



## Conference call transcript

Q1 2007

9 May 2007 at 10:00 CET/09:00 BST

## Corporate participants

**Stine Bosse**  
TrygVesta – CEO

**Morten Hübbe**  
TrygVesta – CFO

**Ole Søberg**  
TrygVesta – Head of IR

## Conference call participants

**Will Morgan**  
Goldman Sachs

**Ben Cohen**  
UBS

**Joakim Ström**  
Standard & Poor's

**Anders Hornbak**  
Carnegie

**Matti Ahokas**  
Handeisbanken

**Gianandrea Roberti**  
Danske Equities

**Jan Eric Gjerland**  
ABG Sundal Collier

**Giulia Raffo**  
Citigroup

**Torsten Bech**  
LD Markets

**Per Grønborg**  
Danske Equities

## Presentation – Q1 2007 highlights

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*Ole Søberg*

From TrygVesta today is Stine Bosse, CEO, and Morten Hübbe, CFO, and I, Ole Søberg from Investor Relations. Before we start the presentation, I would like to mention that we host our first Capital Markets Day on June 21<sup>st</sup> of this year in Ballerup where we invite equity analysts as well institution investors, so please contact Investor Relations for further information. With this short introduction, I'll hand over to Stine.

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### Stine Bosse – TrygVesta, CEO

Thank you very much and good morning. The highlights of the Q1 2007 for TrygVesta overall an increase in the technical results of DKK 137m since last year, a very good development in both pension and in sales and that's developed into an increase of net policies in the portfolio of 60,000 and the combined ratio is for Q1 89.6, definitely positively affected by a very low claims ratio. We upgrade the full year expectations by 8% to now DKK 2.7bn. Some of the more operational highlights are that out of the sold 60,000 policies, more than 30,000 come out of our New Markets in Finland and Sweden.

Now if we turn right to Slide 4, the new income statement. I'm not going to give that a special comment, but let's turn to Slide 5. Here you can see gross premium development in local currencies and before bonuses the growth was 1.7% for Q1. This is in accordance to our plans. You can see the combined ratio also comes down. And finally, I would like just to comment on the expense ratio, which is flat from last year to now, underlying there you will see that for the Danish and the Norwegian business we decreased approximately by 0.5 percentage points.

If we turn to Slide 6, we present the drivers for the gross premiums and you can see that the main drivers for premiums is Finland, Sweden and Corporate; I will come back to more and

Morten will also more special comments on the property business.

If we look at the technical drivers, especially Corporate has improved very much since last year and you will also notice that last year the Corporate business was very affected by large claims, whereas this year the large claims has not been very noticeable in the Corporate business. Private & Commercial Denmark is also still performing very good and slight improvement since last year; and if we look at the Private & Commercial Norway, it has not been performing quite as well as Q1 last year, but that has been especially effected by a number of middle sized claims, so it's more a special hit in that quarter.

If we turn into Slide 8, you can see that there's still a very good balance between the Danish and the Norwegian business performance. If we look at it in a three-year perspective, you can see that the result of the business is DKK 604m and the result of the Danish business is DKK 636m, so very good balance in the three years. Now if we look into the three major business areas we can still see that the Private & Commercial Denmark is now continuously performing at a very high level of technical results. You can see that the Corporate business has come up this quarter pressing upon these business areas with very good results and you can see the effects of the special occasions in Norway with more severe large claims and higher frequency of large claims in Q1.

Now if we look into the development of frequency (Slide 9), and let's start with the Danish frequency development, and in the car area, we can see that there is higher frequency of car claims just slightly. It's driven by some more claims related to vandalism and burglary and slightly decreased in the claims related to theft. But overall slight increase in the claim frequency for cars. If we look at the house area that there's an increase in the frequency mainly driven by water. It's driven by claims in change of ownership and also these have increased the frequency of these claims. If we stay in Denmark and we look at the average claim and what has there been happening, you can see that the average claim in housing is actually flat and that the average claim in cars is slightly increasing. If

we go to Norway and look at the frequency there, the frequency for house is coming down slightly, going into a flat, and so is the frequency in cars, so actually a very okay and stable development here. A different picture if we look at the average claim, you can see still a slight increase for motor or cars, but it's still at a very low level and you can see four months very large increase of the average claim for house and now to come more flat and slight increase into the fourth, focusing very much on strategic impact levels.

If we go on to Slide 10, starting with large claims, you can see that Q1 was less hit, as I mentioned earlier, by large claims as an overall. On the other hand, if we turn to the right of the slide, the weather related claims were a bit higher in the Q1 2007 than in 2006. If we look at the run-offs and the gross number, you can see that the run-off of 2007 is less than the run-off gain of 2006, DKK 207m in 2006 and DKK 126m in 2007. So the result is, of course, affected by the run-off, but less than Q3 last year. Then just some comments on our new businesses, Finland and Sweden, premium gross in Finland still very significant. We're seeing growth at 39%, still a good profitability, good risk selection and bear in mind that the expense ratio of the private line is now at 27 and, of course, the total expense ratio is affected by the start-up of the commercial line. I think also it is worth mentioning that 17,000 policies were sold or the net gross actually is 17,000 new policies in Finland.

If we turn into Sweden, you can see a very good development with more than 2,500 policies a week and that is outperforming our expectations. The portfolio now, not the premium into the books, but the portfolio now is SEK 104m and the number of policies is just above 50,000, so a very good development for the Sweden business and it is continuing this good development. Then over to your Morten for details on the Private & Commercial in Denmark and Norway

**Morten Hübbe – TrygVesta, CFO**

Thank you for that Stine. If we turn to our three largest business areas, starting from Slide 14, you can see that our largest business area, Private & Commercial Denmark, has succeeded

a very strong combined ratio result from Q1 last year with the Q1 result of this year, a combined ratio of just above 85%. We've had a growth of 0.7% in Q1, very much improved by a strong development in the net increase in number of private policies by almost 10,000 policies and also strong development in our small commercial segment, but also a negative top line affect from the price change that's carried out in this motor segment during 2006, year-on-year would be a 6% reduction in average motor price for private. It's been a very stable development in our renewal rates during Q1 and it seems that we have exactly flat nominal development in our business despite significant wage inflation.

If we move to Slide 15, Private & Commercial Norway, we've seen that P&C Norway has had a tougher Q1 in terms of larger claims and weather related claims than last year. It seemed that 3.6% of the combined ratio is due to larger claims and also the cost of repairing both houses and slightly cost has increased compared to last year. Now in terms of market growth, we have seen a continued spend compared to Q4 last year where we saw a strong development. We've seen again in the Q1 the benefit from having less; particularly we've seen that our renewal rate has increased by one percentage point in Q1, which is particularly strong. Also we've seen that our number of private policies has increased by a bit more than 8,000. Our total market share in Norway has increased by 0.2 percentage points during Q1. Now if you look at the cost ratio, we have reduced our cost ratio in this business area by 2.9 percentage points in Q1 and also, as you may recall, we are working very hard on renewing our distribution IT systems and that is going to change the work in this business area also.

If we turn to Corporate on Slide 16, this is one of our three largest business areas that have had the strongest balance between growth on one side and improvements in bottom line. We've seen a growth of 5.4% reported by a very strong first of January renewal. We now have a renewal rate of more than 90%. But also we've seen a good development in the sales reported particularly by our risk advisors. Of course claims have been significantly different this

quarter from Q1 2006. Last year was a higher number of large claims. We had large claims of more than DKK 300m in the Corporate segment in the Q1 last year and just below DKK 50m this year. As in Q4, we sold the largest part of our improvement in our Norwegian market, which is particularly seasoned.

If we turn to Slide 17, we touch upon the investment results. What we can see is that we've had an investment return of 1.1%. It has been affected by the increasing interest rates. We have seen that the increasing interest rates have, of course, had a negative capital affect on the bond. We've had a lot of DKK 87m there, but our asset liability matching has worked particularly well and the discounting effect of DKK 80m which means that the net negative impact for the bottom line is only DKK 9m for Q1. Now when we look at performance, we've seen a very strong performance in our large bond portfolio, but in our equities portfolio we are not pleased with the performance we've seen in Q1. There have been a strong performance by our external portfolio manager, whereas Danish equities have under performed compared to benchmark.

When we move onto to Slide 18, which is the outlook, as Stine mentioned, we have increased our outlook to 2.7 billion or an increase of 8%. That is, of course, based on both better performance in Q1, also a positive run-off in Q1 and, of course, finally a higher interest rate level, which will benefit us in the remaining part of year. You can see that we're now forecasting a bond yield of 4.6% compared to 3% or 3.9% and, of course, that will benefit us not only this year, but also in the coming years in the region of DKK 200m per year. Now in this outlook it's important to see that we have not included the potential tax benefit. If in fact in the end of June it's carried out as it is now presented, it will give us a positive result for 2007 bottom line of DKK 80m of which DKK 20m will be a run-off affect of the remaining DKK 65m to DKK 60m will be an ongoing annual positive impact affect if that is even carried out as a risk now.

That means that 23% tax rate this year in that scenario and a 24% tax rate ongoing. I think importantly it's also that we have, as usual, the positive April equity market development in our

outlook. You can see the combined ratio has been increased by two percentage points. That is, of course, as I mentioned, due to both run-off and positive underlying performance, but also due to the management and the slight changes to our discounting and unwinding process. If we turn to Slide 19, we have given a brief overview of how that impacts results. What you can say is generally that first of January we have changed our unwinding process. Historically our unwinding process has been slightly too complicated; it has given slightly too volatile results. We have on this slide shown the new and the old model. But what the main difference is that we are ongoing with serving the same level with the new model as is the old model, but the negative effect from shortening the time for maturity of the unwinding is being changed. What you can see from Page 19 is that we are moving an amount equivalent to 1.4 percentage points of the combined ratio out of the expense ratio and into negative unwinding or negative technical interest. That will bring our methodology in line with our Danish peers and, of course, we will only see of Europe and we'll evaluate that. This should both in the quarterly report and on our website document be very transparently described and otherwise please feel free to call us if you have any technical questions. But the bottom line is that the technical result has unchanged and the bottom line result is completely unchanged, but we're moving a number from the combined ratios to technical interest.

If we move to Slide 20, just to touch upon capital, you can see that our equity size has been reduced during Q1, naturally due to the DKK 2.2bn of dividend payout plan and also, and carried out, and also, of course, is the positive affect from the Q1 results. You can see that debt is unchanged.

If we move finally Slide 21 and touch upon capitalisation, what you can see is end of Q1 car ratio of 133.5. Like in the Q4, this has been affected the distance between our discounting methodology and the current Standard & Poor's long-term interest rate discounting methodology. Had we used our methodology, our car ratio would've been 140%, i.e., a distance of almost 7 percentage points, which we're currently discussion with Standard & Poor's and are likely

to come to a conclusion in Q1 of this year. Also you can see that our car ratio is still slightly higher from the slightly higher exposure to equity margins and real estate. It is currently 21% of our investment exposure and during 2007 we're expecting to take that exposure down to approximately 19%, which will, of course, affect our business positively. But, as always, you can search our website and see a more detailed description of how capital has developed during this quarter.

That concludes our presentation and I think we are ready to take your questions.

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### *Operator*

#### ***Operator instructions.***

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

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### **Will Morgan**

Hi there. It's Will Morgan from Goldman. I have two quick questions both sort of interrelated. The first one is I was wondering if you could possibly update us on your force on your debt position. Clearly you probably have some allowance to raise further debt in your capital model. I think you said in your last conference call that it was something you were looking at, so I just wondered if there had been any further thoughts on that area.

The second question, I just wondered if you could possibly update us with your kind of thoughts on the M&A landscape in the Nordic region? I think you've been quoted in the press on various occasions as saying you would be interested in essentially looking at attractive deals where they come about. I just wondered if you could update us on how you see the landscape, if there are any sort of interesting opportunities out there and if so maybe what you think about sort of valuations in the region as well, if you could just give us some thoughts that would be very helpful. Thank you.

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### **Morten Hübbe – TrygVesta, CFO**

Regarding debt position: I think we've argued before that the hybrid debt in December 2005, if we had at that time to allow 25% debt level that is probably what we would've done. We have now DKK 1.1bn of debt and what we are, of course, discussing is still, at some point changed that to 25%. Of course, you see capital planning of something that is of more long-term and not something that we want to change too much back and forth every single quarter. We have just gone through an annual rating process at both Standard & Poor's and Moody's with both parties having discussed the scenario of a higher hybrid level of debt and we're also discussing that with our Board. We have not come to any conclusion and we have not set a date for conclusion either, but are very much the scenario that is likely and that we're discussing and working on, back to you Stine.

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#### Stine Bosse – TrygVesta, CEO

Thank you, and also good morning to you. On the M&A question, our position is unchanged. If there is to occur interesting possibilities, we are there to participate; it could be larger or could be smaller. Of course, we could be very well aware that the price just now because of the very, very good quality of the businesses that you see around us the price was obviously also mirroring that, but you will have to in that sense, of course, take a very firm statement on where do we think the Nordic margins are going to go. Do we see this area of earning's stable and as far as we see it, just follow it, even with the increase of the competition that we have seen? So, of course, there is always an interrelated position there. We would always be very, very careful not to overpay either if it was in the low scenario or in the high scenario.

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#### Will Morgan

Great. Thanks very much.

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#### Operator

*Ben Cohen from UBS is on line with a question*

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#### Ben Cohen

Hi there. Good morning. **Firstly, could I ask you to speak just a little bit closer to the microphone? I don't know whether others have had the problem, but I struggle to hear some of what's being said. But my question is on the outlook for the growth for the full year, the 3% that you're targeting. I was just wondering if you could run us through in more detail what is going to change in terms of your policy count or the levels of competition in the different markets that's going to get you up from this sort of 1% in Q1 to the 3% for the full year?** Thank you.

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#### Stine Bosse – TrygVesta, CEO

Yes, I will talk you through that, but the 1.7% that we have shown for this first quarter is actually according with our plans. This is why we keep our forecast for the full year of 3%. Let's take it market-by-market, let's start in the Danish market. What we see now going on the competitors reducing price, especially in motor, we did that last year. So we do see still slight development in the motor area, but we have done sort of our part of the work last year. So that is why we are pretty sure on the growth for the Danish business.

If we take the Corporate business, we have been showing a very strong performance on growth and also here I would say that we could see that continuing throughout the period that we focused on here, namely this year, so here no sort of dark clouds in the horizon.

For the Norwegian business I think the main new sort is the higher retention rate. That is definitely growing to, ongoing on a better growth in the Norwegian business and also here the major part of the changes that we have seen due to competition and also due to our own changes of price model we have seen that and now we see a growth in numbers of policies and we see a growth of our market position in Norway slighted because we would always do it on a level of good earning. But we do see that we have a more stabilised situation also in Norway going forward for the Private and Commercial and

then, of course, adding here that the Finnish and the Swedish operation are actually catering for part of our growth and that, of course, is also good for us to see that we also can forecast continuously throughout this year.

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

Sweden, for instance, you can see a significant discrepancy between portfolio side and premium side and that is only natural given the age of the portfolio, but we will see earned premiums from that portfolio also during the later part of 2007.

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#### **Ben Cohen**

Could I just ask as a follow-up, in Denmark specifically, as your competitors are repricing, where you would say your average price now stands compared to should we say the lowest cost and the median of your competitors at the moment and if you think there's better risk that you will need to respond further to some of those price cuts?

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#### **Stine Bosse – TrygVesta, CEO**

First of all, I would say that, as mentioned, we think we've done the major part of what we needed to do last year. The responses from the competitors have obviously been there. To the question of where we are price-wise in that picture, I would say we are and we should always be just slightly above the middle, not the most expensive and definitely not the cheapest. Some of the very recent initiatives by some of the competitors together with risks, I would say for that growth we would not take. I mean down pricing very young men are not necessarily a very good idea, except for the young men, of course. I mean that's a favor for them. But it's not a good idea for your business and at the end of the day, not necessarily either for the young men because they should watch out when they drive.

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#### **Ben Cohen**

Thank you. Thank you very much.

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#### **Operator**

*Joakim Ström from Standard & Poor's is on line with a question.*

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#### **Joakim Ström**

Yes, good morning to you. Joakim Ström, Standard & Poor's Equity Research here. Just have another question regarding the Worker's Compensation. Can you give us a bit of an indication on how the segment is performing year to date? Also perhaps can you also give us sort of an update if there is anything new in the pipe or in the regulatory changes that you might want to highlight?

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

Good morning to you also, Joakim. What you can say is that there are actually changes underway here, Both some that have been carried out and some that we cannot completely notice as of yet. What we have seen is that there has been a new law where it has led us to increase our way in Worker's Comp, which we've done in Q1. What we see is that when we take the underwriting year performance currently of Worker's Comp, we saw last year that we are now approaching a level of 85%/90% claims ration in Worker's Comp. you recall, Worker's Comp has a very low cost ratio and, of course, a long tail. But we've taken this change of legislation by increasing our Worker's Work Comp research in Q1 of this year. Then there is work going on in the Danish market to increase the extent to which you pay on capitalised Workman's Comp claims and that will, if it is noted, it will cause larger claims in Worker's Comp, but also increases in prices in Worker's Comp. So I think it's likely that we will see this low path in the first half of 2007 and also see as an effect of that price increases in Worker's Comp in the Danish market as from the 1<sup>st</sup> of July this year from all competitors.

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#### **Joakim Strom**

Just a follow-up question then. I mean you mentioned in the Q4 report that you were seeing an increase competitive situation for this segment as well. Do you think the price increases will be enough to take care of these large claims that you're talking about?

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**Morten Hübbe – TrygVesta, CFO**

Yeah, I think that will most definitely be the case. I think we're seeing now that our ongoing earnings on Worker's Comp are now at a much, much more healthy level and we're actually making money on Worker's Comp at the moment and see that continuing into the future. What we can see is that we're slightly less well reserved in terms of older years claims research in Worker's Comp, so I think it's likely that we will see some continued claims research strengthening in Worker's Comp also in the coming period. But the ongoing business and the underwriting done now is done at healthy prices and profitable prices.

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**Stine Bosse – TrygVesta, CEO**

Especially for those of you aboard, the legislation in Denmark that is probably going to be put through, will allow us to increase premium without especially in the portfolio print. So that is to come a common model for handling these new situations around Worker's Comp and then, of course, it's up to us and the way we calculate and the conservatives in that we're building in our calculations to make sure that we increase the premiums enough.

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**Joakim Strom**

Thanks very much for those.

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**Operator**

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

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**Anders Hornbak**

Hello, it's Anders Hornbak from Carnegie Copenhagen. My first question is a clarification on your full year guidance. As far as I understand, you're lowering your combined ratio expectations for the full year by 2 percentage point, but as I see it the 1.4 percentage points are explained by changed accounting principals which leaves us basically where the increased guidance related to net releases in Q1. On the other hand, if we look at the technical property of raising guidance by DKK 200m, slightly more than the net releases in Q1, if you could explain the difference between the combined ratio and the technical profit.

My second question goes to your Worker's Compensation line. The 3 percentage point premium growth that you expect for the full year, so you anticipate these 15% to 18% premium hikes on Worker's Compensation from first of July in your assumptions for the full year premiums? Thank you.

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**Morten Hübbe – TrygVesta, CFO**

Take the first question Stine and good morning to you also, Anders. If we look at our, you're correct our full year guidance is lowering our combined ratio by 2 percentage points. A part of that is, of course, this change in unwinding methodologies, which have for the past three years reported a difference of 0.9% to 1.4%, but, of course, that is a significant part of it. Then you're right that our reserve release or run-off of Q1 is part of it and then, as I mentioned, our positive underlying performance is part of it. What is also part of the equation and that should answer your question, hopefully, is fourthly that the slightly lower average prices we've seen than expected in motor, and margins and house in Norway have slightly lowered this expectations, so that is a relatively small amount. But the larger amount I think you're looking for is, of course, that the higher ongoing yield which shifts from 3.9% yield in bond to 4.6% yield in bonds is for the last proportion shifted to the technical interest which means, of course, that the technical interest increases and that is why the technical result of such increases more than is just justified by the combined ratio improvement.

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**Stine Bosse – TrygVesta, CEO**

Hello Anders. Your second question on the Worker's Comp, first of all, the new legislation hasn't been guided, so I think you would be a bit on the aggressive side to sort of fully in calculate it. Second, we haven't yet completed our own calculation on the full effect of these tropical increases, so you might say that some of it is in there, but not necessarily fully. Returning to when we get to the half year or Q2, we will be much surer, first of all, that the law has been put through on the terms and conditions that we expect and, second, we will also have come to a final conclusion of how much increase we actually think is going to be needed for it.

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**Anders Hornbak**

Just a clarification, but does it sound reasonable that you would have to raise premiums by 15% to 18% and do you expect that the industry as a whole will be able to pass through the full amount to customers?

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**Stine Bosse – TrygVesta, CEO**

On the first question, I think it's too early to say if it's that specific amount or increase. The second, I think, yes, the industry is going to be able to from a legal point of view put through the full increase if needed, but the calculations are still going on.

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**Anders Hornbak**

Excellent. Thank you.

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**Operator**

*Matti Ahokas from Handeisbanken is on line with a question.*

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**Matti Ahokas**

Thank you. Good morning. Matti Ahokas, Market Capital Markets. Most of my questions

have been answered, but a couple of small detailed questions. Just on the increase in claims provisions for Worker's Comp in Denmark, how much was the figure in Q1?

The second question would be on the exchange rate calculation, is that the exchange rate that you calculated just a pure mathematical average because at least I don't seem to get to exactly the same figure.

The third question would be regarding Finland, you're saying that you've got 17,000 new policies in Q1. How much is that in terms of customers that you've increased in Q1 and what is the total number of customers in Finland at the moment? Thanks.

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**Morten Hübbe – TrygVesta, CFO**

The first couple of your questions and, of course, good morning to you also. When it comes to the run-off or the reserve increase of Worker's Comp in Q1, we have increased reserves by DKK 45m in Q1.

When it comes to your second question, the calculation of currency exchange is twofold. When it comes to P&L calculation, it's done ongoing as transactions are booked, which means that the accumulated affect will depend upon the currency development during the period and the finding of these transactions. When it comes to balance sheet calculation and the currency rates, of course, this only has or mainly has to do with the Norwegian Danish Krone business as this euro Danish Krone is completely stable. But if you are running into difficulties in aligning your currency calculations with ours, then please don't hesitate to call Investor Relations and we'll help you at. Back to you on the question the number of customers in 85,000 in first quarter.

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**Anders Hornbak**

Great. Thanks a lot.

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**Operator**

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

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**Will Morgan – Goldman Sachs**

Right. Sorry, I thought I'd actually cancelled it, but I'll ask it anyway. Sorry, the question actually relates to some of the changes in tax law in Sweden regarding motor business. I was just wondering if you can give an update on how your business is being rolled out in that region in the wake of some of these tax changes and what impacts, if any, you're seeing it have on the outlook in that country? Thank you.

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**Morten Hübbe – TrygVesta, CFO**

I will try, but I'm not completely sure I understand your question either, but you can comment back on what I've said if you elaborate. I think what you can say is that we only started our Swedish business first of July of last year, which means that it none of the storage issues related to motor in Sweden that traditionally is actually in Sweden affects us really. When we look at our rollout of our portfolio in Sweden, it is not governed by an interest or special focus on one product. It is focused on the fact that we have a strong distribution agreement with Nordea that typically sells all of the private products needed for the family, including motor, so we haven't done any particular speculation on how changes to motor should focus our general attitude for selling in the Swedish market. So I'm not completely sure whether that captured your question or if you have additional questions..

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**Will Morgan – Goldman Sachs**

I was more referring to the premium tax that, I think, as far as I'm aware, is still supposed to be introduced on, I think, sometime around July I think is the idea that there will be a premium tax introduced on motor policies in Sweden and whether or not you think that is going to be something that could actually then profitability in the market or whether you think price increases will be able to be passed through.

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**Morten Hübbe – TrygVesta, CFO**

I think what you can say that there's a long tradition in the various Nordic countries that when a law is passed that puts tax on individual products then that tax is passed on to the customers and I'm quite certain that will be the case.

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**Will Morgan – Goldman Sachs**

Thank you.

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**Stine Bosse – TrygVesta, CEO**

That's what we're going to do anyway.

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**Will Morgan**

Great. Thanks very much.

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**Operator**

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

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**Gianandrea Roberti – Danske Equities**

Yes, hello. Good morning from me as well. Actually some of my question has been answered already, but perhaps you can give us a bit more flavour on what's going on in Norway. I can see you still have a negative growth rate there. Would it be possible to understand what your target is for the full year '07 in terms of top line in Norway? Also, if you can comment a little bit more on competition. We heard from other players that it's definitely on the rise, both premiums are levelling down and claims inflation is going up, but if you could tell us a bit more that would be great.

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**Stine Bosse – TrygVesta, CEO**

Well for the full year we expect a zero growth or slight negative growth for Norway, but on the

number of policies and hereby also, of course, the market share, we expect bills during this year increase. That is, of course, reflecting the fact that the average premium has come down to a distant level. We see now that the movement has stopped flatten out and, of course, we're monitoring carefully these dynamics because, as you very correctly mentioned, it is not necessarily very positive if you have a decrease in average spending and you have an increase inflation. On the other hand I would say, and you can see that in the figures also, that the claims inflation in Norway is mainly on the half size and it is actually stopped. It is actually taking a bit down and, of course, we're watching that whether it is sort of in a new hire but stable area translating into the relativeness between the premiums and the claims so... Take it to the whole region, yes, we have seen an increase of competition, but, as I mentioned earlier, we've seen it now come up soft of actually very healthy because there was last year when we also introduced our new guide system in Denmark there was a basis for actually looking at the prices, especially motor. What I think it is happening is to come to a new level and some of the things that are happening, especially in Denmark actually where some are now down sizing for these young men, that is I think going to be similarly and we will not participate in that kind of competition.

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

Adding a bit to that, Gianandrea, that we've seen a 12 month price reduction in Norway on car, then less than on house and both in Norway and Denmark it is very different from line of business the line of business. It is the line of business as well which had very low combined ratios where we still see price increases every year in that. I think we can add to that that the start of 2007 was also affected by one of our larger agreement in Norway being handled, which has affected, of course, our Private and Commercial Norway business on the top line, but actually underlying that, as Stine said, we're seeing a very strong development, so we're not worried about that.

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#### **Gianandrea Roberti**

Thanks.

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

Welcome.

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#### **Operator**

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

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#### **Jan Eric Gjerland - ABG**

Good morning; it's Jan Gjerland from ABG. I have three questions, one about Norway and Denmark the Norwegian business was basically touched upon in the last questions. But if you can tell us more about the underlying Trans and combined ratios and claims trends in Denmark? We see, if you take off the run-off gains and take down the extraordinary things in Norway, both are picking up year-on-year, which is not very good trend in my view. On the capital situation, I couldn't hear what you said actually when you said anything about the hybrid issuing and what you were thinking about, so if you could repeat that and speak a little bit closer to the mike again that would be perfect. Also on the competitive situation in Finland and Sweden, if you could highlight slightly more on that that will be great. Thank you.

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#### **Stine Bosse – TrygVesta, CEO**

Let me take the first one on the underlying claims development. If you look compared to first quarter last year, you can see that actually the run-off is for this quarter less, so that just shows you that the underlying quality of the total portfolio is actually very good. Yes, we have seen higher frequency of larger claims in Norway this quarter and that is what you will see from time-to-time. On what we saw the first quarter of 2006 for our Corporate books. So I must say I'm underlying, the underlying

development I feel very comfortable with, but just adding to what Gianandrea said around that you have to watch if there is an outgoing trend on your claim, either frequency or average claim, you have to watch that when your premium is either flat or slightly decreasing and you shouldn't interpret it anymore into that. Then I think it was on the hybrid...

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

On the hybrid, and I'm sorry, Jan, that you couldn't hear that..

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#### **Jan Eric Gjerland - ABG**

Just you had some rating meetings and then everything disappears, so all of sudden I'm going to hear I think.

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

That's, of course, not good. I'll try to repeat it. What I said was that as we've said before, if we had in December '05 been allowed to use 25% hybrids, we probably would. We weren't at that time. Since then we've been discussing both on a management level and supervisory board level, it's an area of taking the hybrid to 25%. The only new thing that has happened there since last quarter is that during April of this year we had, of course, our annual rating process of both needed and of course, where we discussed this scenario of taking hybrid up to 20%/25% as a scenario, so it has been talked through and that means that we continually be working on this and it is the likely scenario, but we have not made any decisions and we have also not decided upon timing of a decision, so that is as precise as we can be.

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#### **Stine Bosse – TrygVesta, CEO**

Just to add on to that, Morten, what Morten just said, is that no actual plan of changing our debt position. We're very well aware of the fact that there are possibilities in there. We are working closely with the rating agencies on, I mean also

changing the possibility position, but perhaps you should view it that there should be some kind of occasion before we took actual active steps in this direction. But it's on our agenda and we're aware of the strength that it actually gives us with the debt position that we have and the debt position there is actually possible for. And then there was a question on Finland.

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

For the...

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#### **Jan Eric Gjerland - ABG**

**The competition in Finland and Sweden, as you had spoke about Denmark and Norway.**

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

For Finland there has been in specific products increased competition but only beginning of the year and then slightly with an add on insurance policy for basically nothing the first year. In the Swedish market our products are having a wider coverage than the competitors and are prices are slightly below competitors so we're on line. So I guess seeing from the incumbent insurance company point of view in Sweden that we are the competition and we will see the affect it's having on our business and net intake of new customers.

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#### **Stine Bosse – TrygVesta, CEO**

Let me just add to that. The reason why we can combine a better coverage with not lower price but mid market price is that we have a very, very good selection in the corporation with Nordea. So that is why you will also see and we can trace that now that as we've seen in Finland the claims ratio, even though it's a young portfolio, is going to be very interesting and very okay.

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#### **Jan Eric Gjerland**

Thank you.

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**Operator**

*Giulia Raffo from Citigroup is on line with a question.*

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**Giulia Raffo - Citigroup**

Good morning. I have two quick questions. First question is regarding the tax changes in Denmark. I would like to know how likely do you think these changes are going to be?

The second question is in relation to the combined ratio, could we have by any chance the Q1 '07 combined ratio under the previous calculation basis please? Thank you very much.

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**Stine Bosse – TrygVesta, CEO**

Let me answer the tax question first. It is very likely or it's quite certain that there is going to be put through a new legislation on tax, but the details of the legislation can, of course, always up to the time that it is finally decided by the politicians, go either way. This is why, of course, we mentioned this as a possibility, but we don't really calculate it in any way in our forecast. But I would regard it as rather reasonable or rather sure that it's going to be put through in the way that we see it now, but we're not, of course, in any way completely certain.

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**Morten Hübbe – TrygVesta, CFO**

You can say, Giulia, that this is the second version of the suggested law, so there has been a first version. This is now the second version. The timing is sort of expected to be decided upon during the end of June and then have retroactive affect as from first of January 2007; and that is the expectation. But let's look regarding your second question on combined ratio on the old methodology, you will see from the material that when we've teared out the recalculation of '04 to '06 with the new methodology, it has changed combined ratio in '04, and that is 0.9% and in '06 the most, that is 1.4 percentage points. You should see the effect in '07 as being very much in line with that was

the case for '06. We don't see that it's a good idea that we should continuously report on this but having given the rather detailed information on '04 to '06, we can use the '06 difference of 1.4 percentage points also in 2007.

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**Giulia Raffo - Citigroup**

Thank you very much.

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**Operator**

*Torsten Bech from LD Markets is on line with a question.*

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**Torsten Bech – LD Markets**

Hi. Torsten Bech from LD Markets. First if we look at the cost in Denmark and Norway, they are only up at half percentage points. Could you clarify what you expect for the full year including your guidance on the cost side in Denmark and Norway and how these IT costs relating to the Norwegian business that you are mentioning in your presentation that are put in the autumn this year, how much of these costs have we already included in your guidance and how much have already been taken?

Secondly, on the Corporate business, could you give us a strategy update on which segments you find particularly interesting? You had mentioned marine and transportation. Could this forward as you have ambitions to increase your market shares within these segments or are there any other segments that you find particularly interesting? That was all; thank you.

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**Morten Hübbe – TrygVesta, CFO**

I'll take your first question Torsten. What we mentioned was that in several of our business areas across in nominal terms have been flat and when we look at the cost ratio in Denmark and Norway in total they have been reduced by 0.5 percentage points. Now when we look at that for the full year, what we've said is that our cost ratio last year of 16.8% will be reduced slightly in 2007. Included in that is the increased focus on

Finland and Sweden and our total cost ratio would've been one percentage point lower for the group... focus on Finland and Sweden.

So what you could say is that the full year affect of Denmark and Norway will have to be very close to the 0.5 percentage points down that we're now seeing in order to finance the development in Finland and Sweden and you will see for the full year that the total of cost ratio will go slightly down. We're actually quite proud of being able to have such focus on new markets and being able to finance that from our more mature market, but it is also quite a tough task.

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**Stine Bosse – TrygVesta, CEO**

Then on the IT costs you asked about the cost for the Norwegian development there. You should view that in the way we forecast we include both the cost for the development in the mature markets and new markets, so when we guide that we would take the costs down by in the area of 0.1 percentage points a year. That is including all development costs, also the ones concerning the more mature markets. Then on those strategic questions on the Corporate business, I would say that marine is not necessarily one of the areas that we will see ourselves increase significantly in. Yes, we will see ourselves there also ongoing, but not necessarily a major focus area, whereas transportation, yes, it's one of the areas where we do see that growth is coming and that we want to participate and get our launch of share class in this area. Then, of course, also in businesses that are going to be more based on people, which is the fact that many productions types of businesses moving out of the Nordic area and it's going to be much more people based business that is going to remain in this area. Now, of course, yes then we will focus on that and also focus on the capability to follow our customers when they go abroad and where they do factor it outside of the Nordic area and they're forced to have a very good corporation with Zurich that gives us the complete international programme helping our customers also when they go aboard.

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**Morten Hübbe – TrygVesta, CFO**

We can actually add when we look at our development with our corporate customers that the number of corporate customers that do happen international that I mentioned to their business is increasing every single year, so that is a very important area.

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**Torsten Bech – LD Markets**

Thank you both.

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**Operator**

*Per Grønberg is on line with a question from Danske Equities.*

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**Stine Bosse – TrygVesta, CEO**

*That's fine.*

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**Per Gronborg – Danske Equities**

Yes, good morning. It's Per Grønberg from Danske Equities. One question, you are changing the way you discount and now discounting more aggressively or are you discounting less conservatively. I'm wondering about one thing, the historical results are unchanged. Does this imply that you actually have put more fat on your reserves versus the ongoing reserves today compared to what you had yesterday when you made insurance reserving more conservative than you're doing today?

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**Stine Bosse – TrygVesta, CEO**

I think that we should, Morten will give you the detail on this. I think you should notice that what we're doing now on the question of the reserving and the question of the unwinding methodology is that we actually aligning with our Danish peers and we are actually anticipating that this is going to be the ongoing regime. We don't know this for sure, but all sort of areas point to the fact that this is going to be the way with the new RFRS

regime in place. This is going to be the way that these things should be handled, so it is only a question of the key figure and really nothing else. I'm talking about aggressive or not aggressive. It's actually trying to be in line with what the future might bring.

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**Morten Hübbe – TrygVesta, CFO**

I think, I'm actually quite glad, Per, that you asked that as the last question before we close off because it's very important to see that the change we've now done, changes absolutely nothing in terms of the size we put now on new claims, both in the actual claims research and in the discounting. The only difference is where we booked part of the negative unwinding. What we've seen historically is that due to our methodology, part of the negative unwinding has been booked on the technical interest and part of the negative unwinding has actually been booked in the claims. The only difference is that this second part of the negative unwinding is now being moved from claims to the total technical interest. So it is only moving the negative part of the unwinding. The actual booking of the research and discounting of the research is completely unchanged and so there's no difference in terms of aggression or fat in the respect.

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**Per Gronborg – Danske Equities**

Thank you.

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**Stine Bosse – TrygVesta, CEO**

That I guess was the final question and thank you very much for the question, Peter. Thank you very much everybody for participating today. We look forward to seeing you all on the 21<sup>st</sup> of June. Bye.