



Conference call transcript

Full year 2008 results

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Presentation – full year 2008 highlights

Ole Sæberg – TrygVesta, Head of IR

Welcome to TrygVesta conference call related to full year results 2008, as well as the Moderna acquisition. In the studio today, it's Stine Bosse, CEO; Morten Hübbe, CFO, and myself Ole Sæberg, Head of IR. With my short introduction, I'll hand it over to Stine since we'll have two agenda points and it'll probably take 25 minutes before we're at the Q&A session.

Stine Bosse – TrygVesta, CEO

Thank you very much, Ole. We will try and take you briefly through the slides and get to the Q&As.

Okay, the results for the full year 2008 are a premium growth of in local currency 4.9, it's a combined ratio of 89.1, and the pre-tax result is of course not anything like 2007 but still a pretty nice result if you look into the situation on especially the equity markets and also of course a result which shows still a very strong combined ratio for TrygVesta. The dividend proposed is DKK 6.5 per share, and this time around we will not introduce a buy back programme. The outlook for 2009 is a premium growth of 4%, slightly less than what we looked into in November last year, but of course what has impacted that is the recent recession situations around the Nordic countries where we operate, so in that light still a strong growth I think, of 4%. We also look into 2009 with a combined ratio at 92, slightly higher of course than the one we show, but please remember that we do not guide with any run-off results here and also, we will return to that. Bear in mind, that the decrease in interest rate has an impact on the combined ratio. Now also I'm pleased to tell you that we have now signed for the acquisition of Moderna. That acquisition is going to take us forward in Sweden by a larger step than originally planned, and it's only the non-life that it's important here to underline that. The goodwill for the transaction or in the transaction is DKK 427m. The total transaction sum, still in DKK, is 810m, and that translates into SEK 1.2bn. The acquisition will increase the earnings per share for TrygVesta by approximately 5%. So all in all, an interesting

possibility that we have here pursued and we look forward to welcoming our new colleagues of Moderna in TrygVesta.

Now TrygVesta had a very strong fourth quarter, a premium growth of 5.2 still in local currencies and also a technical result that was very strong. Even including the very special situation around the redecorating of the work premises in TrygVesta, Ballerup and Bergen, even including that special sum of DKK 133m, we showed a technical result of just DKK 0.5bn. A combined ratio of 90.3 still the fourth quarter in the Nordics usually is more heavily impacted by weather, so all in all a very good result. If you compare it to last year, of course, not in the same area, but that was an extraordinary strong fourth quarter. So especially Finland and Sweden, I would like here also to highlight again contributing also to the fourth quarter growth very specifically, but also in the fourth quarter, we showed also in the Danish and Norwegian markets a strength in actually signing a Group agreement with in Denmark DLG and what we call Håndværksrådet, that is a series of small entrepreneurs, and in Norway Bertel O. Steen, which is a large distributor of motor vehicles in Norway. So a very good situation, also here for the future.

If we look at slide 6, key performance indicators: As mentioned, a claims ratio of course having impact on the combined ratio, a claims ratio in the high end of what we have seen for the recent years. But as we mentioned already at Q3, we saw this coming and we have in place, and I'll comment that in further detail, premium increases in some of the areas where we can see that is necessary. I would like also to pay attention to the expense ratio on this downside on the right-side of the chart and here you can see actually that The Living House takes the expense ratio up. It is an extraordinary one-time situation that takes the cost ratio up to 17.3. Now without that we would've been in the level of 16.7, which is also a good situation for the full year.

Now looking into the premiums and where we've seen the largest growth in premiums, that is in Corporate and it is in Private & Commercial Norway. They are the main drivers for the growth that we have seen in 2008. But also look here into the growth in

Finland and Sweden now together amounting up to 230 somewhat million, which is of course a feature for TrygVesta itself an interesting growth in what you normally would call mature markets. So we're very pleased with that; and of course, and I will comment that in detail, but also the acquisition of Moderna, which will boost our development in Sweden especially.

Looking to slide 8, technical result, and here you can see that the big contributor here is the corporate lines and having both a very interesting growth and a very interesting combined ratio is of course a strong position for TrygVesta pan Nordic activities. You can see the Private & Commercial Norway has not done as well as the other areas. Morten will give you details on that. The Private & Commercial in Denmark, not quite as good as 2007 but still remaining with a very, very strong technical result and especially compared to the other parts of the Group, still a very, very strong part.

If you look at the technical results sort of by country or by geography, here you can still see that a good development between Denmark and Norway and - - or that you cannot see here but I can tell you that, and then you can see that there is still a good distribution of earnings between the three main business areas. But as mentioned, we would like to see in the future more earnings coming out of Private & Commercial Norway. Now compared to our peers in the Nordic areas, whose results are already known, we come out with the strongest growth profile and that of course has driven heavily by Finland and Sweden, as we have commented ongoingly, and then you can see the combined ratio; and if you look at the combined ratio here, please bear in mind that the dotted line of Codan is the sort of corrected line. They only show the operating margins and we have here in the dotted line added to that our own difference between operating margin and combined ratio; and if you look at it that way, we also come out in the Nordic area with the strongest combined ratio, and that of course is nice looking into the future where it is the combined ratio and the strength on your technical side that will mean who are going to come out of the crisis strengthened and who are going to probably have more difficulties.

If you look at slide 10, you can here see that the development in average price for Denmark and for Norway and you can see a decline in the average price for motor, slightly increase in Norway, and for house increase in both areas. Now on top of that, I would like to attract your attention to the fact that in Denmark we have increased in the autumn 2008 prices in house insurance by 11%; and if we look into Norway, we have actually increased by if we add up what we did in 2007 and what we're doing in 2008, we have in Norway increased premiums on house insurance by 14% and motor insurance by no less than 12%. So in Norway, we're actually increasing the prices more than in Denmark and of course also that is due to the technical results that I just commented on. It is necessary for us to increase premiums in Norway.

The frequency development, and here I want to especially to attract your attention to the downside on the left-side here on the slide, the average claims in Denmark and especially for house insurance. If you look at the little special feature we're showing you where we have shown you the full year development of 2008, you can see as we had forecasted the development of the average claim in house insurance has flattened. Now if it hadn't flattened, we would have had to increase the premiums in house insurance even more, so we had taken this development into account when we introduced the price increases of 11%. So that is still according to our plans and it will of course strengthen TrygVesta's technical results going forward.

Slide 12, just a short comment here, the proposed dividend of DKK 6.5 and of course you can see that we have here tried to show you the adjusted capital position after the acquisition of Moderna and we will of course be pleased to go into further details both in the presentation later and also in the Q&A session on this issue.

Now the outlook for 2009, I think what is most important here for you to understand, that is the situation when you have a decreasing of the interest rate. You can translate 1% decrease in interest rate into an increase of our claims ratio that travels into the combined ratio of course of slightly more than 1 percentage point. So there is a very tight

connection between interest rates and combined ratio; and of course here, we're guiding now with 92 for the full year and again please bear in mind without any guidance on the run-off positions. Also bear in mind that on the investment side, we remain with the guidance that we have done for the last many years, equity 7%, bonds 3.9%, and real estate 6.1%.

I will here hand over to Morten Hübbe.

Morten Hübbe – TrygVesta, CFO

Thank you, Stine. If we turn to slide 15 to elaborate on the claims development, we're reporting a strong net claims ratio of 71.8. It's an increase of 2.4% relative to last year; although, our gross claims ratio only increased by 0.6%. Now this reflects an underlying development with fewer large and weather related claims whereas the underlying claims, as Stine mentioned, has actually increased, which is of course has motivated the price increases we're carrying out in late '08 and the spring of '09.

Now if you turn to slide 16, we show that we initially expect the large claims of DKK 500m. We then increase it to DKK 600m in the autumn and we are close to that. We are lower than 2007 by some DKK 400m before reinsurance and approximately DKK 150m after reinsurance. Weather related claims are lower than the year before. We've had less heavy rain showers. But bear in mind that the rain showers in the summer of 2007 have actually given run-off losses in 2008 of roughly DKK 50m.

Turning on to slide 17, we show the run-off development. It has impacted by combined ratio positively by 4.6%, which is roughly in line with 2007. The mix is somewhat different. Our run-off gains on motor are slightly lower, whereas our run-off gains on workers' comp and other personal related lines is slightly higher than last year. The claims inflation that Stine pointed to in house has led us to choose to increase our claims reserve in house by roughly DKK 90m, and a few of you might have noticed that when you look into the balance sheet it seems as if our total claims reserve has actually decreased compared to

last year. That reflects only the weakening of the NOK currency. Had the currency been unchanged, the total claims reserve on the balance sheet has indeed increased. Our opinion is that the likelihood of run-off gains in the future years is unchanged to what we saw for 2008.

If we turn to slide 18, we show that our cost ratio is stable comparable to 2007 Q4 before adding the 130m for refurbishing our buildings. We chose to put that on the P&L rather than writing up the value of the buildings in an environment where the value of investment buildings has been somewhat fragile. Bear in mind that our Danish and Norwegian cost ratio is around 15%, which we believe is very competitive; and actually our business in Sweden and Finland continues to lower its cost ratio, but the sheer growth of course remains that the relative weight in the Group cost ratio increases.

On slide 19, we show an investment income of 3.5%, which we think is not too bad in a year where equities have dropped worldwide by more than 40%. Having sold down our equity exposure, we have avoided a further equity loss of 1.2bn and broadened an increased interest on the bond purchase by roughly 170m or put in other words, the pre-tax result would've been virtually zero had we not reduced our exposure and focused on this control. The challenge this autumn of course has been the spread widening of Danish mortgage banks. It has narrowed again somewhat and of course this is a 200-year-old system which has never had one single default. Q4 of course has benefited from the reduced interest rates which have helped capital gains, but of course that, as Stine said, will challenge 2009 both in terms of interest income but also in terms of combined ratio.

Slide 20 shows our bond and our equity portfolio. Our bond portfolio is very plain vanilla, no CDOs, no CLOs. Of course, we have exposure to mortgage bonds, as I just commented earlier; and then when you look at our equity exposure, it's a very diversified global book, which is heavily indexed, and of course having only a bit more than 3% in equities gives us fairly little exposure to the volatility of the equity markets.

Turning to slide 21, our P&C Denmark continues to deliver very strong results, a combined ratio of 86, of course somewhat higher than 80% last year but roughly 3 percentage points of the difference related to slightly lower run-off gains. Of course a Q3/4 with 84 in combined ratio pre refurbishment is very strong.

In Private & Commercial Norway, we're pleased to have had a growth of 5.4% in Q4, particularly pleased that our customer renewal has increased by 1 percentage point during the year and actually during the past two years increased by roughly 3 percentage points. By as you mention Stine, a combined a ratio of 95.9 is not satisfactory. It reflects partially 3 percentage points due to lower run-offs, but underlying claims inflation has been too high. The good thing is then that this is a business area where our pipeline of price increases actually is the largest and having these price increases of 12 to 14% will start to flow into the P&L positively in 2009.

In Finland, on slide 23, strong growth of 45% and actually now a combined ratio in our private line portfolio of 101, which is very good. We continue to reduce our cost ratio, and this spring we're carrying out price increases in various products of 5 to 10%.

On slide 24, we show that of course our focus in Sweden is mainly on securing growth, which is developing very nicely in our portfolio of 400m. To make sure that we also secure strong profitability of this new portfolio, we increased the prices on the portfolio and mainly on motor by roughly 20% this spring.

Finally on Corporate, slide 25, Corporate business area has delivered very strong results in Q4, a combined ratio of 85 is a lot stronger than the year before, and 83 for the full year is of course satisfactory. But bear in mind the Q4 has benefited roughly 5 percentage points by lower large claims than the year before, and the full year has benefited roughly 3.5% from the same thing. But no doubt, 83 combined ratio in the Corporate business is a very strong development, and we do see signs that the financial crisis reminds some of the international players in the Nordic region and a few of the smaller Norwegian players to have a

more sensible balance between risk, pricing, and earnings.

Back to you, Stine.

Stine Bosse – TrygVesta, CEO

Thank you, Morten. Yes, then a couple of comments before we go into the Q&A session on the acquisition of Moderna. Now I commented on the acquisition price and what Moderna will do for us, so I will jump directly into slide no. 28 and speak more about exactly what we're going to do in the future. Now you will have to realise that between signing and closing that will be in the area of one to two months. It will be in the first half of 2009 that we will actually proceed this closing; and before for that of course, no integration can actually take place. After that, we will both in Stockholm and in the other areas where we are, we will look into integrating Moderna in TrygVesta. To that, Moderna will become a branch as the way that we run our Swedish operations today, so we will not have a subsidiary going into the future. But all the brands of Moderna will exist alongside with the strong brands that we know of TrygVesta today. So no big changes, but of course work that we will be able to take out synergies in the next years in the area of 50m.

Now let's turn to that specific slide on the synergies and the synergies are here characterised by being synergies of the more classical type where we can see that we can do stuff in the reinsurance area. We can of course do stuff in the investment area and then of course also synergies still in the classical area but with an unclassical touch because here when we have plans to grow in Sweden, we have added to our forecast and to our budget internally that we would have to invest more in Sweden. By this acquisition of course, we can take a lot of that investment down because a lot of the features we are now buying ourselves into. That is of course good news because that means that synergies are not translated into reduction of staff. We still plan to have an increase of our staff totally in Sweden over the next year, but we will of course do that carefully also in integrating the different entities. The Swedish operation is going to be handled in the part of organisation we have

nowadays that looks after new markets and partners led by Kjerstin Fyllingen and in the corporate area for the corporate books of Moderna led by Truls Holm Olsen. So there will be a split of the operation in that sense, but of course physically in the premises in Stockholm people of course are going to stay in the same area. Now this is going to improve from 2010 the earnings per share in the TrygVesta share by 5%, and of course we will look into realising also there are tax positions and other things that we can do.

Now looking into the capital situation, we would've been able in TrygVesta to do the total acquisition of Moderna within the capital position that we held nowadays and even remaining with our A minus. We've chosen to do something a bit differently, and the reason for choosing that is of course to still be prepared for other interesting possibilities. We have said, and we remain with that statement, that acquisitions in the area of DKK 1bn, which this of course is, is acquisitions that we would be able to do without addressing the market as soon as we were in a larger acquisition, we would of course have to come back to the market for capital. Now we have taken up hybrid capital with TryghedsGruppen, who is the 60% owner of TrygVesta, and hereby they also show that they - - what they have stated all along, but they will support TrygVesta strategy in the Nordic area. It is a very interesting loan with good terms, 500 basis points translating into 6.8%. It's a 23-year to maturity loan, but we can actually have an early redemption after three years if we want that. That of course is very good terms for TrygVesta. The hybrid capital will be 1.6bn after that and that translates into 16% of the total capital base. I think I will let the rest be up to your questions on the capital side.

But let me present just a couple of slides on what Moderna actually is. Moderna has operations from Luleå to Vexjö and that means all over Sweden, but concentrated so that it's in the area of between 10 and up to 130 people, and that is in Stockholm approximately. Here you can see that these people are going to work in Sweden alongside with TrygVesta staff there already, 11 people in Stockholm and 105 people in Malmö. We look forward to actually servicing Swedes more in further detail through this acquisition.

Distribution platform that we have showed you several times is now significantly improved for Sweden. We show that on slide 32, and that is of course why we talk about the strengthening of the position. These distribution channels we would have had to develop ourselves within the next three to five years, and of course that is why our development is actually moving ahead by this transaction.

Moderna in fact, slide 33, shows you that Moderna has a very diversified portfolio, which of course we have also been eager to gain and then you can see the very strong brands, and let me point out to you specifically the Atlantica brand, which is boat insurance, a very well known brand and well addressed brand in Sweden, and then Moderna also with a significant distribution over the Internet, which is of course also of high interest for TrygVesta going forward.

Let me just sum up for you. As mentioned, a very good performance in the Q4 for TrygVesta. Our investment approach has shown itself and shown its strength throughout 2008, a full year performance that suggests okay dividend of DKK 6.5, and of course the price increases that we have spoken about, both Morten and I, and that we actually have taken through the books and they are sort of coming in now. These price increases will of course maintain a strong technical book for TrygVesta going forward. Finally just again pointing out to the fact that the acquisition of Moderna is again underlying that we maintain and stick with our - - what we say that we want to do; we have strengthened our position in the Nordic area.

Thank you very much, and we will now take your questions.

Hadley Cohen – Fox-Pitt Kelton

Hi. Good morning. A couple of questions if I may. Apologises if you've already answered this, came on call quite late. So with regards to the acquisition of Moderna, I think last week or maybe two weeks ago, you put out a statement saying that a deal, the stocks had fallen three. Can you just explain what has happened since then please, and how come this has come about all of sudden? With regards to the synergies that you say, the 50m

synergies p.a., could you possibly talk about: Is there cost implied in those synergies? Then my second question is: With regard to the breakdown of the reserve releases, I think you said that you've got positive developments in mature workers compensation while that was offset by property. So could we just get a possible breakdown of this please? Thank you.

Stine Bosse – TrygVesta, CEO

Yes, it is no secret that we have been interested in Moderna actually for some years. Moderna is very well run company, as mentioned, strong brands and a very good management team over there. We decided to come out and tell the market that we were in the process with Moderna because there were too many rumours out and then we had a situation where the sellers decided not to sell, which of course was unfortunate but that is I mean what happens and we then came out and said still that we think the entity is well run and a good entity but that we had to withdraw from the process, mainly because the sellers didn't want to sell. Then now of course it is nice to be able to say to you that we have now signed the agreement and that of course the change is that the sellers now want to sell.

Then you asked about synergies. Yes, some of the synergies in there are cost synergies, but you have to view them not like classical cost synergies because they are actually investments that we had planned that we wanted to do and that were in our internal forecast of our own development of the cost structure of the Company and therefore they will be shown a bit differently than the classical costs synergies. But, yes, there are cost synergies there, definitely.

Morten Hübbe – TrygVesta, CFO

...that means that we don't have to lay off people to achieve (the synergies and that is one of the classical leads to negative implementation costs. But I guess what we guide is that we'll have the full positive effect in '010. Of course '09 will be a transition year and you will get more guidance on how Moderna affects our total results for '09 in Q1.

Your final question was on the decomposition of run-offs. We have had run-off gains of

roughly 450m on motor within the Group. We've had positive run-off gains of roughly 300m on workers' comp, and a further roughly 200m on other personal lines related businesses, and then we've had negative run-off losses in house, leisure house and contents by almost 200m, so that is a rough breakdown of the run-off composition.

Matti Ahokas – Handelsbanken

Yes, good morning. It's Matti Ahokas from Handelsbanken. A couple of question if I may. First on the frequencies and it's slide no. 11 that you present, how much would you say is the impact of the lower frequencies in Denmark from the economic downturn and as said Denmark has been a bit ahead of the curve of the Nordic countries in term of the downturn. Should we expect a lower frequency in Norway and of course Finland and Sweden as well on this side and also that since its varied they seem to be still climbing, shouldn't this be impacted positively as well by lower claims inflation going forward? I'd like to hear your thoughts on that. Second question is on your combined ratios where you say that you have the best combined ratio in the Nordics on slide 9. I was bit interested because obviously there's a different accounting and if adjusted for that, how would the slide in your opinion look like? Thanks.

Ole Sæberg – TrygVesta, Head of IR

Hi, Matti. On the frequency, how much is related to the economic downturn is hard to say, but it's more on the average claims that we're now seeing material costs coming down and also wages increases levelling off and that's going to at least be supported to our profitability in 2009.

Matti Ahokas – Handelsbanken

Is it visible already right away or is there a time lag of some sort, and how long would you say the lag is if it is there?

Ole Sæberg – TrygVesta, Head of IR

You'll gradually see it as you walk through 2009.

Stine Bosse – TrygVesta, CEO

Yeah, and I think just to add to that on the frequency side, I think it is known by everybody that frequency has a tendency to decline. People drive less in their cars and that take the mileage risk down and on top of that also people stay more at home, they don't travel as much and that takes down some of the risk in the house area. But I would very much be aligned with what Ole said, it's too early to actually predict that into our forecast just now. But, yes, there will be slightly upsides possible there.

Morten Hübbe – TrygVesta, CFO

I guess you can add that perhaps the most important time lag which we will not start to see in '09 but possibly in '010 is when you start to look at the personal lines related businesses where there's a direct link to the amount of unemployed people and of course you could argue that there's significant risk that when unemployment increases, then after workers' comp claim or heavy bodily injury claim in motor it becomes slightly more difficult to get the injured back to work, which is not a frequency issue, but it could be potentially a negative severity issue of what we call "social inflation," and that is in our expectation something you will see in 2010, but of course heavily dependent on the degree to which unemployment continues to increase.

Combined nature, I guess you are completely correct that when you're a Danish listed company, you need to discount all of your book. When you are a non-Danish company that is not the case. If you take the example between If, Gjensidige and us, I guess it's clear that the difference is large enough that our combined ratio will be the strongest even if it did discount. In these companies, it is not such that they're discounting at zero. They still discount some of longer tail lines, for instance workers' comp. If we had no discounting at all, our total combined ratio would be close to 5 percentage points higher, but remind you that the total discounting is coming mainly from the long tailed lines. So when some of our competitors actually do discount that, they probably had a positive effect of say 3 percentage points or so from

that. So an estimate would be 2 percentage points different in methodology. But I guess if you want the details on that, you should ask the ones that don't discount what they're not selling.

Per Grønberg – Danske Markets

Yes, good morning. It's Per Grønberg from Danske. Two questions: The first related to the industrial business. When I look at the sales, it looks like Norway had another quite weak quarter and a very strong quarter in Denmark. Can you comment on whether that is correct? My second question is more into the nitty-gritty so the domicile properties have increased quite a lot. You are adjusting for that in the other lines in the investment income. Can you give us an impression of what the internal rent on domicile properties will be that you will eliminate on that line in 2009? Thank you.

Stine Bosse – TrygVesta, CEO

Let me just answer your first question, Per. Yes, it is true that the profile of the corporate book is that the earnings were stronger in Denmark than in Norway in Q4, but I would look at it as a total and say especially this kind of book has its ups and downs and the total quality of the TrygVesta corporate book is very strong. The underlying guidelines are very aligned and it is more a measure of coincidence than any structural issue related to the fact that you're pointing to, especially for fourth quarter.

Morten Hübbe – TrygVesta, CFO

I guess you can add to that a large portion of the run-off gains in workers' comp and personal lines related areas have been taken in the Danish part of the Corporate portfolio and that I guess has the largest degree of explanation.

Now your second question: Yes, our domiciles real estate has increased. We acquired our Danish domicile just short of DKK 1.1bn. I would say that the elimination of internal rent or yield of that is just short of 6% or so, as I recall, at least that's the guidance you can use.

Per Grønberg – Danske Markets

Okay. Just coming back to the industrial business, if I calculate or try to divide up your industrial business of Denmark and Norway, it looks like you have a combined ratio for the full year now at 120 and more like 18 in Denmark. Are those figures something you can recognise or don't you look at it this way?

Stine Bosse – TrygVesta, CEO

We don't. That's not correct.

Morten Hübbe – TrygVesta, CFO

That is definitely a misinterpretation, Per.

Jakob Brink – Handelsbanken

Just two questions. First of all, we talked about the average claims in Denmark you showed a small graph with the quarterly split up. I remember you said that the guidance you did in Q3 for 2009 was assuming flat or slightly increasing average claims in Denmark. But given this graph and given the construction in this as we've seen all over the Nordics, shouldn't you be discounting a falling average claims development in 2009? That's my first question. Then my second question is on the premium growth which is lowered to 4%. Why is that? I mean I understand the recession talks but still I mean you're increasing premiums quite heavily in Denmark and Norway and as you've been pointing out a number of times yourself, small competitors are struggling with the high investment losses and the high combined ratios so shouldn't it be able to keep the 5% in local currency? Thank you.

Morten Hübbe – TrygVesta, CFO

Good morning to you as well, Jakob. The first question on average claims, you're completely correct that in our guidance where we have not assumed a reduction in average claims in houses, we've assumed that the increase will stop. To be more precise, we've assumed that we'll have an increase of roughly 3% in the average claim in houses in Denmark in '09. You're right that if the building index alone would determine the result, there would

definitely be an upside in that assumption and maybe there is an upside. The dark holes I guess are the change in the mixture of claims. We have seen during this year that the degree to which we have claims related to pipes and water related claims and also fungus or things that has to do with rot in the houses, those claims have increased in numbers and as the average of these claims is simply higher than the more simple house claims, then that alone has increased the average claim. But of course, if the mixture of claims is constant and we're seeing as we are now that the building index falls, then of course our assumption of 3% increase is too conservative and potentially there's an upside.

Stine Bosse – TrygVesta, CEO

I would like to add because that is completely correct, but especially in these days, we have chosen to be very, very careful not just looking for the upside because there will also be downside and some of them are not even known to us yet. But one downside that we can actually see is that the recession will put pressure on the fraud situation and that of course we deal with operationally so not just to look for the upside, be very, very careful not to guide you on them before we actually see them, so that is why we are careful here.

That goes also for the growth. I appreciate your views and hopefully you are right. We could all hope for that. But you also have to bear in mind that we will see businesses that will go into bankruptcy. Many of the small young businesses in Denmark will have very difficult times which means of course less business for us. We will see higher rates of redundancies, which we see then lower, workers' compensation premiums and so on and so forth. Therefore, as mentioned, we did guide with 5%. With the developments that we have seen in the macroeconomic environment within the last two to three months has made us a bit more worried about the 5% and a lot more certain about the 4%. Here also of course bear in mind that that is guiding without Moderna so we will, as Morten mentioned, return to that with the first quarter results.

Simon Christensen – SEB Enskilda

Yes, good morning. I have three questions which haven't been answered yet. The first question goes on the premium growth, you expect 4% in local currency terms. If you were to let's say give some guidance where we include the declining and Norwegian krone would that change this guidance? That was the first question. The second question here goes on the discounting. I could see that you're using a 3.93 percentage interest rate for discounting '09 claims. The 3.93 is very much in line with what I have for Q4, so could you just maybe confirm that this is a number perhaps in the mid of January or something like that; and in addition, what was the average discount rate in 2008? Further on the discounting, what do you expect in terms of what you will payout in claims for 2009 and what are you expecting to be provisioned? That was the second question. On the third question, TrygVesta guarantee insurance, has that caused you any problems here in Q4 given that the corporate bankruptcies actually exploded in Q4? Thank you very much.

Morten Hübbe – TrygVesta, CFO

Good morning to you as well, Simon. When you look at your first question with regarding to the NOK currencies, I guess if we could be fortune tellers about Norwegian currency, we could make a killing on that. What we saw at our sort of planning season in the autumn was 93 NOK currency. At the lowest point yearend it was 75 I believe. Currently it's around 85, and a loan that's travelling from 75 to 85 during two months I guess tells the story that this is a volatility that is very hard to estimate. But what we can say is that when we have calculated our total result for 2009 in the outlook, we have assumed a NOK currency of 85 and I guess some people would argue that there's a likelihood that NOK would be higher and therefore that could be positive. But I guess the volatility we've seen the past couple of months leaves for us to conclude that we cannot predict what the currency will be. We can show what the exposure and sensitivity is and that we have done in our accounts.

The discounting of 3.9% is a market number taken from the various yield curves taking each

of the tranches of the yield curve where the duration or cash flow from our liabilities fit. That number is from mid February. It is of course, as Stine mentioned, a lot lower than what we saw in the autumn's planning phase. It is roughly 1.2/1.3 percentage points lower and that has of course impacted our claims and combined ratio in the guidance negatively by 1.3/1.4 percentage points, so of course it makes a large difference.

You asked the split between claims provision and claims payment in 2009, I would argue that you would never be able to predict. That very much depends on the mixture of claims. It depends on whether you have large claims that takes a long time to settle. I guess on the P&L, an assessment of profitabilities of our Group, it doesn't really matter whether it's paid out or it's provisioned. The main feature is to make sure that the totality of our claim is handled in a good and conservative way and there we have no changes to our methodology.

Lastly you asked on TrygVesta guarantee. Yes, it's a tough time for a lot of our customers. The building sector is going through a lot of difficult times. We have had no new claims at all in Q4 and we are reporting a full year combined ratio of just above 70%, which is slightly higher than normal but I still very acceptable. But we remain very, very cautious in 2009 and you're completely correct that risk is a lot higher than just a year ago.

Simon Christensen – SEB Enskilda

Thank you. I think you said that you expect average claims growth in P&C Denmark on house of 3%. Could you share with us what you expect in Norway?

Morten Hübbe – TrygVesta, CFO

It is slightly higher, just short of 4%. I think the correct number is 3.7 or something like that.

Giulia Raffo – Citigroup

Hi. Thank you very much. I'll have three quick questions. One, was wondering if you could give us what impact of different interest rate level as being in the combined ratio at full year 2008, vis-à-vis 2007. My second question

relates to slide 31 of your Q4 report where you show the market value adjustment. There is other balance sheet item which has fluctuated quite a lot from a positive of 8m in 2007 to a minus 109m in 2008. I was wondering if you could possibly expand on what this line relates to. A final question again on the same page, you seem to have taken a positive market value adjustment on your property which seems to be counterintuitive with considering what we are facing in the property market. Can you please tell us what is behind that positive adjustment and specify if you get external valuation when your property?

Morten Hübbe – TrygVesta, CFO

Good morning to you as well, Giulia. I will answer question one and three. I'm not sure I could follow your second question so maybe we should revert to on the phone afterwards with that. But let me take your first question which is both important and I think slightly difficult. When we have the planning period in the autumn, we were looking at interest rate levels of 5.1/5.2% or so and now we're using interest rate level of 3.9 on average. The difference between the two numbers has reduced our discounting by roughly 220m, which increases our claims by the same amount, roughly 220m. It increases our claims ratio by 1.3 to 1.4 percentage points. It improves our unwinding by 250m. It lowers and affects negatively our technical interest by roughly 320m and it effects our investment after transfer of technical interest by roughly 50m and the totality of that is, as Stine showed, a total negative impact on our P&L of 350m.

When you look at the real estate, I completely agree with your observation. What we have done in the real estate portfolio is that we have on average kept the value of the portfolio constant and then as almost all of our real estate is commercial real estate where we have lease agreements and we have indexation of those leases, then the value adjustment you see is related solely to the price indexation of the underlying lease contracts. Other than that, no changes have been made to the values. We have gone through with internal and external auditors and external valuation people at great length what the values of our properties are, and I guess you can say that

this reflects that we were not aggressive when we decided the value of our property in 2007, and I guess we...

Stine Bosse – TrygVesta, CEO

Six and five.

Morten Hübbe – TrygVesta, CFO

...and '6 and '5, and I guess we've said that at several of these conferences that we would rather be cautious and conservative when assessing this value because you're right, if you had been aggressive in '07, you would probably have had to write down the values in '08, but bear in mind that we mainly have commercial property with very strong or underlying P&L. I think IR should revert to you, Giulia, on the second question.

Ole Sæberg – TrygVesta, Head of IR

I'll come back to you Giulia... On your second question, I'll come back to you after this call.

Giulia Raffo – Citigroup

Yeah. Sorry, can I just follow-up weakly on the first one. When we think about the totality of the impact lower interest rates environment, is it true to claim that on a one-shot given that you are durationally match, and changing interest rates is neutral to your book value, but on a more medium-term view, what you are left with when interest rates fall so low is a negative one from a P&L standpoint up until you will be able to revise the lower rate into your tariff. Could that be fair?

Morten Hübbe – TrygVesta, CFO

That is completely correct. The balance sheet impact, as you say, is neutral due to the matching; and then in a new year, we will get new premium and have new claims and that is where this negative impact is affected. When you look at the P&L impact of 2008, actually the effect from discounting is roughly or quite precisely the same as the year before, but that reflects higher discounting and higher interest rates during the summer and lower interest rates and therefore lower discounting towards the end of the year. But the average of '08 is

actually quite similar to the average of '07. But you're interpretation is completely correct.

Stine Bosse – TrygVesta, CEO

Then let's just add to that that if you are not at the moment in a situation where you are increasing your premium, it's so difficult to have earnings on the investment side. Everybody's effected, in Denmark especially, by the discounting issue and the interest rate; so if you are not in the process where you're increasing premiums, I can only see one thing and then you - - yeah, you should think again. So that is why it is good that we started that process mid last year.

Rodney Alfven – Cheuvreux

Yes, good morning. Two questions. First of all, when it comes to the premium hike you have announced now in 2009, how much will that affect 2009 and 2010 numbers on a Group level respectively. Then secondly, when it comes to the acquisition, will that change any of your distribution policies or is it still the case that you will distribute 50% of profit and then, sorry, then the buy backs above that, and can you give us some indication of what kind of buy back level one can potentially expect in 2009? Thank you.

Morten Hübbe – TrygVesta, CFO

Good morning to you as well, Rodney. If we take the first question on the premium hikes, I guess what we have written in the Annual Report is that when we carry out a long string of price increases in the spring of this year and a couple of them in the autumn of last year, which goes specifically for Denmark, Sweden, and Finland, the impact on the P&L from that in 2009 will be very close to zero. The customer will most will experience that they get the price increase during 2009. As we go through their renewals, they will pay the price increase. But the actual accounting-wise earning of that price increase will mainly happen in 2010, and that is why we mentioned that in Norway the main positive P&L driver for '09 is actually the price increases carried out in '07 and '08 which, as Stine mentioned, were quite sizeable and totalling roughly 12 to 14% on the two main products, house and car. So that is the main positive impact you should see

in '09 and then we have should you say pipeline positive P&L impact for 2010 for the other countries.

Rodney Alfven – Cheuvreux

Can you give us some levels for 2010?

Morten Hübbe – TrygVesta, CFO

No, I don't think we want to be that detailed at this point, Rodney.

Rodney Alfven – Cheuvreux

But one can look at Norway and sort of say there was some conclusion.

Morten Hübbe – TrygVesta, CFO

Yeah, I guess you can say that when motor and house are two of our largest products in Norway and you can look at the Norwegian mass market portfolio, I think you can make a fairly good assessment from that.

Stine Bosse – TrygVesta, CEO

On your second question, Rodney, just we haven't changed our sort of overall view on this payout with 50% of the results and on top of that if there's room for it and that goes as normal distribution and on top of that, a possible share buy back, which is not introduced this year due to several reasons. One being just the situation where we think it's a very good idea to be world capitalised in a situation of this uncertainty that we're looking into, not just us but I guess the world. Then of course also actual here, the acquisition of Moderna and of course also making sure that we hold a capital position not with a lot of excess capital that we just sit with, but a nice capital position that makes it possible for us to execute on interesting stuff still in the area of DKK 1bn. That is what we have communicated all along and this is the position that we remain with.

Will Morgan – Goldman Sachs

Hi. Good morning. I've just got two questions. The first one is on slide no. 12 where you show your capitalisation post the Moderna acquisition and you show your surplus capital,

I just wanted to check what kind of asset risk charge you were taking in that table because I think you have obviously holding a lower level of axis at the moment but you wanted to maintain some flexibility to increase that weighting down the line and therefore sometimes the difference between this chart and the kind of published capital model has been a slight difference there. I just wondered if you could just clarify that. The second question is on the earnings of Moderna. You showed those in your press release. Obviously the numbers themselves have been a little bit volatile due to the investment results. I was wondering, are you able to give the latest years results X any mark-to-market losses on equities which presumably is what's causing the negative investment result? Thank you.

Morten Hübbe – TrygVesta, CFO

Good morning to you, Will. If you take the first question, I guess when you look at the slide, you can see that when we ended 2007 after the payout, we used there the asset charge that was correct and we paid out to give a total capital buffer of about 5%. When you look at the 2008 after the payout, you see that the buffer is higher and the sum of the red and green area is roughly 16%. We have in that calculation used the correct asset charge for the actual low equity exposure. But you can argue to give you sensitivity sense from that if we increased our equity exposure to say 8%, for instance, from the current 3.5/3.7%, then we would reduce this 16% buffer by roughly 7 percentage points. So it gives you an indication as to the sensitivity. So we've used the correct asset charge. We're saying that the equity exposure is unusually low and therefore we will not pay out the capital that corresponds to that. Then bear in mind as we also describe in our capital brief that the simplified S&P model looks at the Norwegian exposure as an asset exposure, converts to DKK, it then adds a liability exposure and converts that to DKK, which in totality means that a weak and a NOK helps the capital calculation which of course is not logic and not real but that is the way the methodology works; and as the NOK strengthens in '09, part of that buffer decreases again. But that is described in our brief. I guess it's increased somewhat from 3 January till now; the future we don't know about of course.

Stine Bosse – TrygVesta, CEO

Yeah, and your final question, I think it would be wrong because we cannot do the detail, we're not allowed to do the detail on Moderna, so we won't give you further guidance on that specifically. We'll have to wait until Q1, and then we will include the acquisition in our detailed guidance. So until then, please be patient.

Stine Bosse – TrygVesta, CEO

Thank you very much. So I think that concludes the Q&A session and the presentation for today. Thank you for attending and hope to see you soon. Bye.