



## Conference call transcript

First quarter 2008 results

6 May 2008 at 09:00 CET

## Corporate participants

**Stine Bosse**  
TrygVesta – CEO

**Morten Hübbe**  
TrygVesta – CFO

**Ole Sæberg**  
TrygVesta - Head of IR

## Conference call participants

**Simon Christensen**  
SEB Enskilda

**Gianandrea Roberti**  
Danske Equities

**Jesper Brydesholt**  
FIH Capital Markets

**Christian Hede**  
Jyske Bank

**Torsten Bech**  
LD Markets

**Melissa Kuang**  
Goldman Sachs

**Rodney Alfven**  
Cheuvreux

**Hadley Cohen**  
Fox Pitt Kelton

**Matti Ahokas**  
Handelsbanken

## Presentation – Q1 2008 highlights

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### Operator

*Good morning, ladies and gentlemen. Welcome to the TrygVesta Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. I would now like to turn the call over to your host TrygVesta.*

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### Ole Sæberg – TrygVesta, Head of IR

Thank you, operator. Good morning everyone, and welcome to TrygVesta's first quarter 2008 results. In the room this morning is Stine Bosse, CEO; Morten Hübbe, CFO; Lars Møller, IR Manager; and myself, Ole Sæberg, IR Director. We will do a short introduction, which Stine will do, and afterwards we'll have plenty of time for Q&As. But let me just mention before we start that in the next two months, we will have investor meetings starting out in Copenhagen tomorrow. After that we will be in London, Edinburgh, Dublin, Milan, Berlin for the Goldman Sachs Conference, and then London again late June, so there's plenty of opportunities to meet us if you're not coming to see us in Ballerup.

With my short introduction, I'll hand it over to Stine.

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### Stine Bosse – TrygVesta, CEO

Thank you very much, Ole, and good morning and welcome.

TrygVesta showed a very strong result for the first quarter, mainly driven by a solid growth in premiums by close to 5% and that was driven by very good and strong growth in our Corporate line and now also very good growth in the Nordic, Norwegian Private & Commercial and also yet again the Finnish and the Swedish operations outperformed our expectations on the growth side. Also along side with the good growth, we saw a 20% increase in the technical result and here again also in all major lines of business, very strong performance in

the technical side. But of course, as everybody else, we were also influenced by the negative development in the equity market and that has shown up with a negative of DKK 365m in the first quarter, alongside with what we have earlier guided.

Now that I think are the main features for the results for this first quarter and now Morten, Ole, Lars, and I would be happy to answer your questions. Thank you.

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### **Ole Søeberg – TrygVesta, Head of IR**

Operator.

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#### ***Operator***

*Operator instructions.*

*Simon Christensen from SEB Enskilda is online with a question.*

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### **Simon Christensen – SEB Enskilda**

Yes, good morning. I have two questions. The first one relates to your Corporate business. You talk a bit about intensified competition. I think you're referring to Alliance and Zurich and probably also AIT Norway. Could you just please comment a bit on this? The second question goes to your capital model. I can see that you have now a charge of 4.7% on the asset risk, this possibly due to the property which you have bought, but what should we expect this charge to be when you return to the 8% to 10% equity share of your investment portfolio in the future? Thank you.

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### **Stine Bosse – TrygVesta, CEO**

I'll answer your first question; then Morten will take the second one, Simon.

I would say that we have seen increasing competition in Corporate, but we have seen that alongside with developments that we have shown, namely both a strong growth and also very high earnings in Corporate line. We have seen, yes, that Alliance are coming sort of back to Denmark. Zurich, you know, also want to do business on their own. But our expectations for this or these new competitors

in the market are that they will do what they're best at, namely special lines and that we will see not the growth that we saw late last year and now also running into this first quarter. We will not see that magnitude of growth in the longer scale, but we will definitely still remain with a growth of in the area 3% to 4% also running into next year. That is sort of alongside with normal price indexation. But the growth that we have seen, as mentioned, last year and running into this year has been very good and solid, yes.

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### **Morten Hübbe – TrygVesta, CFO**

Back to your second question, Simon, on the capital model, you're correct that the asset charge has dropped during the first quarter of 2008 where we have an asset charge for DKK 2.1bn, which is equivalent to 4.7%. That is roughly slightly more than DKK 700m less in charge compared to last year. What you should expect for the full year when our equity exposure increases again is an asset charge of around 6%. That would be the assumption to use.

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### **Simon Christensen – SEB Enskilda**

Thank you. You said that your equity exposure increases again. I mean so this is still expected to be or let's say a three-year period or something like that towards the 8% to 10%?

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### **Morten Hübbe – TrygVesta, CFO**

I don't think we've given a time to the 8% to 10%. What we've said is that we expect to go back to roughly 8% to 10%, which is of course lower than the 12% we started the year with and lower than the 16% that was the high point of our equity exposure in June last year. But it's correct that we will go back to 8% to 10%, but this is not going to happen any time soon.

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### **Simon Christensen – SEB Enskilda**

Thank you.

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**Operator**

*Gianandrea Roberti from Danske Bank is online with a question.*

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**Gianandrea Roberti – Danske Equities**

Yes, good morning. I actually have four quick questions here. The first one is from the run-off, can you just clarify a bit on the numbers there? I saw in the Corporate segment you have 120 million of run-off. If you can tell me how much is from Danish and how much Norwegian business that would be, that would be very helpful. Also, if you could tell us a bit more about the Private & Commercial Norway that has run-off losses coming from Group Life, but if you can just clarify what's the issues there? Then finally workers comp, I see there's still some sort of strengthening, can you give us a clue on the amount? Secondly on Finland, is that the still case combined ratio around 100 by 2009? Then on this one, top line growth this year, you're still guiding around 5%. Do you think it's feasible that in the next two years considering the growth in Finland and Sweden, top line will exceed 5%? Then last but not least if you can highlight a bit more the pros and cons regarding the equity exposure. I mean obviously if you take it up, you have a higher charge on the S&P sides, but why not staying where you are, if you can just highlight your kind of thinking. Thanks a lot.

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**Stine Bosse – TrygVesta, CEO**

Let me start by answering the growth question, Gianandrea, and then I'll hand over to Morten; he'll take your other questions.

For the growth expectations for the years, the next years, I would say look at them sort of in line with what you see this year. Don't sort of over exceed it for now. I wouldn't guide that. Still remaining a bit cautious on the competition, I would add that to my answer. In Finland, yes, expecting a combined ratio around a hundred in 2009, and that is of course with the growth that we see now and with the initiatives that we know. So that is what we know by now.

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**Morten Hübbe – TrygVesta, CFO**

...list of run-off questions, Gianandrea, you're right that we had a run-off gain in our total Nordic Corporate division of slightly below 120m. When we divide that into the Danish and Norwegian business, what we see is that we have close to 80m of that positive run-off gain in Norway and that relates it to Personal lines generally in the Norwegian business. Then we had a positive run-off in Denmark which related to various separate lines but with motor as the most predominant part, so an overweight in Norway. Then your question on Private & Commercial run-offs, it is correct that we've had run-off losses in Private Commercial Norway in the first quarter of slightly below 50m. That has been a run-off on both motor and on house. But when we look at the trend of that, I would rather attribute that to a sarcastic development in one quarter and not a trend that we expect to continue. I think it's fair to say that although the run-off in general is fairly stable on the group level, then quarter-by-quarter in the individual business areas we see much more volatility in the run-offs and there's nothing unusual in that. Did that answer your questions on the run-off?

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**Gianandrea Roberti – Danske equities**

Yes, absolutely. Just on workers comp, is it correct that you still had a bit of strengthening, and if you can just quantify that?

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**Morten Hübbe – TrygVesta, CFO**

On the workers comp, what we've said is that we generally expect, or we would not be surprised to see strengthening also in the coming periods on workman's comp. We have not had substantial strengthening of workers comp in this quarter.

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**Gianandrea Roberti – Danske Equities**

Thanks a lot.

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**Operator**

*Jesper Brydenscholt from Kaupthing Bank is online with a question.*

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## Jesper Brydesholt – FIH Capital Markets

Yes, good morning. I have a couple of questions that has not already been answered. One relates to the rising average building claims in Denmark that you're mentioning. What are your action plans against this; it might be that it will abate with the construction coming down but still you're planning to increase premiums, or how can you offset that? It seems to be trending upwards. All other being on the guidance side, you're expecting pre-tax profit of 2.3bn and then zero investment income and taking 2.4bn, that means that you are expecting a loss of 100m on other lines, what that is; that's my question on that one. Also, your tax rate assumption for the full year is 30% in your guidance, but I think that you some place write that it is 32%. That's something that seems to be missing here. So that's my small questions. Yeah, just on this last one on the reserve release that we have touched upon, for how many more quarters do we, can we expect to see excess reserve releases on motor?

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## Stine Bosse – TrygVesta, CEO

Let me take the last one, Jesper, and the first one and then Morten will take you through the other one. First of all, on motor and on reserve releases, I would say you should expect and as I think we have also commented earlier, you should still expect us to be very conservative when we look at this running year and setting off reserves so that ongoing, you will see us with a much higher likelihood of reserve loosening than reserve strengthening so that the run-off gain position that we now remain with, you should expect that to continue. On the first question on the development of the average claims in buildings in Denmark, yes, that is somewhat worrying. But you can see that the frequency development is good. Had we also there seen an increase in frequency, we would be in the area of talking about premium increases for this product. We're watching it carefully, and I would add that if it still continues, we will be talking about also lifting the premiums here. Now we are planning to introduce a new product later this year towards the yearend and in that product of course is build in some of these developments and finally of course as

you also know, we do also work with the claims handling side to keep down the average claims working with the deals that we have with repairman, and also here there is more for us to do to keep down this development.

Over to you, Morten.

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## Morten Hübbe – TrygVesta, CFO

Thank you. Your final question, Jesper, was on the tax rate, why is that 32% and not 30%? Generally the Danish corporate tax rate is 25%. Then the sort of very rough adjustments to get from 25 to 32 is one that Norwegian tax rate is higher. That increases the general corporate tax rate by roughly 1 percentage point. Number two is that the negative bottom line results in Finland and Sweden cannot be deducted in Danish tax, which means that in those periods that will increase the underlying corporate tax rate by roughly 2 percentage points. That gets us to 28. Then in a period where we have negative or losses on equity, we don't have tax discounts for that and that increases the overall tax rate by roughly 4 percentage points and that gets us to a total expected 2008 tax rate of 32%. A few of you might have noticed that if you look into the composition of the income for the first quarter and the tax rate, you would've expected a different tax rate. But just to comment there that in IFRS the process is now to calculate an expected model tax rate for the full year and then to distribute that tax percentage throughout the year based on the total earnings and not recalculated depending on the components of the earnings in each quarter. Then I think your final question was on the difference between the outlook for the technical result and resulted pre tax and investments, why 100m is sort of missing in that calculation. It is the section other and it is rounding. If you look into 2007, the difference in that same calculation was 50 million; and when you look into the 2008 outlook, it is rounding. You can also see that we've increased the expectation for technical result by 200m, whereas if you look into the improvement in the combined ratio, that points to slightly less than 200m. Again that is rounding because we don't give digits on the combined ratio expectation; we give just one

full number, so really in reality getting it as 100m is rounding.

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### **Jesper Brydensholt – FIH Capital Markets**

Just a follow-up on these answers, Morten, on the taxes, I can see that you're guiding 32% but just doing the math on your guidance numbers here between the 1.5bn net profit and 1.6bn net profit and 2.3bn pre-tax, that gives me a tax rate of 30% and not 32%. It's minor things, but what is the explanation to that when you're guiding 32%?

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### **Morten Hübbe – TrygVesta, CFO**

No, I think it's fair to say, Jesper, that when all numbers, both the combined ratio is full numbers and no digits and when all numbers in the outlook statement is in full 100m that then there is a lot of rounding in there and what you should expect is 32%. Of course development in equity markets could change that, the composition could change over the year, but the expectation is 32%.

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### **Jesper Brydensholt – FIH Capital Markets**

Fair enough. Thank you.

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### ***Operator***

*Christian Hede from Jyske Bank is online with a question.*

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### **Christian Hede – Jyske Bank**

Yeah, good morning. This is Christian Hede from Jyske Bank. I have two questions which have not been answered. The first one is regarding the equity investments, can you give us some words on which conditions you see have to be met for you to increase the share of equities again? The second question relates to Norway, how is your progress in the Oslo region and is this still according to plan? Thank you.

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### **Morten Hübbe – TrygVesta, CFO**

Firstly, good morning to you as well. Firstly on the equity side, I think it's fair to say that we continue as we work with the Nordic of our risk relative to our potential result on the various

investment elements. On the bond side, we've come extremely far in making sure that effectively bond investments is hedging to the liabilities, so risk management is the driver of that investment exposure. On the equity side, what we saw was that the S&P model increased the charge for holding equity from 22% in the old model to 33% in the new model which was implemented in December. That was part of the explanation of why we went further down in equity exposure; and when we are now evaluating what we would like to see as our long-term equity exposure, we of course also evaluating the logic between this increased capital requirement and the return expectations for equities and we are evaluating that at the moment both at the Management Board level and Supervisory Board level and the plan is to get to a very clear new long-term opinion on the equity exposure side and then rather stick to that equity exposure and not try to outsmart the market by a tactical decision to go in and out of the market. So I would say that this is driven more by risk and reward and analytical process internally than it is driven only by market development. But it's also fair to say that we look still at the volatility in the market and we didn't like the volatility that we saw. So as I explained earlier, you shouldn't see us increase in equity sort of very soon from now. But as hopefully I get across here, this is not only a market driven discussion, this is also to a very large extent a risk reward and capital driven discussion.

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### **Stine Bosse – TrygVesta, CEO**

Just to add to your answer there, Morten, which is very prudent: If we should increase our equity exposure and if we do so, as Morten just mentioned, it would be based on our own analysis around this issue. But if we were to do so, we would do it with a timing where we saw that some of the underlying main problems that is causing problems in the equity market that they would not necessarily be fully solved, but that there would be solutions sort of in the closer areas to what we see now. Here of course I'm talking about the consumer expectations in the USA and also the housing market in the States.

Now on to your next question for Private & Commercial development in the eastern part and in Oslo area, yes, it is developing

according to plan and we have also seen that the next phase of our development in this area might be introduced next year. Why I'm saying this is that we wouldn't do that if we didn't meet our plans for this year, so we might even boost it further next year.

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### **Christian Hede – Jyske Bank**

Thank you very much.

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### **Operator**

*Torsten Bech from LD Markets is online with a question.*

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### **Torsten Bech – LD Markets**

Good morning, just two questions from me. First of all, within the Industrial or Corporate segment, are there any sectors that have where you feel the competitive pressure moving faster than within other sectors and especially within the last one to two quarters? Secondly, on your outlook, what level of discounting have you put in your combined ratio estimate, and how should we look at the volatility in the short-term rates in terms of your guidance on combined ratio? That was it.

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### **Stine Bosse – TrygVesta, CEO**

Let me answer your first question, Torsten. In the Corporate line, I would say that it is the competition is there sort of on a broader range. What we focus on more and more is the type of corporates that would have, I would say sort of a long-term substantial being in the Nordics. That means that some of the heavy production that has been taking out of the Nordic area and yet is expected to be so, that is perhaps in the area where we see the less competition. So it is that sort of you could call it large person-based corporates that we actually focus mainly on.

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### **Morten Hübbe – TrygVesta, CFO**

Back to your second question, Torsten, of course the discounting rate used is not one rate. It is a rate that is used for the various sections of the yield curve in the various currencies. But if we look at it as a sort of average group level, which is, I guess, what

you're asking about, we are using a discount rate very close to 5%, on average slightly higher than that in Norway and on average slightly lower than that in Denmark. But as I said, it is very much a yield curve based calculation, which also means that in the coming quarters we will see fluctuations to that depending on when and how the various sectors of the yield curve develops, but on average around 5%.

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### **Torsten Bech – LD Markets**

Thank you.

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### **Operator**

*Melissa Kuang from Goldman Sachs is online with a question*

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### **Melissa Kuang – Goldman Sachs**

Hi there. Just three questions. Firstly, can we have more clarity on your expense ratio target for the year and how we're making up the 89% combined ratio? The other question for that further is I suppose that your 89% doesn't include the half year lease savings that you get; is that right? Second question I have is: I just want to know on your equity portfolio, have you increased equities recently? Also, looking at the capital model, last year the charge on asset risk was 6.5% and then you just said at the beginning of the call that this will go to about 6% this year. Is that based on the 8% to 10% equities that you'll be having? The third, last question, I just wanted to know with the building that you've bought, your own building, how are you going to fund this; and if you're going to fund it by bonds, what is your bond duration going to be like after the funding? Thank you.

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### **Stine Bosse – TrygVesta, CEO**

Let me take your first two questions, Melissa. The expense ratio that we guide ongoing on that side is that we would decrease the full year expense ratio by 0.1 percentage points on an annual basis. That of course is after having done our investments in growth of new markets. On the run-off side, it is true that we do not guide with any further run-off gains apart from the ones that we have seen already in the first quarter, and you should look back

in the earlier years to find a closer guidance to what might be the total run-off position at the full year.

Then on to you, Morten.

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### Morten Hübbe – TrygVesta, CFO

On your question, Melissa, on lease savings, you're correct that the outlook statement for combined ratio this year doesn't include any reductions on leases. The reason why we haven't included that is that as we also announced during the full year, we are rebuilding our headquarters, which means that both this year and next year, we will have effect from that rebuilding project that will cause expenses which could potentially pull the combined ratio in the opposite direction as opposed to the saved leases. So what we'll do is that later this year, we will make a clearer statement as to the net effect both this year and in the coming years of leases reductions versus expenses relative to this project of refurbishing the building. But you're correct, the lease reduction is not included. Then you asked whether we have increased our equity exposure, we haven't. As we talked about earlier, when and if we do, we will announce that in connection with the quarterly statement; but we've not made any significant changes since the middle of January. Your asset charge question, fully correct that the asset charge was 6.5% last year and therefore when I say roughly 6% that is slightly below that, but we had both a 12% equity exposure at the year end, which was the most significant part of the asset charge, and taking that up to 8 to 10 will be a lower charge. Furthermore, we have at the yearend a slightly higher proportion of none rated bond exposure in Norway, which we towards Norwegian banks. That has been lowered also during the first quarter and that is something we will stick to for the also coming periods and that is also lowering the asset charge slightly. As regard to your last question on funding the real estate purchase, that is being funded by sale of bonds and also we will make smaller portfolio reductions in our other real estate holdings but that is rather small numbers, below 200m. The sort of immediate funding of one, almost 1.1bn is of course less than 3% of our total bond holdings so that will not change our duration on the bond holdings substantially.

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### Melissa Kuang – Goldman Sachs

I suppose this reduction in bonds will be on the Denmark side, right.

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### Morten Hübbe – TrygVesta, CFO

That will be on the Denmark side, correct.

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### Melissa Kuang – Goldman Sachs

Thank you.

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### Operator

*Rodney Alfen from Cheuvreux is online with a question.*

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### Rodney Alfen – Cheuvreux

Yes, good morning. I have two questions. First of all, when it comes to your guidance, if I remember it correctly, I mean you guide now for profit of 1.6bn and a pre-tax of 2.3bn. But if I remember it correctly, you came up with guidance in '07 for 2.1bn when you had taken the losses on the equity market of 400m into account, so really an upgrade of your guidance in 2008. Then also you that guidance in the full year report that you expected an ROE of 16% and now you say 20%, so if you can elaborate about those differences. Then when it comes to your combined ratio, it's basically improving by 1.7% year-on-year, but then if we take into account that you had 0.9% higher run-off gains and also that rising interest rates had a positive impact of 1.5% and then basically large claims and weather related claims combined were slightly below the '07 first quarter result, so underlying you have approximately 80%/90% deterioration of your combined ratio, if you can please elaborate where you have seen the higher claims or higher costs. Thanks.

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### Morten Hübbe – TrygVesta, CFO

If I take your first question, Rodney, you're absolutely correct that in relation to the full year we said that if there were no losses on equity, result pre-tax would be 2.5 and then with 400m loss on equity results pre-tax would be 2.1 when we're now guiding 2.3 that is correct. That is positive upgrade to our

outlook which is of course positive and you're correct that it has also caused us to increase our expectation for the ROE of the full year where we have of course now taking into account the positive run-off gain for the first quarter but also positive technical development and of course this outlook statement both on the result pre-tax and on the ROE does not include any potential run-off gains for the coming three quarters. But you're correct in your comments on that. When we look at the combined ratio development, what we see is that we have improved our overall group combined ratio by 1.7 percentage points. You're correct that the run-off gain is higher this first quarter than it was last year, not higher than the full year last year, rather lower than that because the last full year was at 4.5%, but quarter on quarter it's slightly higher. Also we've seen the weather related claims is slightly smaller and interest rates have a positive development, which means that if you try to look at numbers below that or adjusting for that, we have seen some slight, slight underlying deterioration in the combined ratio. But what you should of course realise is that when we see rather high pickups in the average claim for instance on house in Denmark which has increased by 8% mainly due to repairing houses and the cost of salaries and material, that is one significant factor. Another factor is the same process in Norway, although we're now starting to see that sharp increase in average repair costs to decline somewhat. Then of course when we see that our Swedish and Finnish portfolio become larger and they have a higher combined ratio, then they slightly pull up the group combined ratio. But they will do that only for a fairly short while because we're already starting to see fairly sharp declines in the cost ratios of these two new areas. But of course, as long as they have a higher combined ratio than Denmark and Norway and they grow in size, they slightly affect upwards the combined ratio. But having said all that, the total group combined ratio drops by 1.7 percentage points and we believe that it is very satisfactory. Then of course we should monitor all of the underlying developments beneath that.

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### **Stine Bosse –TrygVesta, CEO**

Let me just add to that question. If you look at the first quarter, look away from the valid

point you made, it is still a very strong first quarter for general insurance company in the Nordics. We would not hesitate if we saw some of these developments, the underlying developments, if we saw some of those dynamics increase, we would not hesitate to do something on the pricing side. That was also what I insinuated talking about our new product that we will introduce later this year in Denmark in the house area. So I mean don't worry, be happy. We are also very much hands on with the underlying developments, but valid point. Thank you.

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### **Rodney Alfen – Cheuvreux**

Thanks for that. My question regarding the guidance was more that you increase you pre-tax guidance by slightly less than 10%, but then you increase your ROE assumption from 16 to 20, which is basically a 25% increase in ROI. So if you can elaborate on the difference there between the guidance. Then also I had one more question on Norway where it seems like you have a seasonal pattern that you're combined ratio is significantly higher in the first quarter compared to the second and to fourth quarter, if you please just can elaborate why you have that seasonal pattern in Norway but not in Denmark and in Corporate. Thank you.

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### **Stine Bosse – TrygVesta, CEO**

Let me just take the last one and then Morten will try to answer your other question, perhaps which could be taken bilateral afterwards. Anyway, on your last question, yes, it is so that for the latest years we have seen that pattern being more clear in Norway than in Denmark. In earlier years in Denmark before climate change, I guess, you would have heavy winters also in Denmark which would impact the first quarter results. In those days, it was very normal in the Nordics that you would have sort of a heavy first quarter, a heavy fourth quarter, and then the second and third quarter would sort of be the easier ones. Now that still remains the pattern, more clearly in Norway that the first quarter is a tougher one on the combined ratio. What we have seen in recent years is that also in Denmark you will see different patterns in the second and third quarter because of more rainfall. So one just has to bear in mind that climate is changing

and that is also changing the composition of the combined ratio during the quarters.

Then on to you, Morten.

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### **Morten Hübbe – TrygVesta, CFO**

Yeah, back to your question on the relationship between improving the profit and improving the ROE expectation, I think we should get back to you with the specific answer. Of course the improving line pre-tax by 200m improves the ROE, but on the surface it improved slightly less than the 4 percentage points rather close to just below 3 percentage points. But then of course there's a discussion on which equity number is used and also how do we monitor and expect the buy back programme which reduces the equity ongoing, the timing of that and which average equity then assumed in the calculation. But to give you the specific math between the slightly below 3 percentage points and the 4 percentage points as you're asking between 16 and 20, let's get back to you specifically after the call.

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### **Rodney Alfven – Cheuvreux**

Thank you.

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### **Operator**

*Hadley Cohen from FPK is online with a question.*

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### **Hadley Cohen – FPK**

Hi. Good morning. I have two questions. Firstly, with regards to the acquisition of your offices in Ballerup. Obviously there's going to be a change in investment portfolio and what have you, but is there going to be any impacts on second quarter earnings at all? My second question is: You state that you've got improvements in the customer retention ratios, I think 90% in Norway, 6% in Denmark, do you have any like targets as to where you'd like these levels to be longer term; and with regards to bundling products, can you give us some indication please on the proportion of your customers to have bundled products? Thank you very much.

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### **Morten Hübbe – TrygVesta, CFO**

On your first question, no, you shouldn't expect any significant changes to the earnings of the second quarter. The reduction in bond income is not greater than the drop in lease expenses, rather the opposite, so on the surface that is a net positive. But as I explained earlier, that will then to some extent this and next year be offset against our refurbishing expenses for the building. For the second quarter you shouldn't really expect any significant changes on this but rather some more communication on how this will affect the full year '08 and how it will affect 2009, so hopefully that answers your first question.

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### **Hadley Cohen – FPK**

Thank you.

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### **Stine Bosse – TrygVesta, CEO**

On your second question regarding the customer and the customer loyalty development, yes, we do expect in Norway to see some increase in the retention. In Denmark, I would say that the level that we see nowadays is the one that you should expect also going forward and that will not come without special efforts. That is why we are continuously improving the quality and the delivery to our customers. In Norway, we should see it pickup slightly by, I guess, one to two percentage points. But you will have to acknowledge that in Norway the sort of total customer loyalty picture is that there is less customer loyalty in Norway versus Denmark. So our customer loyalty regarding or sort of connecting to the Norwegian market is actually very high and I yet on top of that expect some further development. Now on the number of customers that have more than two products, that is the sort of bundling side of it. For Denmark, we are heading towards I guess it's 65% or something like that in that area and in Norway it is slightly above that is in the area of 70%. Also for Finland and Sweden, we have features in place and a number of customers have more than quality in this area is closer to 70 than anything else. The new feature we have just introduced where we actually add to our, the way we think our product that we also add now road aid in Denmark. That is one of

the new features as just mentioned that we have to continuously have in place to make sure that we're not just think about attracting new customers but that we always treat our existing customers with the best of products and the highest quality and standings in the market. So we expect quite a lot from this road aid. It is going to be both good for growth and for retention of course.

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### Hadley Cohen – FPK

Thank you very much.

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### Operator

*Matti Ahokas from Handelsbanken is online with a question.*

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### Matti Ahokas - Handelsbanken

Yes, good morning Matti Ahokas, Handelsbanken Capital Markets here. I know it's a pretty broad question, but I'd like to hear your thoughts on what is the relevant kind of premium growth in the market for the three large divisions in TrygVesta, the Danish, Norwegian, and the Corporate ones. Kind of trying to get a feel of are you kind of outgrowing the market or growing at the slower pace to the market during Q1?

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### Morten Hübbe – TrygVesta, CFO

Well I think, Matti, that, also to keep the answer fairly broad, when we look at the growth that we have in the first quarter of 3.6% in our Norwegian mass market business, our expectation there is that we are outgrowing the market slightly. After some years where we have been declining slightly in market share, we saw that we increased market share in the third and fourth quarter last year. Together with price increases in both house and motor and a pickup, as Stine mentioned, in the customer retention means that we have a higher growth now and also a higher growth in the general market. When we look at our Corporate business, the growth of 8.5%, that there's no doubt that it is significantly higher growth in the market, the general market in Corporate is growing less than half of that, somewhere between 3% and 4% would be an estimate. But it's also fair to

say that we expect that the competition we have seen in Corporate will bring that 8.5% lower during 2008. On the Danish market, the growth of 1.5% before premium discount is probably very close to being flat in the general market. What we have seen is small, some of the small competitors with some pricing on some segments of motor that we wouldn't be interested in following. We see the larger players being very disciplined in terms of pricing. But of course, generally the slight downwards pressure on those apprising keeps the general growth slightly lower than normal, 2% to 3% including index, and our 1.5% is roughly in line with the market.

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### Stine Bosse – TrygVesta, CEO

Let me just add to that. I was asked a question once whether we thought we were growing market share in Finland and Sweden and the obvious answer to that of course is yes and we maintain to have ambitions of reaching 8% of the private market in Finland by 2010 and the same level of private market share in Sweden by 2012.

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### Matti Ahokas – Handelsbanken

If I just may continue a bit on that. If I rephrase the question and if I look at different geographical regions, I mean different Nordic countries, where do you see the highest growth in terms of that at the moment, and how does that differ between the countries which is which country is growing the fastest in terms of market growth and which is the slowest at the moment? Denmark's probably the lowest, but which country do you see growing the fastest in terms of geographical terms overall in the market?

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### Stine Bosse – TrygVesta, CEO

I think that even though it has slowed down, I think Norway is still outperforming the other three countries. The growth, the wealth and the level of growth in Norway is still very, very high. I mean people talking about having car number three and even for climate reasons, which is a bit absurd, but that is just how it goes when things take off, people buying car number three being a sort of not normal car, so that's Norway, is very special and is still very high growth even though it slowed down a

bit. Then I would say after that, Sweden is definitely picking up and coming back to interesting levels of growth. Finland still being on the slow side, but doing better, definitely yes, and Denmark probably slowing down in the quarter and probably even years to come from of course a quite high level of growth.

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**Matti Ahokas – Handelsbanken**

Thanks, very helpful.

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**Ole S eberg – TrygVesta, Head of IR**

Operator.

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*Operator*

*There are no more questions in the queue.*

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**Ole S eberg – TrygVesta, Head of IR**

Thank you, everybody, for a lot of good questions and thank you, operator, for conducting a very good conference call. We will talk to you next time at the second quarter results, in mid August and if not before the one-to-one-meetings. Thank you for now.

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