liabilities increases with this higher level of gross insurance liabilities. So in effect you can say that the impact of that has effected both 2007 and the outlook for 2008.

Your question on whether or not Q1 will have changes to the capital based on the equity exposure, we've mentioned in our mid-term guidance that we expect to return to 8% to 10% equity exposure, which also means that we will not be releasing capital based on this rather temporarily low level of equity exposure of 4%. I think that addresses your questions on the capital side on the annuities.

When we look at the fourth quarter growth, you can say that we've had a particularly strong growth in the Norwegian corporate segment, but your question was on the Danish corporate segment and the Danish Private & Commercial. We've had a growth of the Danish Private & Commercial business of 2.4% in the fourth quarter, so I'm not sure I really grasp your question there. We've had a total growth for the full year in Private & Commercial of 1.6%, so the fourth quarter growth of 2.4% actually increases the total annual growth and you can compare that to a growth in the fourth quarter last year, or sorry, 2006 of only 0.1 percentage points, so rather positive growth there, so I think your question indicates the opposite. When it comes to Corporate, our total fourth quarter growth was 8.6%. You're right that that was the majority of that was from Norway, but also there we had a

significant positive growth from Corporate Denmark. So I'm not really sure that I follow your line of questioning.

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**Jesper Brydesholt – Kaupthing**

Okay, my question is really that if I compare your fourth quarter premium in P&C Denmark and in Corporate Denmark with the third quarter from 2007, then it seems totally flattish in the P&C Danish part and it seems to be coming down a little bit in the Danish Corporate part. Just whether that is just some fluctuating technicalities or you're losing a little bit of customers or you can explain what's going on here.

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**Morten Hübbe – TrygVesta, CFO**

It's not a year-on-year comparison, it's...

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**Jesper Brydesholt – Kaupthing**

No, it's quarter-on-quarter.

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**Morten Hübbe – TrygVesta, CFO**

I think what you can see that if you look through the years quarter-on-quarter, there is quite a lot of variability or fluctuation between the quarters. One of the significant impacts has been the way in which we look at discounts or premium discounts or rebates in the book because those are rather large throughout the year. Depending on which, how we book it in each quarter that can then impact each of the quarters. I would say that a year-on-year quarterly comparison is more, includes more information than a quarter-to-quarter comparison. I would be hesitant to put too much focus on that.

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**Jesper Brydesholt – Kaupthing**

Thank you.

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**Operator**

*Anders Hornbak from Carnegie is now online with a question.*

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**Anders Hornbak – Carnegie**

Hello, it's Anders Hornbak from Carnegie in Copenhagen. Basically the same questions that have been answered once. Stine, on reserve releases, could you just confirm that you're, are you as happy with your overall reserving at year-end '07 as you were in '06, meaning you've not been winding down excess reserves? My second question goes also to the investment return, if you just could bridge the announcement in January where you told us you had equity losses around DKK 200m, since then the markets have rebounded then, now and you're talking about DKK 400m in equity losses compared to what your guidance usually would include. If you just could clarify that part. Thank you.

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**Stine Bosse – TrygVesta, CEO**

Yes, hello, Anders. First of all, yes, I am equally happy and I have equally peace of mind with the reserve levels in 2007 as I had in 2006, so that is clear yes.

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**Morten Hübbe –TrygVesta, CFO**

I think we might add, Anders, that when we have a duration of not much more than two years, I think that that it would be a very short-term strategy to wind the portfolio down a lot; although, the situation is of course now increasing with the annuities.

Your second question on the bridge, you're right that we announced DKK 200m realised loss on the 2.3bn of equities that was sold. But that was the realised loss on the equities sold only. Then of course we had 1.8bn left of equities, which had an unrealised loss and the total of that including the, not only the actual loss but the deviation to expected gain was a total of DKK 400m. So that is the bridge between the two.

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**Anders Hornbak – Carnegie**

Thank you.

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**Operator**

*Giulia Raffo from Citigroup is online with a question.*

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**Giulia Raffo - Citigroup**

Thank you very much. I actually have four questions. The first one is on page 47 of the Account, you showed the impact of an increase in interest rates of 1 percentage point. I was wondering if you could give us some sort of indication for what would be the impact of decrease in order that we can have a feel, if your risk is up pretty much symmetric, which I think is the case. The second question is on page 38, when you comment on the new guidance you talk about your new profit outlook comprising a stronger technical result. Are you referring to the outlook versus the one you gave on Q3? Then my final question is if I look on page 130 when you show the triangles, if I add up I come up with a negative per year of about 290 on a gross basis and of about 239 on a net basis and I was wondering how this tied up with the DKK 720m net positive prior year that you put through the P&L. Thank you very much.

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**Morten Hübbe – TrygVesta, CFO**

I'll take the first and the final question. Your question on page 47, Julia, where you talk about how it's impact, if we had a reduction in interest rates, then it is very close to being symmetric. So for your assumptions, you can assume roughly the same number as illustrated here with the interest rate increase.

When it comes to your final question on page 130, you're completely right that it looks rather strange that the final number in the triangle indicates a run-off loss. We have written somewhere that what you should be aware of is that we have changed the annuity reserves in the fourth quarter and the annuity reserves

prior to that change was that we showed only the net number after an implicit discounting. During the fourth quarter, we have changed that from implicit discounting with a fixed rate to a variable discounting of the full gross reserve number, which means that when you have the old implicit net numbers of annuities in the rest of the triangle, then you add a gross number with variable discounting afterwards. In the final part of the triangle, then it looks like that the reserve growth and it looks like you have a run-off loss. So it is slightly blurred by this change to annuities and that is the reason for that sort of slight fall out in the immediate logic.

I think your last question was on page 38, whether the description of the strong technical results is changed to Q3 or changed to something else, and I think as Stine indicated, we have used parts of the autumn looking into also what would happen in the medium-term. Yes, we are more comfortable with the development in our technical results than we were at that point in time and that is also why we have improved our mid-term guidance. But I guess what this one page says is that regardless of equity returns in '08 or not our same technical guidance stand up, which is that our technical result before run-offs will increase by 6% in 2008, which is a good increase and which we still expect before run-offs.

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### **Stine Bosse – TrygVesta, CEO**

Could I then just add, Julia, thank you very much for already having read through the Annual Report in such depth. Sometimes when a lot of people spend a lot of time on doing this, we do think how much it's used, so thank you very much for that.

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### **Morten Hübbe – TrygVesta, CFO**

If you need more bridging on the triangles, please call investor relations and they can give you the numbers on this classification of annuities.

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### **Stine Bosse – TrygVesta, CEO**

Did we answer your third question accurately?

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### **Giulia Raffo – Citigroup**

Yes, yes, I just, the annuity bit, it would be great if you repeat it one more time. Sorry for that, it's just very complicated.

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### **Morten Hübbe – TrygVesta, CFO**

Let me try. I think you can say that the general principal of our reserves is that we have a gross reserve and then we discount based on market interest rates, which are variable. Then we've had until and including the third quarter of 2007 one type of claims reserves where that were not the case and that was annuity. Annuity was until the fourth quarter treated with a net claims reserve instead of having a larger gross claims reserves and then a variable rate discounting. We changed that during the fourth quarter which effectively means that if we increased the gross reserves for annuities significantly and then we also used variable rate discounting which then again increased the discounting. So the total net number at the end of the day was the same, but it means that when you put that classification on increase of the gross reserve, when you put that into a triangle, then that blurs the historical picture slightly. If you want more details on the classification, you're quite welcome to call us and we can give you that.

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### **Giulia Raffo – Citigroup**

Thank you very much.

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### **Operator**

*Ben Cohen from UBS is now online with a question.*

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**Ben Cohen - UBS**

Oh hi. I might've missed this right at the start of the call, but could you just say something about the outlook for the motor market in Denmark given the sort of the increase in frequency in claims' costs and there was some comments I think in the Annual Report about some price reductions that you have put through, what you see your competitors doing and how much do you think you need to raise prices now?

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**Stine Bosse – TrygVesta, CEO**

Thank you very much. Yes, what we have said is that we have, as others, lowered priced during 2006 and 2007 in private cars in Denmark. We've done that on the basis of very, very strong technical results, and you can see that actually also in this Annual Report that the earnings from motor in Denmark are historically good. Now having said that, we have seen some competitors but only one of the larger excess in Denmark acting very aggressively on price as a competition issue and what we also say is that we are not going to participate in that. We don't see any reason to actually increase premiums. We still feel we have a very good grip of the earnings of this product. You can also see that in the results of 2007 and we are very assured, we feel very assured that this is going to also be the case for 2006, even with the slight or the visible increase in average claims and frequency. But what we say is that we're not going to go forward with any kind of price competition and we will let that happen with one of our competitors who seem to be very keen on that, and especially we think that the fact that nobody nowadays can lean on the investment income that is good news for people like us who actually want to compete not on price but on quality. So really I think the story is that the increasing frequency and average claim for motor in Denmark is going to not takeover completely competition, because that will never happen, but it's going to decrease the appetite for price competition that we have seen some attempts for in 2007.

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**Ben Cohen – UBS**

You would still expect to see market share in 2008 in private motor?

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**Stine Bosse – TrygVesta, CEO**

That we will increase market share?

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**Ben Cohen – UBS**

No, lose market share.

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**Stine Bosse – TrygVesta, CEO**

I think we are going to see that we will keep the market share that we have in 2007, yeah.

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**Ben Cohen – UBS**

Thanks.

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**Operator**

*Simon Christensen from SEB Enskilda is online with a question.*

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**Simon Christensen – SEB Enskilda**

Yes, hi. Simon from Enskilda in Copenhagen. I got a couple of questions just relating to your investment allocation. You now have focus on equity, allocated to equities but see 8% to 10% or some point of time, when is this... How long is this transition period going to take, i.e., also when we're going to have to reduce our tax rate again from the 25% you guide forgoing? Also, on the property gains in Q4, I can see you book a rather large gain as you did in Q4 of '06 as well. What is your methodology here? That was it for me.

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**Stine Bosse – TrygVesta, CEO**

Let me take the first question, Simon. I think you should expect us to time this at the best of

what we can see. If we see the volatility of the equity market stay in the area that we have seen for the last six/seven months, there might be some time where we stay with the position of 4%. If we see markets coming back to a much more stable level within the next say 6/8 months, you might see us take on a bit more equity again. We will of course keep you adequately up to date on this issue. But when you predict us, I think you should predict that what we forecast here is that we remain with a 4% for the full year; and I think if you want to take any higher bets than we do in this issue, that's up to you. But I think we try to guide you according with what we think just at this moment.

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### **Morten Hübbe – TrygVesta, CFO**

I think on your second question, Simon, you're right that we had a property gain in the fourth quarter, and we realised a gain of DKK 103m. Our methodology is that of course the majority of the earnings on the real estate portfolio are a day-to-day running of that business. Then of course once a year we assess changes to the market value of the portfolio and that is of course we can be either very aggressive or slightly conservative in that, particularly in Norway in the Oslo region, we have a very red hot environment for renting out commercial real estate at the moment where, for example, real estate that we had trouble renting out at DKK 1,200 per square meter per year a year ago we can rent out not at DKK 2,000 per square meter per year. Of course you let that flow completely into the adjustment of the market value of that property, you can see significant write-ups. But we also see that as an unsustainable level. So making the assessment of adjustments to the right market value level is something we do once a year and that is why you see that both in the fourth quarter of '07 and '06. That is an assessment we will make again in the fourth quarter of 2008 and we will see where that leads us.

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### **Stine Bosse – TrygVesta, CEO**

Morten, did you want to add to anything to the question on the 4% equity?

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### **Morten Hübbe – TrygVesta, CFO**

No, I think that you're completely right that we of course were dreading what could be the effect if we saw actual recession in the U.S. and how that could impact us, and I think that you're right to be conservative and assume 4% and then, as you said, during the year probably will go up. But of course we will keep you informed.

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### **Stine Bosse – TrygVesta, CEO**

Then I think we will take the final question.

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### **Operator**

*Gianandrea Roberti from Danske Markets is online with a question.*

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### **Gianandrea Roberti – Danske Markets**

Yes, hi. Actually I have three small questions. One is on the S&P Capital model, I think the asset moved from 5% to 6.5%, and I was wondering what's behind that, if you haven't answered already or I missed it. The second one: When you show the frequency on average cost of claims, particularly in Denmark, the frequency it's shooting up while we have the opposite in Norway. Would it be correct to assume that I mean you have much more room to leverage on the average of cost of claims but when the frequency move up it's signalling in some more (inaudible) trend when you can do less to offset that? Finally on disclosure, one of our closest peers here published since last year the claims are served business line and the run-off gains by business line. I haven't been through the full Annual Report but I don't think you're still doing that. Can you just offer some comment on that if you have some thoughts on doing it. Thanks.

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### **Morten Hübbe – TrygVesta**

I think on your first question, Gianandrea, you're right that the asset charge has moved

up and what we have done of course is we've implemented a new model from S&P and the new model from S&P has lots of changes in there. One of them of course is that there's a higher charge for equities in that model, but generally we've had a lot of moving around from the old model to the new model, including for instance treating the annuity business as life business. So to look through the document we have on our Web page on capital, there's a rather lengthy description of that and there you can see some of the changes made. But you're right that there's an increase in the asset charge.

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### **Stine Bosse – TrygVesta, CEO**

Let me take the question on the run-off per business line. Yes, we have seen one competitor show that but only one, and we're not going to share that knowledge with you at this time.

On your second question, on the frequency being worse than the development in average claims, because there's less for us to do. That is absolutely correct. The combination is something to watch. But you're absolutely right, on the average claims there are much more handles for us to turn than the development frequency and that is of course the most disturbing part of it.

So thank you very much for very good questions. Thank you very much for attending and we look forward to seeing you again soon, either personally or on the web cam with the first quarter results. Thank you very much.