May 2009

Capitalisation

Highlights of the first quarter 2009

- Total available capital after first quarter is DKK 9,407m compared with a required capital of DKK 8,074m.
- During the first quarter of 2009 the buffer to `A´ range has increased by 1% point (DKK 106m) to 17% (DKK 1,333m).
- The NOK/DKK exchange rate has increased by 10.7%, which has contributed adversely to the buffer by 2.1%.
- Moderna has not been included in the figures, but the inclusion from second quarter will result in an estimated 3% point reduction of the buffer.

Main changes during first quarter in the simplified internal model are the following:

Changes in required and available capital (MDKK)	Changes Q1	Effect of exchange rate changes (NOK/DKK)
Required capital	350	257
- Asset risk	*176*	*52*
- Liability risk	*198*	*223*
- Diversification	*-24*	*-18*
Available capital (TAC)	456	86
Effect on buffer capital	106	-171

Asset risk has increased by DKK 176m of which DKK 52m is explained by the exchange rate, and the rest is mainly explained by an increase in receivables. Liability risk has increased by DKK 198m of which is explained in full by increased exchange rates.

The DKK 456m increase in available capital (TAC) is mainly made up of the first quarter's result of DKK 320m and the exchange rate effect on deferred tax of DKK 86m.

Further specification can be found in the table on page 5.

Capital strategy

TrygVesta follows an active capital strategy and coordinates the capital planning with risk management. Both capital planning and risk management are supported by the internal ALM framework. The capital structure is continuously optimised while maintaining the necessary security for the stakeholders in TrygVesta and room for growth and development in the Group.

TrygVesta is rated once a year by Standard & Poor's and Moody's. This rating is the basis for the capital target. The targeted rating is to sustain a minimum rating of `A-´ and A3 respectively.

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This target satisfies the demand for security by the corporate customers and the broker sales channel and gives a high degree of certainty that TrygVesta will be able to execute the business strategy and still service our debtors.

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

The ratings from Standard & Poor’s and Moody’s are given as part of an interactive rating process. Standard & Poor’s uses a capital model, however, only as one of several criteria and parameters on which TrygVesta is examined. Other criteria may be risk profile, risk management, strategy, management, current and potential profitability. Moody’s does not apply an explicit capital model.

The capital model – determination of target capital and available capital
Standard & Poor’s capital model determines a target capital required per rating class (‘AAA‘, ’AA‘, ’A‘ and ‘BBB’) reflecting different confidence levels in the risk distribution. The capital model is a multi-factor model with a required capital, based on insurance related risks (Liability Risk) and investment and credit risk (Asset Risk) including diversification effects between the asset and liability risks, however, with a 50% hair-cut of the effect.

The available capital is based on the equity position adjusted for different accounting measures and hybrid equity. In the capital model, TrygVesta’s targeted rating of ’A-‘ corresponds to the minimum required capital for an ’A‘ level. To avoid adverse changes to the rating, the capital target is set at 5% above the minimum level by building a smaller buffer to the ’A-‘ target. With the current business mix and investment profile, the target capital of ’A-‘ (plus 5%) is DKK 8478m, which corresponds to a capital requirement of 51% of the net premiums.

In the following, a simplified version of the capital model is disclosed with explanation of the elements and difference in results to the full internal capital model which is not disclosed in public. The alphabetic reference is to the corresponding lines in the capital model presented in the table on page 5.

Asset risk
The required capital for asset risk (E) is calculated in the full model by multiplying different factors to the amounts invested per asset class, a charge for reinsurance credit risk and a general asset risk charge for all other assets. The following components are charged:

- Credit rating of bond portfolio
- Duration of bond portfolio
- Land of origin of shares in portfolio
- Real estate portfolio
- Receivables and outstanding reserves by re-insurers’ credit rating
- A general credit risk adjustment of 6.6% on assets

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

The proportion of equities was 3.1% by the end of 2008 and is still at this level by the first quarter of 2009.

The average asset charge is 4.4% of the total assets (D) by the first quarter of 2009 giving a charge of DKK 1,944m. This represents an increase of DKK 176m which is driven by an increase in receivables and bonds and an exchange rate effect of DKK 52m.

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

The premium risk (F) is calculated in the full model by multiplying different factors to the net written premium per lines of business. These factors range from 13% to 30% depending on the line of business. In the simplified model, this is on average 19.6% of the net earned premium (A) with the current business mix. The premium for the first quarter of 2009 is DKK 16,583m giving a capital charge of DKK 3,250m compared with DKK 3,260m by year end 2008.

The required capital for reserve risk (G) is calculated in the full model by multiplying different factors to the net discounted reserves per line of business. These factors range from 9% to 26% depending on the line of business. In the simplified model, this is on average 18.6% of the booked net reserves (B) less the reserves annuities (C) with the current reserve mix. In 2008 this was DKK 3,134m and by the first quarter of 2009 the amount is DKK 3,343m. The increase is explained in full by the exchange rate.

Reserves for annuities in Danish workers' compensation insurance are separated out and treated as a life insurance risk in the model. The capital required for life reserve risk (H) is equal to 0.9% of annuity reserves (C). In 2008 and in the first quarter of 2009 this was DKK 16m and DKK 15m respectively.

A capital charge for catastrophe risk was added for testing to the capital model in 2007. The calculation includes the net exposure for the 1-in-250 year scenario for property risk. TrygVesta's reinsurance programme covers the 1-in-250 year event on an occurrence basis with a retention of DKK 100m. The 1-in-250 year net exposure is DKK 241m pre-tax, and the post-tax amount of DKK 174m has been added to the required capital (I).

The required capital for TrygVesta Garanti's insurance bond portfolio (J) is approximately DKK 126m. This is the result of taking the historically largest loss in any one year related to that year's gross exposure and then applying this to the current exposure of the insurance bond portfolio.

Target capital and diversification
In total the target capital for `A´ range (K) was DKK 8,479m in the fourth quarter of 2008 compared with DKK 8,853m in the first quarter of 2009. Diversification effects results in a Diversified Target Capital (M) of DKK 7,725m in the fourth quarter of 2008 and DKK 8,074m in the first quarter of 2009.

The diversification effect is a relatively stable component and it remains at 8.9%

Total adjusted capital (TAC)
The equity (O) is adjusted for several accounting issues:

Hybrid / Subordinated Capital (P)	Can count for up to 25% of the available capital for \`A´ rated companies. The hybrid capital is DKK 1,102m in the first quarter of 2009.
Expected payout (Q)	Deduct current dividend and expected share buy back from capital. The suggested payout for the 2008 fiscal year amounts to a total of DKK 423m in cash dividends and is deducted from the equity. In 2008 TrygVesta initiated a share buy back programme of DKK 1,405m. This programme ended in the first quarter of 2009 and there will be no new share buy back.
Equalisation reserves (R)	Can be counted as available capital. According to IFRS the equalisation and security reserves are no longer booked as liabilities, but are part of the equity position after deduction of deferred tax liabilities. In the Standard & Poor's total adjusted capital, these reserves are included in full (without deduction for deferred tax), whence the deferred tax liability is being added. In the fourth quarter of 2008 this amount was DKK 843m and in the first quarter of 2009 this is DKK 935m.
Intangible assets (S)	Is deducted from the available capital with DKK 450m by the fourth quarter of 2008 and DKK 463m by the first quarter of 2009. The increase in intangible assets comes from investments in our internal IT project DOP, with the main objective to simplify and streamline sales process and customer dialogue.

Standard & Poor's applies a simplistic approach to discounting of claims reserves, where TrygVesta uses current market value discounting as regulated and approved by the Danish FSA. In the model below we have maintained TrygVesta's internal discounting when deciding the capital adequacy and payout level.

The adjustments results in a total adjusted capital (T) net of payout of DKK 8,951m by the fourth quarter of 2008. By the first quarter of 2009 the total adjusted capital amounts to DKK 9,407m. This corresponds to a buffer of 17% to the \`A-´ target, which is 12% point larger than what TrygVesta's capital strategy dictates. It should be noted that the change in exchange rates during the first quarter has had a negative effect on the buffer corresponding to 3.9%.

Results from the simplified capital model (MDKK)		2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	Change 2009 Q1
A	Net premiums	16.135	16.384	16.573	16.635	16.583	(52)
B	Net reserves incl. annuities	19.671	19.305	19.873	18.855	19.685	830
C	Annuities	1.645	1.615	1.700	1.822	1.712	(110)
D	Total assets	44.409	42.854	42.078	38.453	44.192	5.739
E	**Asset risk (4,4% x D)**	**2.087**	**2.228**	**2.114**	**1.769**	**1.944**	**176**
F	Premium risk (19,6% x A)	3.227	3.277	3.265	3.260	3.250	(10)
G	Reserve risk (18,4% x (B))	3.245	3.184	3.271	3.134	3.343	209
H	Life reserve risk (0,9% x C)	15	15	15	16	15	(1)
I	Catastrophe	174	174	174	174	174	-
J	Bond insurance	115	115	124	126	126	0
	Liability risk	**6.775**	**6.765**	**6.850**	**6.711**	**6.909**	**198**
K	Target capital "A"	8.863	8.993	8.964	8.479	8.853	374
L	Diversification (8,9% x K)	(762)	(774)	(771)	(755)	(779)	(24)
M	**Diversified target capital**	**8.101**	**8.220**	**8.193**	**7.725**	**8.074**	**349**
O	Equity	10.057	8.847	8.622	8.244	8.256	11
P	Hybrid capital	1.101	1.102	1.103	1.102	1.102	0
Q	Expected pay-out	(2.561)	(981)	(608)	(788)	(423)	365
R	Deferred tax	969	948	1.010	843	935	92
S	Intangibles	(379)	(440)	(453)	(450)	(463)	(13)
T	**Total Available Capital**	**9.187**	**9.476**	**9.674**	**8.951**	**9.407**	**456**
U	Buffer to "A" range	13%	15%	18%	16%	17%	1%
V	Buffer in mDKK	1.086	1.256	1.481	1.227	1.333	106
	Full S&P Internal Capital Model	1087	1.267	1.481	1.235	1.335	99

The simplified model underestimates the buffer with DKK 8m in the fourth quarter of 2008 relative to the full Standard & Poor's model. By the fourth quarter of 2008 this discrepancy is DKK 2m.

On 2 April 2009 TrygVesta closed the acquisition of the Swedish Moderna Försäkringar Sak (Moderna). As the simplified model is based on public accounting figures by first quarter, Moderna has not been included in the figures above. However, the estimated effect in the internal Standard & Poor's model of this acquisition is that the buffer to the `A´ range will decrease by 3% points. Moderna will be incorporated in the Standard & Poor's model from the second quarter of 2009.

The simplified model is disclosed to give insight to the capital planning in TrygVesta and will be updated on the www.trygvesta.com/Investor every quarter on the same dates as the financial results. The model is a simplified version of the extensive internal model, however, the results give guidance to the capitalisation of the Group. The results of neither the simplified nor the full model can be viewed as the opinion of either rating agencies.