



Conference call transcript

Full-year 2006

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Presentation – 2006 highlights

Corporate participants

Stine Bosse
TrygVesta – CEO

Morten Hübbe

Conference call participants

Ben Cohen
UBS

Anders Hornbak
Carnegie

Jesper Brydesholt
SEB Enskilda

Duncan Russell
Fox Pit Kelton

Gianandrea Roberti
Danske Equities

Rodney Alfven
Chevreux

Jan Eric Gjerland
ABG

Stine Bosse – TrygVesta, CEO

Good afternoon and welcome to this web cast and conference call on TrygVesta's full year 2006 results. My name is Stine Bosse. I am the CEO of TrygVesta and with me here this afternoon I have the CFO, Morten Hübbe, and I have head of Investor Relations, Ole Soeberg, with me.

Let's turn to Slide 1; the highlights of 2006. First of all, a growth in profits before tax of 34%, a dividend of DKK 33 per share translates into a payout ratio of 70% and it is aligned with what we have said since the listing of the Company that we will not sit with excess capital; the payout ratio shows that. A growth of 2%, but before bonus it's a growth of 2.3%; and I will return to the growth issue as we go along with the presentation. Combined ratio; an all-time low of 87.8, still better than last year. Total profits before tax of DKK 3.9bn, as you can remember, a lot better than we expected from the beginning of the year. A very good momentum in our sales in Norway and also a very good and strong performance in both Finland and Sweden selling more than 10,000 new policies a month. We have also a high level still of innovation presenting lots of new features to our customers.

On Slide 3, you can see also Q4 presented a very strong quarter, both on the technical result and on investment income; and I think it is obvious here to mention that we came out to the market just after the closing of Q4 and being a very strong quarter felt that we needed to give you that piece of information. The full year, of course, showing a profit for the period of DKK 3.2bn, up 53.1% since last year and that is profit after tax.

On Slide 4, I would like to point out to you the fact that we have seen more competition and that is on the growth issue. On the top left on the slide, we have seen more competition both in Denmark and in Norway. We have done price adjustments during the year, which we have also communicated. These price adjustments give us a very strong position going into 2007 because we have done what we need to do giving us a very strong position

towards our competitors. Pointing out to you also on the expense side that we have reduced the ratio with 0.1 on a yearly basis and we have done so also this time and please pay attention to the fact that development costs for Sweden and for the commercial part of Finland are included in these figures and they translate into 0.6 percentage points of the total.

Turning into Slide 5, you can see the drivers of the premium development, mainly being corporate business but also now showing up Finland and Sweden and, of course, here we have had a negative development in our premiums in Private & Commercial Norway. That is due to the price changes along the year and, of course, these adjustments have given us a very good and strong position in the second half of 2006 and also going into this year of course.

On Slide 6, you can see the technical results and the drivers and developments since last year and the main contributor to the very strong technical results and development of technical result is our corporate book and the Private & Commercial Norway here is showing a negative. There you should bear in mind that we come from a very, very low combined ratio in 2005 in Private & Commercial Norway.

Turning to Slide 7, just pointing out to you still a very good balance book both in segments and products and also, of course, in the three main business areas and now Finland showing up with just 1% of the total book.

Turning on to Slide 8. If you look at the right at the bottom of the slide you can see that the three business areas now all participate in the very same range by technical result. The very good development in both Private & Commercial, and especially in Corporate should be mentioned, but also just pointing out to you that still Private & Commercial Norway is at a very high level and all three business areas, as mentioned, developing very well. The balance also in geography shown on the right on this slide is also worth noticing and all three major business areas are below 88 in combined ratio.

Average claims in both Denmark and Norway we have illustrated with a small car and a small house so nobody should be in doubt. A slight increase in frequency in Denmark in cars,

mainly driven by two factors. One is a development in theft and burglary in cars and second also a higher frequency but on small claims; small bumps in the cars, not the large claims. In house you can see a flat development, nothing to worry about here. On the other hand, if we look at the average claims still in Denmark on the left side of the slide you can see a decrease still in average claims in motor. That is due to less personal injury claims, again, but on the other hand the development in house is very negatively impacted by the fact of less repairman and that of course affects the price on these claims.

In Norway, decrease in frequency in motor driven by two facts, very modern and very new car portfolio in Norway, but also the fact that many families actually have three cars which takes down, of course, the average mileage and the frequency per car. Increase on house, nothing to worry about. On the other hand, if you look at the average claim, it increased both in motor and especially in house, in house driven by the same factors as in Denmark and in motor driven mainly by the fact that the newer cars are more expensive to repair.

On Slide 10, a few comments: You can see that in these results we actually carry quite large amounts of large claims and we also carry quite large amounts of weather related claims, so there is no way that we can say that it has been especially favourable year by weather or by large claims. That is what we should actually be able to cater for in our books. If you look at the bottom of this slide, you can see the run-off gain and it could be the case also for the years to come, as you will see run-off gains in this area size-wise, but we can never look away from the fact that we could have unforeseen court awards or new legislation, which can have an impact on our run-off position.

Turning to Slide 11, the growth in Finland especially has been interesting with a growth of 41.4%, now building up to a premium of close to 200 million. The expense ratio has come down to 32%, if we look away from the development of costs for commercial, you can see that it is a very profitable book with a claims ratio of 78.3. 80,000 new policies sold in 2006 and with a very interesting growth potential, of course, also with commercial now

being on the market sold by our self and Nordea in combination.

For Sweden on Slide 12, I would like to point out to you - and this is the first time that we've disclosed these figures - that we during the second half year because we've only been active in Sweden for six months, we sold 26,500 new policies and we have now 13,000 customers. Also, just if you view the lines on this figure, you can see that the number or the sales position, the activities around sales and sold policies, is now above what we did in Finland after three years. So we have actually have had a much better starting position in Sweden than we did in Finland. If we put Sweden and Finland together, as mentioned, we now sell more than 10,000 new policies monthly, which, of course, on a yearly basis translate into more than 100,000 new policies.

Over to you, Morten.

Morten Hübbe – TrygVesta, CFO

Thank you, Stine. If we turn to our mature business segments starting from Slide 14, you can see that in Private & Commercial Denmark we have improved our combined ratio to a level of 87.9 despite DKK 109m of weather related claims in August and November. We have had an increase of our technical result by 30% or roughly DKK 230m in this segment and we have delivered a top line growth of 3% before bonus. Now particularly in our motor book we have had significant improvements in our pricing and risk selection during the last 1½ years and in that process we have seen that a number of our younger customers have chosen to move to smaller insurance companies whereas the more mature customers have increased in numbers.

Now if we look at our claims development, as Stine mentioned, it has been negatively influenced by the fact that our claims frequency has gone up whereas a reduction in average claims has continued in 2007. If you look at our costs, we have seen a continuation of a very good downwards trend also in 2006.

If we move to Slide 15, in Private & Commercial Norway we've seen a more normalised level of combined ratio at a level of 86% in 2006, but we should point you to the

fact that particularly Q4 and in this area with a combined ratio of 81.56 or almost 5 percentage points better than Q4 last year. Gross premium, as Stine mentioned, is down 2.7% for this area. But we have during the autumn of 2006 adjusted premiums particularly for our core customers with many products with us. What we have seen is very comforting for the future top line growth of this business segment. We've seen an improved renewal rate and we've seen a very strong improvement in the sales of new policies also in the autumn. We've seen for the full year 13,000 more policies than the year before and off those more than 20,000 new policies in the second half of 2006. Now we've seen increases in the average claims both in motor and in house in particular. We are working hard to insure that we can put a stop to the upwards trend in the size of the house claims, very much in parallel to initiatives we've taken in Denmark.

Now if we look at costs, we have had a flat development in our cost ratio and we are quite pleased with that considering the slight decrease in top line and also you'll be able to see that our nominal cost has actually decreased in numbers compared to 2005.

If we turn to our corporate segment on Slide 16, this is the business area that had the strongest improvement in 2006. You can actually see that our technical result has improved by more than 80% during 2006 and we're now at a combined ratio of 86.9%, which is the lowest we've had in the corporate segment. We've had a growth rate of 5.5% in this business area. It has been largely driven out of Denmark, but also we've seen a turn in the trend in our Norwegian corporate business where previous years has had a negative growth and now in 2006 we've seen a positive growth rate. Now the positive results in corporate has not happened due to low numbers of large claims. On the contrary, as you mentioned Stine, actually DKK 501m for large claims is 9.3 percentage points of the combined ratio. Costs are again down this year by 0.4 percentage points and actually we see also in the future an ability to further reduce costs and improve customer service through an increased focus on self-service for the corporate segment.

Now if we turn to our investment results on Slide 17, you can see that we've had a total return of 5.8% compared to 5.5% the year before and that results in an increase in investment results of equity returns of around 20% has helped the total return, but also an unusually high return on our real estate portfolio has affected results positively. We believe that equity results are in line with the market; particularly 25% return in Danish equities, 35% in Norwegian equities has been strong. But the 15% in our real estate portfolio has to do with a good portfolio and then a conservative upwards adjustment of DKK 180m in the market value of our real estate portfolio.

Now if we turn to our financial outlook on Slide 18. We expect to have a top line growth of 3% next year, which is supported by the strong second half development in Private & Commercial Denmark and Norway and the strong full year development of 2006 in corporate segment. If you look at our technical results, we give the forecast of a bit more than DKK 2bn and a combined ratio of 91 before potential run-off. Now if you compare that to the development in 2006 with a combined ratio of 87.8, you need to take into account, as you mentioned Stine, the fact that 2006 was affected by run-off gains whereas we assumed zero run-off gains for the next year of 2007. But actually the combined ratio of 2006 before run-offs was 90.1 and what we're forecasting for 2007 is 91, so all-in-all a level which is very comparable to 2006. You also see a lower forecasted investment income, but also you might say that we're slightly conservative when we forecast a 7% return on equities, 3.9 on bonds and just below 7% on real estate. What you might also say in this outlook when you start to compare it to our peers is that it gives us a slightly higher combined ratio and a slightly higher technical interest than our Danish competitors and during 2007 we expect to change that which is going to lower our combined ratio outlook slightly, but we will return to that in Q1 2007.

Turning to capital on Slide 19, you can see that our equity is up to 10, almost DKK 10bn before dividends. You can see that hybrid debt is now 10% of the total capital base and you can see that our credit lines are unchanged compared to last year. When you look at the capital to

premium, you see that it's slightly larger than last year of 57.6 and also slightly larger than our target of 52% to 56%, which has to do with the increased investment exposure due to the increase in equity and in real estate, but also to model changes in the capital model, which I'll return to if you turn to Slide 20.

On Slide 20 you can see that looking at the S&P model we've slightly reduced our car ratio to 128% including our dividend. What you should pay attention to, and which is described in more detail on our web page, is the fact that our capital model this year has been affected by three important factors. One is that the increased investment exposure, as I mentioned, in shares and real estate has increased the requirement in the car ratio by 2.8 percentage points. S&P has introduced a new 250-year event requirement in the model, which increases the car requirement by 4.2% and also they've changed the use of discounting in the model, increasing the car requirement by 5.9%. Now the 250-year event will also be there for 2007. The investment exposure will be gradually taken down again given positive influence for 2007 dividends, but also it is our expectation that we will be able to change discounting again in '07 affecting positive the dividends for '07.

If we turn to Slide 21, just to summarise on dividends. We're quite pleased to be able to increase our dividend payout from last year, DKK 1.4bn to this year just about DKK 2.2bn, which is actually an increase in the dividend payout of 57% and a payout ratio, as you mentioned Stine, of 70% of the post tax earnings. Now if you use the end of year share price of DKK 431.5 that corresponds to a yield of 7.6% and in our opinion that confirms our very strong commitment to distribute capital to our shareholders. But as I mentioned, please observe that on our web page you can read several more descriptions about the development in capital and dividend.

Over to you, Stine.

Stine Bosse – TrygVesta, CEO

Thank you very much Morten. Just wrapping up, we feel very comfortable going into this year. The adjustments that we have done to prices makes us feel comfortable towards the

situation of competition and also we feel comfortable that we will be able to show both interesting growth from old markets and especially also from our new markets and of course also and always based on high profitability.

Now over to questions. Thank you.

Operator

Operator instructions.

Ben Cohen from UBS is now on line with a question.

Ben Cohen - UBS

Oh, hello, good afternoon. Can I just ask two things? Firstly, I think you mentioned that, your guidance is excluding run-off gains, but that there was some commentary that the outlook for motor gains is still pretty positive. I mean what likelihood would you put that to be sort of further run-off gains going forward? Could you maybe just give us a bit more detail as to what is happening with the trends that's allowing those releases?

Secondly, in terms of the pricing environment, at the moment, would you say that since the year-end competition has been getting tougher in the markets or is it pretty much as you were at Q3? Thanks.

Stine Bosse – TrygVesta, CEO

I didn't get your question. Could you repeat that?

Ben Cohen - UBS

It was really just on pricing competition. I know you made some mention that you had reduced your price there in Norway, but just generally where we are now is to say where we were when you last communicated to market?

Stine Bosse – TrygVesta, CEO

Thank you. Morten, would you take the first question? I will take the second half.

Morten Hübbe – TrygVesta, CFO

Now if you look at the run-off gain of DKK 423m before or grasp before the insurance in 2006 that corresponds to 2.6 percentage points of the combined ratio. Now what we see is that that development in run-off is a combination of a positive run-off development in motor, in property, in liability and a negative development in run-off in workers comp. That is very much similar to the picture that we saw in 2005 and when we look at the future it is a very likely picture to be seen also in the coming years. What we do say however is that, for instance, in 2004 we saw two new call awards which gave run-off losses of DKK 275m. Now we're not able to predict in which years they occur. But we do see that we have a higher likelihood of run-off gains in 2007 than of zero or negative run-off gains and I would say that 2005 and 2006 we are seeing very much the same pattern of run-off and that is also from our point of view a picture of what the future might look like.

Stine Bosse – TrygVesta, CEO

On the pricing issue, I think that we have seen last year increasing competition. We did in Denmark and in Norway adjust to that. We have seen competitors wait a bit further last year to do their adjustments and that is why I say I feel comfortable on these issues looking into this running year. I think that we have adjusted from also risk based fairness dues and we feel comfortable towards the situation of competition; and we have not seen to the yearend, especially in Q4, things being more price competitive than during the full year.

Ben Cohen - UBS

Thank you very much.

Operator

Anders Hornbak from Carnegie is now on line with a question.

Anders Hornbak – Carnegie

Yes, hello. It's Anders Hoandak from Carnegie in Copenhagen. Two questions and congratulations with the result:

P&C Denmark I understand it is affected by bonus payments to clients in Q4. If you shed some light on the usual run rate and what's the reason for the lagging Danish division and secondly, if you could give us some flavor on the corporate lines. Is the corporate technical profit of DKK 853m, how much is that affected by reserve releases? If you could give a kind of split of the reserve releases on the various divisions. Thank you.

Stine Bosse – TrygVesta, CEO

Yes, let me answer your first question, Anders, and thank you for your congratulations. In the Private & Commercial Denmark there are groups, affinity groups, where part of the arrangement with these groups is that when the technical results are very good, they are actually, and this is a premium issue, and also for obvious reasons that is at the end of the day from a bottom line perspective a very good idea, but of course in years like this it can be a bit more painful for the top line growth. But at the end of the day it is the bottom line that brings us butter on the bread.

Morten Hübbe – TrygVesta, CFO

Returning to, Anders, to your question about to what extent is the improved result in corporate affected by run-off gains: You can say that we've had a run-off gain of DKK 170m in the property segment which is predominately corporate, but our run-off loss of DKK 140m in the workers comp. segment is also predominately corporate. Then of course the positive development in motor also affects corporate positively. But in total, I would say in the region of DKK 100m is positive run-off development in the corporate segment and from that you can conclude that the improvement is not driven mainly by run-off changes. We also have positive run-off development in the corporate segment last year.

Anders Hornbak – Carnegie

Thank you.

Operator

Jesper Brydesholt from SEB Enskilda is now on line with a question.

Jesper Brydesholt – SEB Enskilda

Yes, hello. I have a couple of questions here. One is relating to your own ratio guidance, if you just give us a little more insight to where you expect the deterioration of that ratio from a comparable rate from 90% last year to 91%. You are saying that Norway is a normalised level and if you exclude one-off in Denmark, P&C Denmark is also around 90% and it seems that your expense ratio should also be hitting down. So is it the new market or is it increased competition that is taking down a little light on that?

Secondly, just are you considering still keeping your payment in terms of the dividends now that there's also a tax reform in Denmark pointing to perhaps share buybacks or is that any kind of consideration and what could that be?

Lastly, on your capital model, which you mentioned was about 52% to 56% of premiums. Should we expect that to come down after these changes in 2007 so we're back into that territory or should we maybe go after something, which is slightly below the 130% car ratio? Thank you.

Stine Bosse – TrygVesta, CEO

You can take the first and last one; I'll take the middle one.

Morten Hübbe – TrygVesta, CFO

If we look at the first question, Jesper, about that, 2006, sorry to 91 in '07, what we are looking at for '07 is the fact that the upwards trend in average claims on house in Denmark

and Norway and also the development, the upwards pressure on repairs in motor due to the fact that there's too little start out there of repair claims. So when we make our forecast for the full year of '07, we're quite conservative and maybe slightly too conservative in assuming an upwards claims inflation in average claims simply because we see that there's pressure on the number of employees and their buy on pricing. I think you can also say that we have increased slightly our assumptions as to large claims and to weather related claims and then I would say that we're always slightly on the conservative side with some of the price adjustment done in 2006 accounting-wise only has the full effect in 2007, but not withstanding that I would believe that there's a slightly and aspect of caution within that one percentage point but very comparable to 2006.

Jesper Brydensholt – SEB Enskilda

Thank you. I just had one single more question then that's it. It's merely because of this claims development, a various claims development we had in Q1 '07 was 56, fairly large claims, although less than a big storm of course, but it is also seen that you and I think it was Topdanmark after the cloud burst and now the heavy snowfall last week without saying that you would actually cover more claims now in the policies than you have done before, cleaning up all the restrictions in the policies, but that might have a negative impact on comp. and ratio. Could you just give some insight into how much that would impact comp. and ratio than when you clean up the policies for these restrictions?

Stine Bosse – TrygVesta, CEO

I think if we stick to the truth here, Jesper, is that in these areas it has always been so that this coverage has been given. But with the media attention nowadays it's much more expressed. I will give you one example, elderly people that have problems getting up to their attics and getting snow out, it has always been so that it has been very, very hard for our claims adjustors to actually look away from these claims. So I would not say that these issues and these areas would have any impact whatsoever. But not

looking away from the fact that the weather that we have seen in the beginning of this year of course looks very much alike the weather that we saw last year, much more weather, very much more water, much more wind and that of course means that we should always watch out, not just go along with price competition but be still very, very obvious and very, very strict with our underwriting and with our risk selection.

Morten Hübbe – TrygVesta, CFO

I guess it also illustrates the fact that our ongoing methodology of assuming fairly high levels of weather related claims when we do our earnings forecast and this year we've had a lot of this weather in January and February. Last year, we had a lot in August and November. It sort of varies from year-to-year what type of weather related claims, but we should always expect them and those we do and include in our forecast.

Jesper Brydensholt – SEB Enskilda

Thank you.

Operator

Duncan Russell from Fox Pit Kelton is now on line with a question.

Duncan Russell – Fox Pit Kelton

Hello. Good afternoon. First question was the table you provide on the storm and weather, large losses and run-off results, etc. Is there any chance you can just talk a bit about the large losses, the net impact, because you've given the gross impact? So if you could just provide the net impact '04, '05, and '06 that would be useful.

Second thing, when I look at the storm and weather gross and net losses in 2006 are DKK 202m both gross and net and you said in a normal year that the net should be below the gross aspect? Maybe it has something to do with the incidents-to-claims, but could you just talk about why the growth and the net were the same in '06

and whereas they should be lower, I guess, on a normal year.

The third question is then on the fact that the interest rates had on your earnings. You gave a good table in the presentation on that and I just wanted to get a reminder how that works through the impact on the claims reserves. Is that coming into the combined ratio or is that in the discount rates, so if you could just work through that again, that would be useful. And then the final question is just an update on what the foundation is doing with all the money and what it can do with that money or the dividends that you see here from that s that solely for charitable purposes or the well being of Danes, I think they call it, or can they use that dividends to support TrygVesta's corporate ambitions? Thanks.

Morten Hübbe – TrygVesta, CFO

Duncan, just you repeat the second question. I didn't fully get that.

Duncan Russell – Fox Pit Kelton

Well second question is page 16 of the Annual Report, you gave a table of the storm and weather losses gross and storm and weather losses net, for 2006 it was DKK 202m for both years. I would've felt then that would be lower.

Morten Hübbe – TrygVesta, CFO

Understood. Now if I take the first two questions. On the (inaudible)... that the difference between the gross and the net is very different from year-to-year. You see on the slide, for instance, the 2002 column where the net was well below half of the gross because that was simply the nature of the claims. If you look at 2005, which you asked to, there is quite little affect from reinsurance. If you look at 2006, the net effect of these large claims is more than DKK 400m. It is less than 450. I'm slightly uncertain as to the exact number, between 400 and 450, but we had only really one claim that fell into the category of being a large claim in property, which then went into our reinsurance program.

It is such that our largest property claims has to be more than DKK 100m to actually fall into this category and thereby have reinsurance, which means that more often than not our net effect of large claims will be quite close to our gross effect. That is actually also the explanation to your second question, when we look at weather related or storm claims, what we put into the category of weather related claims is events within one day where weather creates claims of more than DKK 10m. Now if that is one very big storm, like it was in '05, then reinsurance treaties takes care of all claims above DKK 100m whereas if it's like it was in '06 several dates with clouds and showers and smaller windstorms, then none of them in isolation are more than DKK 100m per event and therefore they have no reinsurance. That is why the gross and the net are the same in '06.

Morten Hübbe – TrygVesta, CFO

Then there was a question of interest rates. What we have shown is what happens when we have increases in the interest rates. How does it affect the bond portfolio and how does it affect our discounting. Now what you see is roughly DKK 130m in negative net effect from that. You have the negative effect obviously on realised, unrealised gain losses on the bonds, which flows directly into the investment section of our P&L and then we have the one-off affect of changes to the discounting rate and our claims reserves. That one-off adjustment is offsetting the negative adjustment on the bonds portfolio and that one-off adjustment also falls into the investment line in the P&L. The fact that you subsequently have higher discount rates means that we will then use slightly higher discount rates also for new reserves and that effect then affect both the combined ratio and claims ratio for that period and also the unwinding which falls in the line of technical interests, slightly technical but that is the way it is.

Stine Bosse – TrygVesta, CEO

Let me try and answer your last question on the foundation. Well Tryg i Danmark smba has invested in another company during last year. They still remain in the position where they are

going to be supportive, also towards TrygVesta and TrygVesta's further development by acquisitions and so on and so forth. So I think you should view them as investors. The charity part that you are mentioning is there and they do things in that area as well, but they are much more active in actually building and acquiring also other companies.

Duncan Russell – Fox Pit Kelton

That's helpful. Just coming back to the DKK 348m provision for claims. If I look at your P&L for 2006, does that 348, that comes, where exactly is that in the P&L, I mean the investment income, so you've got these different lines, where exactly does that 348 come out?

Morten Hübbe – TrygVesta, CFO

You're asking where the one-off effect on the changes to discounting on exactly which line in the investment line does it come out? Is that your question?

Duncan Russell – Fox Pit Kelton

Yeah, or is it included in, yes.

Morten Hübbe – TrygVesta, CFO

Well, what I can say to you is that when you look at the high level P&L it's in the one line that is investments. If you want to go into the note and see exactly where, what line that falls into, then I suggest that we contact you afterwards and tell you exactly what note you can easily find that in.

Duncan Russell – Fox Pit Kelton

Great. Thanks.

Operator

Gianandrea Roberti from Danske Equities is now on line with a question.

Gianandrea Roberti – Danske Equities

Yes, hello, Gianandrea Roberti from Danske. I have three questions, if I may.

The first one is regarding your 3.9 on the bonds and 6.8 on the properties, if I'm not mistaken. Some of your competitor's use the swap curve plus 75 basis points, which at the moment would give something like 5% on the bond, which ultimately would increase your investment income almost DKK 300m compared to the guidance. If you can just give us any comment on this one.

Then if you can provide us with the multi insurance combined ratio in Denmark, which will be very helpful at the end of '06. And overall I mean your guidance is what it was last year at this point. Can I just comment if you, what is your feeling how you see the market? I mean if the (inaudible), and I know it's a hard number, 91 and 91, but how do you see it overall, the overall market on the competition?

And finally, I saw your tax rate expected for '07 is going to be 26% and I thought that previously you were saying that it was probably should've been closer to 24. If you can just give us some answer on this one as well. Thanks.

Morten Hübbe – TrygVesta, CFO

Yes. If we take our investment earnings guidance for '07, I believe that our 7% on equity and 6.8 on real estate is very much a continuation of what you've seen in the previous years. If you look at our bond guidance of 3.9%, that has been set towards the end of the year 2006, look at the subsequent development in bond yields in both Denmark but particularly in Norway. You could argue that if you made an adjustment on this very day as to what the running yield of a slightly more than two-year duration portfolio is I believe that you will come to a slightly higher number than that. We wouldn't use swaps plus 75 basis points as you're pointing to other of our competitors doing. What we simply do is that we take our portfolio, which is slightly more than two years in duration, as I said, and then we look at the stage yield curve for that and then we use the running yield.

But that is, as I said, slightly higher now than it was at the end of 2006. If that is also the case when we do our Q1 reporting, then we will of course adjust our outlooks from that. But this is also a continuation of the methodology we've used so far that we don't try to use very updated numbers on our investment returns, which might be fairly straightforward so that you can follow them on your own.

Stine Bosse – TrygVesta, CEO

The insurance combined ratio for Denmark, we don't disclose that. We disclose it for the total motor book and you can find that in our Annual Report, but we don't disclose it for Denmark especially.

On your competition questions, Gianandrea, it's, as mentioned, the competition is there. It has been increasing in 2006. We see it at a different level now than it was from the beginning of 2006, but we feel very comfortable with the things that we have done and you can also see what we have done. It has had an impact on the top line growth both in Private & Commercial Denmark and in Private & Commercial Norway, but we feel comfortable that we have sort of taken the most of this, not out grueling that there might be slight adjustments during this year, but nothing like what we have seen and, as mentioned, we feel very comfortable in this area. On the tax issue, Morten.

Morten Hübbe – TrygVesta, CFO

That's we, what we see, of course, Gianandrea Roberti, is that our efficient tax rate is very much dependent upon the development in our gains in equity exposure. We have of course an official corporate tax rate of 28%. What we see is that in a year where we have an assumption of a 7% return on our investment in equities, then the fact that we hold onto equities for more than three years to insure we don't pay tax on that, that will then result in a 26% tax rate which is a continuation of what we said last year. What you might be thinking about is that during last year where we saw a higher return on investing in equities then 7% then this tax advantage on equities lowers the tax rate further and that is

why the tax rate is 17% in '06 and why we also during 2006 as we increased outlook for equity earnings also lowered our expectations for the total tax rate. Of course we've also highlighted just briefly in our Annual Report the fact that there's been suggestions for changes in the tax regime in Denmark and that would, if carried out, also affects us, but I guess it's too early to say how and whether they are carried out.

Gianandrea Roberti – Danske Equities

Thanks you.

Operator

Rodney Alfven from Chevreux is now on line with a question.

Rodney Alfven - Chevreux

Yes. Sorry, hi. I just have a short question on your premium growth guidance; we basically expect a growth of 3% versus 2% in '06. If you can elaborate where you feel that you have the greatest risks to your scenario and where you can see or if you can see any upward growth in any other regions.

Stine Bosse – TrygVesta, CEO

I think that we feel very comfortable about the growth that we see both in Finland and Sweden. It is very obvious that with more than 100,000 new policies a year from this area that is going to present a very interesting growth case. Looking into what we call our more mature markets, mainly the Danish and the Norwegian business, we feel very comfortable in all three big business areas, but only due to the fact that we have done adjustments last year in the area of pricing and we feel that especially in the Danish books, we will also see growth coming out of new insurance areas in Health Care where we are going to see interesting growth potentials in the years to come. Talking about the risks for the growth not being 3% in this year is of course if we see a further increase in the price competition that would stress us to lower prices even further. But I would like to say here

that we by no means see this coming. We feel very well dressed to actually compete with the tariffs that we have in place at the moment and also I think that it is obvious still that there is a good momentum in the Nordics for could we call it the sensible competition.

Rodney Alfven – Chevreux

So you would argue that your premium growth guidance is as conservative as your combined ratio guidance?

Stine Bosse – TrygVesta, CEO

I would argue that the premium growth guidance is conservative or is realistic if the momentum around price competition stays where it is.

Rodney Alfven - Chevreux

Thanks.

Morten Hübbe – TrygVesta, CFO

You could argue also, Rodney, that we saw in the second half of '06 and the development in net number of policies, that trend was of course more positive than the trend we saw in the first half of '06 and of course what we are expecting is to see a development in '07 that builds upon naturally the trend that we saw in the second half of '06. Of course we cannot completely rule out that the more negative trend we saw in the first half of '06 could return as being (inaudible) in '07, but we see no reason to assume that.

Rodney Alfven – Chevreux

Thank you.

Operator

Jan Eric Gjerland from ABG is now on line with a question.

Jan Eric Gjerland - ABG

Hello. Good afternoon. This is Jan Egi Kjallen from ABG. I have three questions. The first one is about expense ratio. You said in your annual report that you have a rate inflation of some 4.4% in your book and that was basically the other streamlining of the operation, which was improving. Could you just elaborate a little bit more about what you can have left on streamlining operation during 2007 and during 2008? Thank you. The second question is about the hybrid and the possible update on that issue. The third one is: How do the interest rate changes or the discount rate changes effect the run of gains in your portfolio, meaning thus discount rates changes affect the level of run of gains you see from the different portfolios? I know that in workers compensation you have 1% as a standard and even there if you have, you said a negative impact. So I just wanted to get the more understanding on how that works, if you can do that. Thank you.

Stine Bosse – TrygVesta, CEO

I'll take the first one. You can take the second question. We have a lot of features running in our organisation to still improve our efficiencies. In Private & Commercial Norway we have a very big project running and it has expressed delivery in autumn this year and if we take out costs between DKK 50m and DKK 70m over the next three to five years. Now this project, and if you combine them, if you benchmark actually our private and commercial, they're not Private & Commercial Norway, you can see that we have something to do in Norway and this project is going to definitely take down the cost ratio in Norway going towards the interesting cost ratio of 17.4 for Private & Commercial Denmark coming down from 20.4 and lots of other projects, big ones, small ones, all pointing to the same direction getting more and more efficient. As earlier mentioned, what we are promising that we are going to serve and continue to do is that we're going to take down our cost rates with at least 0.1 percentage points a year and you will also see years where we can take out more costs.

Morten Hübbe – TrygVesta, CFO

press release and we look forward to meeting you again around our Q1 results. Good-bye.

Returning to your second question regarding hybrids, when we took out and issued our bonds in December of '05, we issued it aiming at 15% of our total and we've now seen a growth in the total balance sheet and also first in the capital, which has now point that number down to 10% and meanwhile S&P has changed their rules during the autumn of '06 and now allowing 25% for hybrid. It is natural for us to consider at this point in time if we should look at increasing our hybrid exposure and thereby financing and thereby also comes to the market again potentially with a bond issue. We've not made any decisions to do so. With quite attractive markets the hybrid issues and we see that on the slightly longer term it is natural you would see our hybrid portion of capital at a higher level where it is now and also neutralising growth options to go from 15% and higher and neutralising the 25% threshold from S&P. But it has not been decided and was not due to timing on that issue. Regarding your question of the correlation or the affects of changes to interest rates, there's a potential to run-off gains or losses. I would say that on portfolio basis, we know that our level of confidence of our source base and that is not affected by changes to interest rate. So as we feel our level of confidence as to whether we're going off gains or losses is unchanged when we see changes to interest rates. We know that our work has come specifically with DKK 140m of run-off losses. If you remember '05 we actually had run-off losses in workers comp. Also, and I would not be surprised if that was also the case for group line and isolation in 2007, but that has to do with the underlying structure of that product and that neutralises more and more. It certainly has to do with interest rates (inaudible).

Jan Eric Gjerland - ABG

Thank you very much.

Stine Bosse – TrygVesta, CEO

Thank you very much. I think this finalises our session for today. Thank you very much for participating and thank you for your very good