

## Webcast and teleconference

### Q4 and annual results 2010 – 10 February 2011

#### Ole Sæberg - Tryg, Head of IR

Good morning and welcome to Tryg 2010 Annual report and the fourth quarter 2010. In the studio today it is CEO of 10 days Morten Hübbe and myself Ole Sæberg, Head of Investor Relations. We will have a few slides to walk through and then there is plenty of time for Q&A and with my short introduction now, I will hand over to Morten.

#### Morten Hübbe - Tryg, CEO

Thank you, Ole. No doubt 2010 was a challenging year and of course we are not satisfied with the combined ratio of 98.8. We can see that single events that are DKK 1.4bn higher than normal of course explain a big part of the development from 2009 to 2010. We also have to face the fact that in the underlying business there is a number of areas that we need to improve further in the years to come. We are very pleased that we have carried out the planned price increases and that we have succeeded in doing so while maintaining a very high customer loyalty. And then we are pleased that the fourth quarter is clearly the strongest of the year with a pre-tax result of just above DKK 500m and a combined ratio just above 95. Despite DKK 200m of winter claims in Q4 compared to DKK 100m expected and largely driven by improvements in Norway and Finland and starting to see improvements in Denmark as well.

#### Slide 3

Now if we turn to slide no. 3 we show the quarterly indicators, for the first time a top line in the fourth quarter of more than DKK 5bn, largely driven by the fact that we are carrying out our rather large programme of price increases of more than DKK 2.5bn in three years. The customer loyalty has been very positive throughout this process. In Norway, the customer loyalty has even slightly increased during 2010 and in Denmark we have seen a drop of a couple of percentage points in the customer loyalty but that can be explained solely by the fact that we a year and a half ago we decided to discontinue unemployment insurance and I think that if anyone monitors claims results in unemployment insurance at the moment that was a wise decision. And then we continue to reduce our costs which I will return to in a minute.

#### Slide 4

On slide no. 4 we show that single events were quite abnormal in 2010, of course largely driven by the DKK 700m winter claims in Q1 and then DKK 200m winter claims, again above normal, in Q4. We saw a cloudburst this summer and we have also seen this High Court ruling in Workers' Comp. That is, all in all, DKK 1.4bn more than normal and you should add to that that large claims, particularly in the Corporate and Commercial section, were above DKK 800m in the year we are just past and 500 is a more normal level. We have in our expectations for the coming years increased our expectations for these types of claims by 15% for large claims and 30% for weather claims.

### **Slide 5**

On slide no. 5 we show the more important underlying development in our core business segments. In Private lines we are getting the closest to our targets with an underlying combined ratio of 91. Of course, single events have impacted the area as well but we do see a positive trend improving results in our Private lines. Particularly, we have seen Norway and Finland having strong improvements during 2010 and we have also, towards the end of the year, seen several of the Private products in Denmark where improvements are on the way. So when we look at 2011, we do expect the Private segment to contribute to a large proportion of further improvements. On the other hand, Commercial with the combined ratio of 111 is clearly too high. Single events are a larger driver, but we also see, underneath, an unbalanced portfolio where earnings are not satisfactory. We started with price increases in the autumn of 2009. We continued in the autumn of 2010 and we are, throughout 2011, improving our processes and reducing salaries which are being negotiated as we speak. Corporate: In a difficult year like 2010 the combined ratio of 92.7 which is not half bad, but on the other hand, we have seen a very, very difficult competition in the Corporate section, particularly pricing on Workers' Comp.

### **Slide 6**

On slide 6 we show, I believe, a quite important graph of what is going on in the underlying claims trends. On the blue line we show how the claims ratios developed in Private lines, underlying, and there we see a drop from Q4 2009 to Q4 2010 of 4 percentage points when you disregard winter claims and that is, of course, an important trend that will further continue in 2011. In Commercial, of course, we see more volatility due to the nature of the business but also a reduced underlying claims ratio, but bear in mind that the cost ratio in Commercial is significantly higher and with a cost ratio close to the mid-20s we need a further improvement in the claims ratio for earnings to be satisfactory.

### **Slide 7**

On slide 7 we show the development on prices. We have seen in Norway cars, prices in our portfolio increasing by more than 5% while house insurance increases by 10%. We are particularly in the car channel in Norway increasing prices in motor further by 10% on 1 January which will further improve earnings in the years to come and in Denmark we see a price increase now effectively of more than 12% in the house segment and actually it is quite important seeing now that the motor prices are just slightly starting to pick up after the repricing process. There is no doubt, when you look at these figures and the claims trends that we are currently rebuilding margin in these products and that will further improve results in the years to come.

### **Slide 8**

And we have illustrated that on slide no. 8 taking house insurance in three of the countries where you can see that in Denmark we have reversed the upwards trend of claims ratio in house so it is on its way down, but still with a claims ratio in the high 80s, this needs to improve further in the coming years for us to be satisfied whereas in Norway we have seen again an improved trend. And if you look at the level of the claims ratio in house Norway we are now approaching 70, which is really largely in line with our

targets for this area. In Finland we have seen a continuation of a rather stable downward trend in claims ratio and that will continue with further price increases in 2011 and in reality by that reaching our target for claims ratio in Finland and now we have to invest a bit more in improving processes and reducing costs.

#### **Slide 9-10**

On slides 9 and 10 we comment on the fact that claims will play an even more important role for us improving earnings in the future. Throughout 2010, we have run a number of workshops and initiated programmes to further improve our claims handling. Our surveying function is being restructured. We are seeing that there are different types of, for instance, houses where water risk is higher and therefore our surveying function should spend more time on that. We have narrowed down and focused more on the difficult types of claims where they will spend more of their time. We have been carrying out surveys of how the craftsmen we work together with work and how we can make that relationship firmer and making sure that that contributes to earnings as well. Particularly in Norway we see that the motor insurance procurement needs to be more efficient and we are well on the way with that and then we have set up programmes where we have targets on how much of the portfolio needs pruning. That is perhaps an exercise that we have not really paid enough attention to in the previous years but that is definitely being done as we speak. There are examples of a period where, for instance, we have a lot of burglaries where we have needed to become firmer on the type of documentation we require to make sure that we cover the right claims and are not too lenient on that.

#### **Slide 10**

On slide no. 10 we elaborate on the fact that in 2010 we spent a lot of time combining external weather data, external proximities to sea level with our own internal data on basements, geography, types of risk in-housing, etc. all in all to reduce the risk of having more water-related claims. And, of course, that can result in both price changes and differentiation, cover changes, adjustments of attention rates and requirements for security.

#### **Slide 11**

And then, before handing over to you, Ole, there is a couple of slides on expenses on slides no. 11 and 12. We have further reduced our cost ratios in 2010 despite spending 0.6% higher costs on our 2010 new branding platform and investing in our transition process for further more efficient processes in the years to come. Particularly, the Private lines are driving the downward trend in costs and we will see in 2011 that Corporate and also Finland will start to contribute more to this process and then in 2012 Commercial will start seeing falling cost ratios.

#### **Slide 12**

On slide no. 12 we indicate our long-term target of a 10% cost ratio in 2020. Bear in mind that that is, of course, a long-term target, but already now we are working on a long list of initiatives to carry us in that direction. Our transition programme will redirect and change our Nordic processes and make them more efficient. We have already made paperless processes in 2010 and we see that Private lines have come the

furthest, but there are lots of areas in the other business segments to improve and also, of course, our supporting staff, IT, etc. etc., will be further improved in the years to come. And then the investment income was not half bad in 2010, Ole?

**Ole Sæberg - Tryg, Head of IR**

No, thank you Morten, exactly, this is the good part of the results.

**Slide 13-15**

Investment came in much better than expected but please note that 2010 was the first year where we actually split the portfolio into a match and a free portfolio, and the match portfolio came out with a mismatch of only DKK 5m. This is very good since the quarterly acceptance level for deviation is DKK 50m so the DKK 5m is outstandingly good. Also note that it is quite difficult to actually invest in the FSA defined discounting curves so this result takes applause to the investment people. The free investment portfolio gave a return supported by strong equity markets and also the real estate portfolio had positive return at the end of the year. Taking the full-year results net came out at DKK 593m. When we add that to the capital and then recalibrate the capital model, slide 14, then the surplus capital after the recalibration indicates that we can pay out DKK 256m and that equals DKK 4 per share, which you can see on page no. 15. Of course, this will have to be approved by the shareholders at the annual general meeting in April but I think that should not be a problem. And with this, I think we are into the outlook for the future, Morten.

**Morten Hübbe - Tryg, CEO**

**Slide 16**

That is right, Ole, and I guess when we look at the outlook that we sent out for the mid-term guidance – and I guess, mid-term is something like three years – we have set out a target to reach a combined ratio including potential run-offs of 90% which is required to get to RE post tax of more than 20% and of course our price increases play a large role in carrying us in that direction and the fourth quarter actually confirms that we are well on our way.

**Slide 17**

Now if we summarise on the last slide there is no doubt that 2010 has been a difficult year. I think that also in the future, if we have a year with DKK 1.4bn single events higher than normal, reaching our targets will be extremely difficult, but I think, more importantly, making sure, and we have seen that in 2010 that our planned price increases are successful, that we are able to retain our customers despite that, that we have seen a clear reduction in the combined ratio in Norway and in Finland and towards the end of the year we have seen an improved combined ratio also in Private lines in Denmark. We expect to see further improvements in the combined ratio in 2011, particularly driven by the Private market and then we will see further improvements in 2012 from the Commercial market, and then in 2013 reach our longer-term targets. And, of course, the dividend for 2010 is affected by the lower earnings. On the other hand, when you look at the coming years, incremental capital requirements will be low and pay out ratios

are likely to be high, towards the 70-80% mark, resulting in high yields in the future and I guess a target of RE above the 20s post tax is not half bad, although, of course, some of you would have liked see quite specific guidance also for each of the individual years. Commenting on that, I guess we can say that we are in very, very firm control of the price increases. We are in firm control of what we do with regard to claims and costs. On the other hand, we also have to face the fact that claims inflation and development in 2010 has been everything but normal and therefore expecting that it jumps back to normal in one year's time is probably being too optimistic. So sticking to actually very ambitious longer-term targets is the route we have taken.

**Ole Sæberg - Tryg, Head of IR**

Yes that was the formal presentation so operator, we are ready for questions.

**Hans Pluijgers, Cheuvreux**

Yes, good morning gentlemen, two questions first of all looking at developments in Denmark in Workers' Compensation. After the recent change in management is there any, let us say, change in strategy going forward in that segment and secondly on your run-off profits, relatively high, 5.7% last year – in Q4 – what do you believe is a normal level you could work with somewhat over the expected level for the coming quarters?

**Morten Hübbe - Tryg, CEO**

I think there is no doubt that we have argued that Workers' Comp. is both an important and difficult part of the strategy because Personal lines like Workers' Comp. will play a bigger role in the future and we will always have a strong position in segments like that. On the other hand, we have seen competition and pricing in Workers' Comp. particularly in Denmark in 2010 that we did not believe is sane and therefore we have used an even firmer strategy towards the end of the year of 2010 where we have been going through the portfolio and basically taken customers who were mainly Workers' Comp. customers and making sure that they either paid a significantly higher price or left the portfolio because we see Workers' Comp. as part of an entire customer relationship and not as single products. Having said that we feel extremely confident that we set aside DKK 200m for the change in the High Court decision and when we look at our total level of reserving margin in Workers' Comp. we feel very certain about the future and we are likely to have significant run-off gains from Workers' Comp. also in the coming years but we are worried about the current pricing in the Danish Workers' Comp. market and that is the reason for our caution. When it comes to run-offs in general, yes, the run-offs are somewhat higher in 2010 than in 2009 but also our total claims reserves are higher than the year before. Our total claims reserves are up by some DKK 2.5bn, which is quite significant and if you take the run-offs as a percentage of the total claims reserves, the run-offs were roughly 3.3% in 2009 and 3.6% in 2010 so they are roughly in the same region. We do expect in the coming years that a run-off gain to the combined ratio will be 3 percentage points or more but I would say that our assessment is that we leave 2010 with a reserve position that is actually somewhat stronger than at the beginning of the year.

**Vinit Malhotra, Goldman Sachs**

Hi, thank you, good morning Vinit Goldman Sachs. Just on the pricing, you commented that customer loyalty is still pretty much intact with pricing. In Commercial business you will be putting in place price hikes. Just wanted to confirm that on the basis of these results, the price indeed planned hasn't really moved because I remember in the summer last year we talked about DKK 1bn being put in place for 2011 and a further DKK 0.6bn for 2012 and I still see the similar numbers on that so I just wanted to confirm that the original price increase plan is still in place and there is no more or less on that. Thank you very much.

**Morten Hübbe - Tryg, CEO**

Well, that is an important question. The plan for DKK 1bn in 2011 and an additional DKK 600m in 2012 is intact. There are no areas where we have reduced the planned price increases. We have had some areas where we have further increased the planned price increases. Nothing that will materially change the total number, but we have, for instance, decided to increase prices more than planned in the car dealer channel in Norway. We are increasing prices more than planned in Change of Ownership in Denmark and we are increasing prices more than planned in, for instance, our Swedish motor portfolio so, if anything, the DKK 1bn will be somewhat higher, but nothing that will materially change the numbers and we are pleased that we have seen in Private lines an acceptance of price increases and very good developments in customer loyalty whereas we see that we started the Commercial price increases largely in October 2010 and only now we are seeing how the development is in customer reaction and, of course, there will be some turnover in the portfolio as a result of that but we also expected that.

**Vinit Malhotra, Goldman Sachs**

But just to confirm this question. It is something you are happy with in the sense that you would rather have those customers go away – I am sure that is the viewpoint looking from that.

**Morten Hübbe - Tryg, CEO**

That is very clear. I think that Tryg as a company has always been able to develop very, very high customer loyalty rates. That will be part of our profile in the future as well. But we are very, very clear that when we carry out price increases then they are beyond discussion and then we have to take whatever reaction we get from customer loyalty, but so far we have been able to balance both with very close to 100% carrying out of the planned price increases. Always a bit of small adjustments here and there but carrying out 100% and a very good development in loyalty at the same time, but if we come to areas and we have shown that in Corporate, really, if we come to areas where we have to sacrifice volume a bit as a result of that, then we are perfectly willing to do so.

**Gianandrea Roberti, Carnegie**

Yes, good morning from me as well. Actually I have a couple of questions maybe three if I can. The first one is a bit longer-term on the capital. You have this S&P modelling; I guess it has worked well for quite a few years. The Solvency II discussion is running separately. I had a previous discussion that simply there was a chance that disappeared at some point might take part of the new Solvency II rules in its

model which obviously would be positive because as it looks right now the S&P requirements are higher than the Solvency II rules. If you can give me a comment on that, that would be very helpful. Secondly, on the slide 4 where you show one-off and extraordinary events for 2010 I am a little bit puzzled by the definition. I have probably been a bit slow here, but you say extraordinary events at DKK 1.4bn and then you are saying one-offs event at 2.2 and I guess the difference between the two is a large claim as you mention Morten, but I guess not all of this 800 is one-off in large claims, I am just, if you can really clarify what in your view is complete exception and what in your view should be taken out from 2010 that would be very helpful. The final question, it is something that I have discussed with Ole yesterday night but it was too late and I was too tired, I guess, so I am being a bit slow. There is an item in your balance sheet called Other debt which has jumped enormously in the last quarter of the year. I think that it is now DKK 5.5bn. It was 1.5 or something at Q3. And if you can just explain a bit to me what is that? That would be great. Thanks a lot.

### **Morten Hübbe - Tryg, CEO**

OK, starting with your long-term question on capital I guess that S&P has been quite clear in voicing that they see it as strength that a company bases more focus on their own capital model and thereby Solvency II than the S&P model. We have agreed with S&P that when we have our S&P annual process in the spring of this year, then we will have some experts from S&P going through our own ALM modelling and capital modelling starting to figure out what level of focus should S&P attribute to our own capital planning, the S&P model aside. And clearly our own internal capital modelling and the Solvency II modelling results in a lower capital requirement than the S&P model does so I think a gradual transition towards more focus on the internal model and the Solvency II model will be natural and for S&P to put some focus on that so I think that you should not expect that then some time in May we will probably move to a Solvency II model and we let go of 20% of the capital, but there is a process where there is a transitioning towards that more intelligent modelling where we get the benefit of, for instance, diversification, we get full benefit of the matching that we - as Ole said - have become quite good at carrying out between bonds and liabilities and all in all that points to a potentially positive development in the capital requirement. Of course, the advantage of the S&P model is that it is simple to communicate and understand but of course it is way too crude and as you said gives too high a capital requirement compared to Solvency II. On the question of what is actually single events, what is large claims, etc. you are quite right, if we take slide 4, what we are arguing is that DKK 1.4bn is what we would call single events, so that is three factors: It is the winter of Q1 and Q4 above normal, it is the cloudburst this summer above normal, and it is the High Court ruling in Workers' Comp. That is all in all DKK 1.4bn and when we count winter it is not all of the winter impact, it is the winter impact above normal. Then, of course, you can debate what is the new normal, but that DKK 1.4 billion we perceive as extraordinary single events. Then the jump from DKK 1.4bn to DKK 2.2bn is the total calculation of large claims besides that. Now that figure of DKK 800m, you are completely right, it is of course not extraordinary. What you can argue is that in a more normal year those DKK 800m would be around the DKK 500m mark, but of course, having a large Corporate portfolio that would always have some volatility, but being at DKK 800m is clearly high compared to a normal of around DKK 500m. We are quite pleased that we sold off the

Marine portfolio because that has contributed to a lot of volatility in that figure. But hopefully that clarifies your question.

**Ole Sæberg - Tryg, Head of IR**

And the last one? It is mainly due to unsettled trades in the investment book.

**Morten Hübbe - Tryg, CEO**

There is this very clever IFRS accounting methodology where if you have investment trades, where the trading date is before the end of the quarter and the settlement date is after the end of the quarter then you have to show it in the accounts as if you own the asset, so you have the asset in the balance sheet and then you have to show the unsettled payment as Other debt. In reality there have been no changes at all to our debt structure during the fourth quarter.

**Gianandrea Roberti, Carnegie**

So basically it will go down at the end of Q1 I would guess?

**Morten Hübbe - Tryg, CEO**

It will go down or it will go up depending on what trades you would do on that specific date. But it is a volatile element. If you did the same number two days later it would be down again.

**Gianandrea Roberti, Carnegie**

Right. Can I just, sorry, can I just ask you one thing more. You mentioned I think in the presentation that going forward you will have in your sort of internal guidance I should call it at this point 15% higher large claim expectation and 20% higher weather claims if I got the number right. Does this mean the large claims will move from 500 to 650? And weather I think it was guided between 200 and 300 so if I take 250 then it will go to 325. Is that a rough assumption?

**Morten Hübbe - Tryg, CEO**

I think that the assumption is almost right. The only thing you have to take into account on the large claims is that we sold off the Marine portfolio which means that we have taken out the Marine component of large claims and then we have added 15%. We can give you this specific figure on that if you want, but other than that the logic is largely right. Then you can argue that the weather claims have been 200 to 300 so the upper part of weather claims can be somewhat higher but other than that the logic is about right.

**Ole Sæberg - Tryg, Head of IR**

All the – just to finish the large claims – all the Marine claims are primarily driven by large claims since when we sent out the release in March of last year you can actually get the information on a quarterly basis going back and then for the remainder of 2010, which is not reported directly as Marine, it is in the Other items line in non-continuing business.

**Morten Hübbe - Tryg, CEO**

And as you have seen in the accounts of 2010 the discontinuing business is a rather large negative impact on the total result and that is all due to the Marine book. We are now as of 1 January 2011 down to very, very little left coverage in terms of Marine so we will not see a continuation of that trend and, of course, that will help earnings as well and also volatility on large claims.

**Håkon Fure, DnBNor**

Yeah, good morning, sorry, two questions actually. Firstly on the winter claims in Q4. What was the - is the DKK 200m figure the total weather claims in Q4 or is that extraordinary? And in addition, in terms of your expectations of higher large claims and weather claims going forward, it would be interesting to get an update on your negotiations with the reinsurance companies in Q4.

**Morten Hübbe - Tryg, CEO**

Well if we take the first question, the DKK 200m of Q4 is winter claims above normal. We see a big difference here between the Danish and the Norwegian and the Finnish market. The Finnish market does not really have a lot of above-normal winter claims and they are better prepared for that kind of thing. In Denmark it does not really take a lot of tough winter and snow before things become abnormal compared to Norway, but what we have seen during this winter was that we have spent more time sending our, for instance, agricultural sales force out to our customers and saying: You have to take the snow down from the bigger commercial buildings. You have to get the snow away from the buildings before either the roofs collapse or the water flows into the buildings. So I think that we have learnt a lesson from Q1, 2010, and that has kept a lid on this number in Q4 2010. I think that Codan, Trygg-Hansa and others have made statements about their winter claims that were very high and I think that we have been able to reduce our winter claims in Q4. If we look at your second question on reinsurance, we have been able to place our normal programmes for 2011, we have also increased our coverage for natural disasters or claims and that has worked out well, even at slightly lower prices than we expected. We are still in the process of negotiating with our reinsurers on potentially making an umbrella coverage that covers across call it the natural perils, for instance, and property as the other typical area. It is not unusual to finalise those kinds of reinsurance treatments a bit into the new year, but we are in the process of doing that as we speak.

**Giulia Raffo, Autonomous Research**

Thank you very much. I have a couple of questions. One is on the combined ratio. If I look at the reported figure for Q4 you have 95.5, if I am correct, the above-normal weather losses account for about 4 points. Clearly there was some help above what you have described as a more normal, going forward, prior year which would be around 3 whereas you have 5.7 so there is a positive 2.7 there. At the same time, if I am correct it seems that on the expenses you have seasonally allocated most of the branding expenses in Q4 so Q4 suffers from an expense ratio that was like close to 2 points higher to where the rest of the year was. So net-net and last with the calendar year and the line combined ratio as a starting point for 2011 of about 92.5 and actually 92.7 depending on, you know, what do you consider exceptional. Do you feel that is a fair starting point? Or do you think this is too aggressive? And then my

second question is on the triangles. When I look at the triangle it seems that all the prior year came from 99 and prior businesses because when I look at the 2008 I have got a situation where there is hardly any prior-year positive on a net basis. I was wondering whether there is something that the figure does not show or whether it is true that all the prior year came from 99 and before and then my final question is why you haven't considered buying Tryg shares back in December when, you know, the share price was considerably under pressure.

### **Morten Hübbe - Tryg, CEO**

Good morning to you as well, Giulia, your math on the starting point of the combined ratio, I think that it made a lot of sense but I think I have two precise comments. One is that figuring out what is the new level of weather claims I think it is tricky and I think that that is one element you would need to take into account in that debate. Another that would pull in the opposite direction is that if you look at Q4 you mention the large claims, you mention the weather claims, you mention the one-off claims and you mention the costs, but in addition to that we actually see that our large claims of the fourth quarter were close to DKK 180m in the Corporate sector, which is some DKK 80m higher than the fourth quarter last year so there it depends on whether you are trying to make a sort of full-year assumption because there you should probably expect large claims to be more than the DKK 90m it was in Q4 2009, but if you are trying to make a year-on-year comparison there is actually DKK 80m upwards on the large claims as well. I think that the 92.7 – we have not commented specifically on each of the years to come, but I guess what we do see is that we will have a significant improvement in 2011, but bear in mind that we have also voiced quite clearly that 2011 and 2012 need further improvement to reach our target of 90. But I guess we will see also how interest rates develop because just three months back interest rates looked like a real challenge for 2011. Now it looks a bit more positive. So it depends a bit on how that develops and influences the combined ratio as well. On the triangle question, maybe we should check more specifically your question on the 99 and backwards but there is no doubt that we have been very slow in releasing potential run-off gains. A proportion of our run-off gains in 2010 relates to the motor legislation in Denmark back to 2002 so it is definitely not only 99 and backwards but it is rather overweight some of these years where we saw new legislation and we are getting to a point where it is so clear now that those claims will not materialise and that we should take the run-off gains but it is not only from 99 and backwards, but perhaps we should make sure that we get back to you on that. And then I can argue that if you look at our margin position, say, two years ago that was rather overweight Motor. If you look at the margin position today, it is less Motor, it is more Workers' Comp. and it is more broadly a number of different lines of business where we have a positive margin, but I guess, the FSA visited last year and said that they saw an extremely slow reaction on releasing reserves and a rapid reaction on increasing reserves when required, so all the years are overrepresented.

### **Ole Sæberg - Tryg, Head of IR**

And the buy back. Does she know? We actually bought back shares in December, Giulia

### **Giulia Raffo, Autonomous Research**

No, I was talking about you buying shares rather than buying shares.

**Ole Sæberg - Tryg, Head of IR**

Do you mean management? Are you saying management or the company?

**Giulia Raffo, Autonomous Research**

Management

**Ole Sæberg - Tryg, Head of IR**

Management, but are you aware we only have very short windows? We are not allowed to actually buy.

**Morten Hübbe - Tryg, CEO**

We are only allowed to buy shares two weeks after the reporting of the quarter so we are not allowed to buy shares in December. In addition to that you are probably aware that the incentive programmes throughout Europe in the financial sector have to be changed. What it will mean for us is that our stock options programme will be stopped for top management, but then instead we are putting into place what we call a matching shares programme where management will be offered to buy shares for their own capital. It has to be approved by the general assembly first so this will be in April and then it means we can only buy in May, unfortunately, but then we will be able to buy shares for our own funds and then if we are still employed four years later then the Company will match those shares and in that way we have a more - a profile where we are more in the same situation as our shareholders and I actually rather like that structure.

**Giulia Raffo, Autonomous Research**

Thank you very much. Just one quick question on the investment income. If I look at the Q4 excluding the market-to-market, and I analyse the running yields component and add to that a normalised equity capital gain and property capital gain, I get to roughly DKK 400m pre-tax of investment income after taking interest. Does that sound broadly in line with what your expectations are?

**Morten Hübbe - Tryg, CEO**

We have an expectation which is as you know usually use the 7% on equities, the 6% on real estate and then we currently see that bonds in the free portfolio where as a starting point we take maturation currently have yields around 1.5% and then we see the bonds in the matching portfolio currently with a yield of 2.3%. I don't recall if that totals 400 net/net. We can check that figure for you, Giulia and make the total calculation and get back to you on that.

**Peter Elliot, Berenberg Bank**

Yes, two questions, please. First of all, could you update us on when you expect to see underwriting profits coming out of Sweden and Finland, I mean, in Sweden in particular it looks like the claims ratio rather than the expense ratio that is at issue these days. It is no longer really sort of economies of scale and secondly on, again actually following up on a conversation I was having with Ole last night, but perhaps I was being a bit slow. Just on the DKK 200m stand that you are going to be investing in IT

going forward, could you just clarify what the impact, the sort of incremental impact on the expense ratio should be, say 2011 versus 2010? Thanks.

**Morten Hübbe - Tryg, CEO**

Well, good morning to you as well, Peter, on the first question we are already in 2010 seeing a number of months where the combined ratio for Private Finland is below 100 and I would expect already in 2011 to see a full-year combined ratio in Private lines Finland below 100 and then a target quite rapidly, within the next couple of years to take that to 95% and in reality the claims ratio in Finland is already very close to being at the targeted level and will mainly be a further cost ratio improvement that we will see in the years 2011 and 2012 and on Sweden, you are quite right that actually with the Moderna acquisition we now have good scale and good development in the cost ratio. There is a rather unbalanced mix of earnings in that portfolio. We have a boat insurance segment, Atlantica, we have a motorcycle and car insurance segment, Bilspport and MC, and then we have the direct product guarantees. Those three areas all have combined ratios below, not a lot, but slightly below 90% so they are contributing clearly to the underwriting results. Then we have an area which is the broader Private lines segment which is the newer segment of this group and then a smaller Commercial segment as well. Those two are the segments that are above 100 in combined ratio and actually above 110 and those are the segments where we are carrying out the largest changes. We have done that during the autumn of 2010 and that will continue in 2011 to get more balance into the total Swedish portfolio. We will see improvements from that already in 2011. I expect the three positive segments to continue. We will see improvements in broad Private and small Commercial during 2011 and I guess in 2012 they will be in line with expectations.

On the DKK 200m spending, we actually debated a bit on how or whether to write this, because of course it means that we are spending more than DKK 1bn per year on IT. This will largely be a project where we will invest in future years' processes. And it does mean that there are a number of other IT investments that we will not make so I think that we will be able to show clearly an improved cost ratio in 2011 despite these DKK 200m. We will see throughout the year how much of the DKK 200m we will take to the balance sheet and how much of it we will take to the actual P&L. But I think we would rather choose - as this is the first year of investments in this segment - we would rather choose to take a rather larger part to the P&L and be conservative on that because we have lots of other initiatives to improve the cost ratio and then as we move further into the programme we will put more and more of the investments to the balance sheet because we then get clearer and clearer proof on the benefits we can subtract from the business as we speak. The starting point is Finland, where you can argue that the benefits are less than when we do the same processes in Denmark and Norway. On the other hand we can get through to the proof a lot faster and a lot more secure and that is why we will tend to be a bit less aggressive on putting these investments to the balance sheet at first and then we will increase that proportion later. But all in all, the total cost ratio will be reduced despite that.

**Ole Sæberg - Tryg, Head of IR**

Just an addition on the Tryg Transition costs of 2010 they all went to the cost ratio. We did not capitalise any of it last year.

**Morten Hübbe - Tryg, CEO**

So we had 50-60 people working on that project during 2010 and took over that to the P&L.

**Ole Sæberg - Tryg, Head of IR**

OK thank you everybody. The very last slide of the presentation shows where we are going on roadshow the next few weeks and months so I will let it speak for itself and then thank you a lot for participating today and thank you, Morten, and for listening in.

**Morten Hübbe - Tryg, CEO**

Thank you, I look forward to seeing you on the road.