

## Q1 2014 Earnings Call

### Company Participants

- Lars Moller, IR Director
- Morten Hubbe, Group CEO
- Tor Lonnum, Group CFO

### Other Participants

- Christian Hede, Analyst
- Daniel Do-Thoi, Analyst
- Gianandrea Roberti, Analyst
- Jacob Pedersen, Analyst
- Niccolo Dalla Palma, Analyst
- Sami Taipalus, Analyst
- Vinit Malhotra, Analyst

### Presentation

#### Lars Moller {BIO 2301941 <GO>}

Good morning, everyone. Welcome to the presentation of Tryg's Q1 results. Here's Lars Moller and with me today I have our CEO Morten Hubbe and our CFO Tor Lonnum. And with this short introduction I will hand over to you, Morten.

#### Morten Hubbe {BIO 7481116 <GO>}

Thank you, Lars. And if we start with the highlights on slide 3, we show again continued improvement in our technical result, which improves 5% year on year despite an increase of DKK150 million on large claims, mainly in the corporate segment. Combined ratio improves a bit more than 1 percentage point to 89.2% in Q1, which is traditionally one of the weaker seasonal quarters of the year, the improvement clearly driven by our savings program, which improves both claims and costs.

Investment clearly below last year due to equity markets. We see a slight improvement in our top-line trend, which dropped 2% in this quarter compared to minus 2.5% in the First Quarter last year. 1.2% of that decrease is due to Sweden and the lapse of the Nordea agreement, whereas it's important that we see an improvement in the private lines area where last year's drop of 2% in the top line has been improved to a drop of 0.5% in this First Quarter.

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Now if we move to slide 4, we have implemented a new split between corporate and commercial, which is expected to improve focus and service but also reduce cost. We have implemented a number of changes in our Nordea banking concept in Denmark and Norway and improved our IT solutions in the branches selling our insurance products. And as a result we are starting to see a 10% higher sales in Q1 banking compared to last year. And bear in mind that these are high-quality customers and a distribution cost which is mainly consistent of profit sharing.

We have also acquired the renewal rights of a rather small agricultural portfolio from Codan, which we're now in the process of renewing in the Tryg books.

And we continue with an extremely strong focus on making sure that our DKK1 billion efficiency program continues to improve results and, as we see, has reduced the nominal costs in Q1 by roughly 2%.

On slide five we show the four business areas. Three of the four business areas have combined ratios below 90% and a strong improvement in the reported combined ratio, but clearly also affected positively by higher run-off gains.

Private lines improved from 90% to 88%. Sweden improves the combined ratio by roughly 6 percentage points to a combined ratio of 88.7%. Clearly the strongest result we've seen in a Q1 in Sweden. Commercial with an unusually low combined ratio of 81.9% and a technical result of DKK190m. While the negative impact comes from corporate, with a combined ratio of close to 99% and large and weather-related claims having an impact of 22.5% compared to 5.7% in the similar quarter the year before.

If you look at slide six we see a continued positive impact of our DKK1 billion efficiency program. That will be the main driver of earnings improvement both in 2014 and 2015, and it had an impact of DKK90 million in the First Quarter split by DKK25 million of costs and DKK65 million on claims improvement.

If we move to slide eight we see the development in both top line and technical result of the various business areas. We see clearly that private has an improvement of the technical result of 11%, including higher run-off gains, but also, as I said, an improved trend in the top line from minus 2% last year to minus 0.5% this year.

Corporate improves the top line, but clearly the large claims result in a high combined ratio.

Commercial we see an impressive improvement in the technical result, while the top line is still challenged, mainly in the Danish market while we're starting to see some improvement in the Norwegian commercial market.

Then I guess clearly a strong improvement in the technical result in Sweden, while we see a significant negative trend on the top line given the lapse of the Nordea agreement. But bear in mind this was an agreement that resulted in significant losses in the Swedish

portfolio and we should be willing to let top line go that has no positive impact to the bottom line.

And over to you, Tor.

## **Tor Lonnum** {BIO 16534375 <GO>}

Thanks Morten. If you move on to the next slide and look at customer retention, you can see that it's a relatively stable development, relatively small fluctuations this quarter. There's a small improvement in commercial in Denmark and there's a small decline in private in Denmark. I guess the competitive pressure is still on for the Danish market, but as you can see, a more stable development in the retention level here. In terms of the Norwegian market, it's a flattish development.

If we move on to the next slide and look at the development in terms of the average premiums, you can see that for the Norwegian market it's a continued growth in average premium and reflecting the underlying indexation of the product.

If we look at Denmark you can see that there is negative development in motor insurance and it's a continued development since what we look -- since the last quarter. I guess it reflects two things. One is the change in covers for the motor product, but it also reflects the fact that we get newer cars into the portfolio, where we see that there's a higher level of safety equipment and slightly lower prices. If we look at the housing product you can see that there is a 0.6% increase in the average premium, which reflects the indexation of the product but also an increased share of affinity distribution in the product.

If we move on to the next slide and look at Sweden, the retention has been stabilized, although at a relatively low level, and is still significantly impacted by the Nordea portfolio that Morten mentioned. We can see that the performance in terms of profitability is relatively strong. And I guess we feel that we do have selective measures in terms of top-line development related to gross sales and also the partnership with Danske, which should help us turn the revenue stream around, although not in the nearest quarters.

If we move on to the next slide and look at the underlying claims ratio, there is an underlying improvement of 1.2% in the quarter, of course down from the 4.4 percentage improvement you saw last year, but still it reflects the continuous improvement from our efficiency and procurement programs. We see improvement in private and corporate, slightly weaker in commercial and Sweden, but from a very low level.

If we move on to the next slide and look at large claims, weather claims etc., this is really where we have the significant impact in Q1. And you can see that large claims are up by 3.3 percentage points. There's no particular pattern in terms of the large claims, but we have seen some relatively significant large claims in this quarter in the corporate segment. So you can see that it also -- it is also higher than our own expectations of 3%.

If you look at the weather claims, it's more or less in line with last year, slightly lower. One should perhaps have expected an even lower level, but I guess it's important to

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understand that it's also impacted by the extreme weather that you had in, the extreme winter weather that you had in Norway in Q1, among other things the extreme growth that you had in the first month of the quarter.

If you look at the run-off this quarter, clearly it's significantly higher than what you have seen previously. It does, however, reflect the fact, and we did mention this in Q4 as well, that we see -- we saw, actually saw a strengthening of our reserve position throughout 2013. So it reflects in our mind a very strong reserving position. The reserve releases are particularly coming from workers' compensation and motor TPL.

If we move onto the next slide and look at the expenses, you can see that there is slightly lower impacting cost ratio this quarter. It's only down by 0.1 percentage point. Of course it's impacted by the reduction in top line that Morten mentioned, but also a slightly different phasing in terms of expenses. So we will see an impact in the coming quarters.

You can see that the number of employees has been reduced, particularly impacted by the outsourcing agreement to Accenture this quarter. Nominal expenses, as Morten said, are down by 2% in fixed currency. And I guess on this slide it's also worth mentioning that we are looking into some additional expenses related to the IT transitional agreement, which probably will have an impact on the Q2 numbers. It does not -- it means that we will see a one-off in terms of expenses but it will not mean that we change our overall targets for the year, although it may have an impact on the cost ratio all year.

If we move on to the next slide and look at the investment return this quarter, it's significantly lower than the same quarter last year, particularly impacted by the equity performance. Equity performance this quarter, as you can see, is at 1.8%. We have seen strong performance in terms of high yield and emerging market debt this quarter as well, which has been the significant contributors to the results.

We have also tried in terms of reporting of opening up a bit more, so you can see that there is a more granular breakdown of revenues in the investment side this quarter, and it's in order to try to give you a better overview of what's going on, on the investment side.

Finally on the next slide, if we look at the capital structure, there has also been some significant changes in terms of capital. You can see that the capital requirement has increased by some DKK350m. This is due to the new registration in Denmark where we are moving towards the Solvency 2 regulation. The main drivers for the DKK350 million is related to the reserves and to workers' compensation.

If we look at the available capital, you can see that that has increased by DKK450 million and thus keeping the surplus capital at more or less the same level that what we have seen before, slightly above 50%. And the reason for the increased capital is that the haircut on this accounting has been reduced in terms of capital allowed for the individual solvency.

And I guess finally I'd like to make the comment that we have now done about 21% of our buyback program and it's progressing according to plan.

And with that I will hand it back to you, Morten.

## **Morten Hubbe** {BIO 7481116 <GO>}

Thank you, Tor. And on slide 19 we basically repeat the unchanged financial targets.

I guess to summarize, we are very pleased that we again are able to improve our technical result this quarter by 5% despite the DKK150 million increase in large claims. And I guess that in our opinion shows the robustness of our current business to be able to manage that. We're also pleased that we continue to see the positive impact of our efficiency program, resulting in some DKK90 million in the First Quarter and an improvement in the combined ratio of 1 percentage point, an improvement of the nominal cost by roughly 2 percentage points.

We expect to continue a strong and positive development in our results and we're pleased that we're able to see the first small signs of a slow and gradual improvement to the top-line trend. We see that our price differentiation work mean that our selection in new sales is stronger and the quality of our new customers and the expected claims ratio of those new customers is stronger. And we're pleased to see a slight improvement in private lines trends but, as Tor said, we should expect to continue to see a negative impact on Sweden and a negative development in top line during 2014.

## **Lars Moller** {BIO 2301941 <GO>}

Thank you, Morten and Tor. Now we're ready to take questions, so operator, please?

## **Questions And Answers**

### **Operator**

Gianandrea Roberti, Carnegie.

### **Q - Gianandrea Roberti** {BIO 6786731 <GO>}

Yes. Good morning. I have three questions. The first one, actually just picking up on where you left, Morten, on the top line. I suppose it surprised quite a few of us somewhat negatively. Probably most of it is due to currencies. The Nordea portfolio in Sweden was left. But also clearly in the commercial lines you lost quite a bit of top line there. Also you commented that we should expect a top line negative in 2014 and I guess everybody, more or less, was expecting that. But would it be fair at this point to expect a back flat if not even a tad negative top line also going in 2015? If you can just expand a bit on the top line it would be interesting.

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The second question is more on efficiency. I was actually looking at the number of employees you had at year end 2013 and benchmarking that versus Gjensidige. Probably Tor can tell me something about it. But Tryg seemed to have around DKK300 million more full-time employees than Gjensidige at year end. It's a good 10%. And I'm just wondering what should drive that or if your goal is to reduce it, how much would you go down?

The last question is really a bit more a big-picture question. I understand that under European Union rules all new cars being sold from the second half of 2015 are to be equipped with something called eCall, which is a device that, if I understand correctly, allows a direct call to emergency services when a car crashes. And there is a big discussion out there on the use of telematics in insurance and how much can be done and how much can improve tariffs and everything, and it would be just great if you can share some comments on that. Thanks.

### **A - Morten Hubbe** {BIO 7481116 <GO>}

Good morning, to you Gianandrea. I guess you're right that the top-line development is impacted by currency, and I think we should start by taking that out because clearly a 7% difference, of which 5 percentage points is currency, of course nothing that we can either do anything about or want to do anything about. The real debate is the 2% drop in top line.

Clearly we see this in probably three different buckets. One is Sweden, where of course a drop of 12% is significant. But bear in mind the Nordea portfolio in Sweden had a significant negative bottom-line impact. And I think the fact that we've been able to improve the combined ratio now to 89 is a significant improvement.

We see now that the non-Nordea portfolio in Sweden is actually increasing in number of customers. We also see that our current sales in Sweden is now as high without Nordea as it was before with Nordea. But we are not yet able to compensate for the higher Nordea lapse of existing customers. And it will take a while, and I think both in 2014 and 2015 to close that gap in the Swedish market. So that will be a negative driver in both 2014 and 2015.

The second bucket is really our priority and those private lines. Private lines is by far the biggest part of our business and the biggest part of our earnings. So to turn gradually around a negative development in private lines is important. We're seeing now a slightly net positive development in number of customers and private lines in Norway. And we're seeing improvements in the Danish private lines, but not yet a positive development in number of customers. But clearly we have higher sales now in both Denmark and Norway on private lines. And you see as a result also the first trend that the top line improved from minus 2% to minus 0.5%.

And I guess the third bucket is really commercial, where we're starting to see improvements in the Norwegian market, where we have higher sales and a more positive customer development, whereas the real challenge is that our current sales in Denmark is too low. Retention rates are good. But we have been -- we have seen that the big changes

we've done between the commercial and corporate segment, where we have changed some big parts of the portfolio and the roles and responsibilities, has meant that the activity level and the new sales in commercial has been lower than expected.

And as a result we will see negative top line in 2014 and some of the drivers will be negative also in 2015, but we will start to see some of these positive initiatives have positive impact also in 2015.

**A - Tor Lonnum** {BIO 16534375 <GO>}

And just to give an additional supplement to Morten's comment, which is an issue we have discussed before as well, but I guess it's important to know that we are in the process of doing portfolio conversion related to the price differentiation in Denmark. And of course that is a process that will continue in 2015. So as Morten said, there are some positive drivers in terms of top line that we expect to have an impact. And there are also some uncertainties related to the portfolio conversion.

I guess if I try to answer your question, Gianandrea, in terms of the efficiency program and the benchmarking that we have done, the fast and easy comment is that since we are down about 50 persons since year end I guess that will give you 250 left.

But joking aside, it's clearly there is -- I think it's difficult to do that kind of benchmarking on the overall level. What's important is really to look at our own efficiency and the opportunities that we see in terms of efficiency gains. And clearly we do not feel that we are sold out in terms of efficiency gains. We do see that there are significant opportunities, and that is something that we will continue to focus on going forward.

The last question I guess is --

**A - Morten Hubbe** {BIO 7481116 <GO>}

I guess it's correct to say that more automatic braking functions in new cars is positive. It will help safety and will lower risk. And I guess in the last couple of years we have seen that the newer cars have better safety equipment and lower risk and as a result also a slightly lower insurance premium. We are currently working on a new motor tariff, where we will decide how much of this we will take into account. But clearly I guess for both the people driving and the people insuring, that is positive.

**Q - Gianandrea Roberti** {BIO 6786731 <GO>}

Thanks a lot. Thanks.

**Operator**

Vinit Malhotra, Goldman Sachs.

**Q - Vinit Malhotra** {BIO 16184491 <GO>}

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Hi there. Good morning. Just on the large corporate losses in Danish corporate, which you have mentioned, I was just wondering, this is -- we heard you mention this in Third Quarter. At that point it was mid-size corporates and now it's some large. And I'm just wondering if there are any plans to reconsider the reinsurance or any others? And the reason I'm asking is that I keep asking whether there's a normalization of claim frequency on the horizon, but is this something you're considering on the reinsurance side?

Second thing is, obviously you also clarified that in commercial volumes are down in Denmark. But the redemptions is quite remarkably up. I note you mentioned it's only slightly up in this quarter, but over the last few quarters there's been slightly more improvement in the redemptions. So could you just clarify what is driving this volume pressure? Is it that the exposures are reducing and that's why the premiums are falling or is it that new customers are not coming in?

And in this context, you've also been introducing new products. Is that -- how is that working out, if you could just clarify? Thank you.

**A - Morten Hubbe** {BIO 7481116 <GO>}

Well I think if I take your last question and Tor can comment on the first question. You're absolutely right that on the commercial Denmark we have seen a strong trend in the retention, which is very positive, and I think longer term a driver of more stability and positive development in the top line.

But I guess we've made a large number of changes in commercial. Just during the autumn we have changed the whole distribution organization in commercial from a Nordic setup to a Danish/Norwegian countrywide setup. So the entire distribution organization has been changed. And after that, we have changed the split between corporate and commercial where close to 80% of the number of customers in commercial -- in corporate in Denmark and Norway has moved to commercial. And on top of that we have done a number of changes to which lines of business and which geographies the various employed agents are allowed to sell to.

And I guess the current challenge has been that we've seen that as a result of these many changes the number of new sales per employed agent has dropped. We expect that that will pick up more during the year and together with positive trend that you mention on retention that will improve the development in a number of customers on the top line. But it has taken a while and there has been an impact, and it will take a slight while more before we see that settle at a more stable and higher level. But clearly the retention will help and the new sales needs to come up in Denmark in commercial.

**A - Tor Lonnum** {BIO 16534375 <GO>}

Yes. Then I guess on the large claims, yes, clearly there is more volatility related to the large claims. On the other hand, it's important to understand that when we do our reinsurance program we try to aim to protect the capital and we try to do that on an overall basis for the full year where we try to protect our equity. So some volatility should



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be expected between the quarters. On the other hand, you can see that that has been to a certain extent at least aligned by the reserve releases that we had this quarter.

I guess there is -- in our mind it doesn't seem to be a trend in terms of large corporate claims. We have one large claim -- it's actually in a milk factory in Denmark -- and then we have one large claim in Norway, which is the significant contributors. And I guess that a part of the year, the game really related to the corporate segment. So in our mind it doesn't seem to be a trend. As you said, we did adjust upwards our full-year estimate for large claims and we don't think that we should need to reconsider that at this point in time and date.

**Q - Vinit Malhotra** {BIO 16184491 <GO>}

Thanks. Can I just quickly follow up on the -- you mentioned Norway had some fires and some weather losses slightly higher in the winter, but I still see a 90% -- 89.8% combined ratio. It was some of the reserve releases also in Norway?

**A - Tor Lonnum** {BIO 16534375 <GO>}

Yes, definitely, so reserve releases both in Denmark and Norway. And you're right. It was -- the combined ratio for the Norwegian market, as you say, is still below 90%, is really very healthy for a Q1 which typically, as Morten said, due to seasonality should be a bit weaker.

**Q - Vinit Malhotra** {BIO 16184491 <GO>}

Alright. Thank you.

**Operator**

(Operator Instructions) Daniel Do-Thoi, JP Morgan.

**Q - Daniel Do-Thoi** {BIO 17019775 <GO>}

Hi. Good morning. I have three questions. The first one is on the Nordea portfolio, the second on weather losses and there's a third one on your individual solvency model.

So just beginning with Sweden, you mentioned that you're likely to continue seeing a close on that portfolio for some time. Can you just give us a feel for how far through we are on that process? And can you just confirm again the size of that portfolio in relation to the overall Swedish premiums?

Then again, perhaps related to that, could you just remind us again of when the new distribution agreement with Danske is set to begin in Sweden?

Secondly, on weather losses, which came in a bit higher than I was expecting, could you just give us some insights into the where is that coming from on a geographic basis? As I understand it, you've disclosed that 0.8 percentage points came from the fires in Norway, but if you could just comment on the remainder, that would be very helpful.

And on individual solvency lastly, quite a bit of recalibration during the quarter. Can we expect any more of this going forward or have the main areas of uncertainty been ironed out by now? Thank you.

**A - Morten Hubbe** {BIO 7481116 <GO>}

Good morning, to you, Daniel. I think on the first question we can say that currently Nordea contributes some 19% of our private lines portfolio in Sweden and I guess some of that will remain with us and some of it will leave over the next few years. And as I said, we've really had two challenges there. One was to replace the distribution capacity and the second was to replace the gap from the higher lapse ratio.

And we have, by now we have increased our number of outbound sales force in Sweden from zero in Malmo to 114 people. So we now are distributing as much without Nordea as we were with Nordea before. And we are currently building up further with Danske where the agreement started in March and where we will gradually build more distribution. And we're also negotiating with several other partners to find additional distribution. But it will take a while to also close the gap of the higher lapse of the Nordea portfolio. But 19% is the current number.

**Q - Daniel Do-Thoi** {BIO 17019775 <GO>}

Okay. Thanks.

**A - Tor Lonnum** {BIO 16534375 <GO>}

And so the weather-related claims, I guess I mentioned the fires this quarter. They accumulate to about DKK40m. So the remainder of weather, reported weather claims this quarter is about DKK100m.

And I guess it's important to understand that although you have had a relatively benign quarter, as I mentioned, you have seen weather on and off, in particular in the Norwegian market, which means that although the weather is relatively mild, you do see winter coming and going. And of course that means that you will see some increased frequency in terms of on motor, you will see some increased frequency in terms of housing etc. So I think, yes, it's at a relatively low level, but it's not just looking at the temperature outside and see that that's how you can interpret the weather.

If you move on to the question about the capital model, yes, relatively significant changes this quarter. We do not expect any significant calibration going forward for the remainder of the year. But keep in mind that there is ongoing discussions with the FSA and of course it means that legislation and things may change during the year. One of the things that we're still anticipating, for instance, is the level of gearing that we should be able to use in our balance sheet.

**Q - Daniel Do-Thoi** {BIO 17019775 <GO>}

Okay. Thanks. Okay. That's very clear. Thanks very much.

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## Operator

Jacob Pedersen, Sydbank.

### Q - Jacob Pedersen {BIO 2260641 <GO>}

Yes, hi gentlemen. I just have a single question regarding your Norwegian activities. Could you try to explain the effects from the First Quarter of 2013 to the First Quarter of this year with regard to drop in your technical result?

And also it's quite obvious that almost the whole technical result in the Norwegian business is run-off. Could you talk a bit about what's happened? It seemed that the income from this business last year was of a better quality than this year.

### A - Morten Hubbe {BIO 7481116 <GO>}

I guess I heard your interpretation in terms of run-off, which I don't think is the correct assumption. I guess the main impact and the significant change that you see here is related to the currency because when you look at what's going on in terms of the difference on the top level, i.e. between the 2% in fixed currency and the 7% in nominal or in floating currency, you can see that of course that is significantly impacted by the drop in the Norwegian krone. And that is of course the main driver here related both to the top line and to the technical result.

### Q - Jacob Pedersen {BIO 2260641 <GO>}

Okay. Thanks.

## Operator

Sami Taipalus, Berenberg.

### Q - Sami Taipalus {BIO 17452234 <GO>}

Hi, yes. Sami Taipalus from Berenberg here. Yes, just two things please. First of all, could you just give a quick comment on the agricultural insurance portfolio that I think you just said you've got the renewal rights from Codan?

Then the second thing, you mentioned about the motor average premium already and the slow progress in that, but actually if you look at the chart it looks like there's a small uptick between Q1 and Q4. Admittedly it is very small, but is there anything that's changed there? Thank you.

### A - Morten Hubbe {BIO 7481116 <GO>}

I think firstly on the agricultural portfolio, we've seen over the last couple of years that Codan has stopped writing new agriculture business, and also that they have kicked out the larger estates and the larger accounts from agriculture. And what we've agreed with them is that we have taken over the renewal right of their remaining mainly smaller, medium-sized agricultural portfolio, which is some 1,600 customers that paid a premium

of around DKK70 million in Codan. We are taking over only eight employees and we have to take over customer by customer. So we will not take over the entire portfolio, but we will renew a large proportion of those customers.

And that process started a bit more than a week ago and is progressing well. And I guess the industrial logic is that we believe that we can run our small-to-medium-sized agricultural business at some 5 percentage points lower cost ratio. And as a result of that we believe that we're able to turn a profit on that portfolio and therefore it makes sense. But as you can hear from the numbers, it's a fairly small portfolio. It's not something dramatic that will change our number, but it's a sensible small add-on in a portfolio that is improving strongly, but is currently selling a bit too little.

**Q - Sami Taipalus** {BIO 17452234 <GO>}

Thank you.

**A - Tor Lonnum** {BIO 16534375 <GO>}

And just to add to that, I guess it, as Morten started off, it also contributes to balancing our own agricultural portfolio so I think its, overall it fits in very nicely with our business.

Number two, related to the motor average premium, I guess that is perhaps slightly a hiccup in the graph. You can see that it's down 0.9% in Q1 and it was down 0.7% after Q4.

**Q - Sami Taipalus** {BIO 17452234 <GO>}

But that's a year-on-year number. I guess what I was asking about was the quarter-on-quarter number.

**A - Tor Lonnum** {BIO 16534375 <GO>}

I don't think it's fair to say that there's an up-tick in terms of the average premium. So I think we'll just have to look at that.

**Q - Sami Taipalus** {BIO 17452234 <GO>}

It was just on the date on the line in the graph. Okay. Thank you.

**Operator**

Christian Hede, Nordea.

**Q - Christian Hede** {BIO 18642300 <GO>}

Yes. Good morning. This is Christian from Nordea in Copenhagen. I think most of my questions have been answered, but I have two follow up detail questions. First is one of the change of IT provider and you're now saying that that could lead to extra costs in 2014, but that will still help you reach your below 15% in 2015 target and then you add that it'll reduce expenses even more. Should this be expected or understood in the way that

2014 will be hit by extra expenses, then there'll be a bit of extra expenses in 2015 and that it'll be much better later?

And the second question is just a reminder, if you could remind me why you increased the expected level of large claims during the full year? Yes. What was the change that led to that at the time? Thank you.

**A - Morten Hubbe** {BIO 7481116 <GO>}

I can answer the first question and then perhaps you'll have to repeat the second. But I guess, yes, what I was trying to say is that there will be some additional one-off expenses related to IT in 2014 due to the change of IT operations provider. We don't expect any additional expenses in 2015, and what I was aiming for was really to say that we do think that that will contribute to lower expectations of expenses in 2016 and beyond. So it will contribute positively.

**A - Tor Lonnum** {BIO 16534375 <GO>}

Your second question was on why we increased the expectation on large claims.

**A - Morten Hubbe** {BIO 7481116 <GO>}

Yes. And that is really due to the exposure in the portfolio and due to the growth in the Swedish portfolio, and also related to the guarantee book.

**Q - Christian Hede** {BIO 18642300 <GO>}

Perfect. Thank you.

**Operator**

Niccolo Dalla Palma, Paribas.

**Q - Niccolo Dalla Palma** {BIO 16052945 <GO>}

Morning everyone. I have one question on the outlook. Sorry to do so much in the detail on the wording, but you do mention the 20% ROE as a medium term target. You hadn't used the word medium term since a while in your outlooks, while you had used the words at all times for the level of capital that should always be in line with that objective. So I just wanted to hear your thoughts on whether you still see that as achievable in 2014 specifically or how we should read these medium term words, if we should be worried about that at all? Thank you.

**A - Morten Hubbe** {BIO 7481116 <GO>}

We have made no deliberate change to the wording on that target whatsoever. So if there's a change in the wording we need to check that. I don't think there is, but if so, it's not intentional. So we'll check that and you should not read any change in our view on the 20% ROE target at all.

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**Q - Niccolo Dalla Palma** {BIO 16052945 <GO>}

Okay. That's very clear.

**Operator**

Gianandrea Roberti, Carnegie.

**Q - Gianandrea Roberti** {BIO 6786731 <GO>}

Sorry. I'm bumped in again. I just have a, really a more holistic question. Can I start to investigate what is your view for Tryg after the savings program is finished? I know there's still a good 40% of it to go and we probably in the markets, where we discounted it already and I understand it's more difficult than just how we see it. But in general, starting towards the end of 2015 and going forward, what is your view for Tryg? Where do you want to take this company? Can you spend some words on that?

**A - Morten Hubbe** {BIO 7481116 <GO>}

Well I think first of all I'm trying to figure out if this is a friendly overall question or if you're trying to trick us into giving new data on savings after 2015. But I guess it's fair to say that until 2015 we have our program to take the cost below 15%. We have our program to target the DKK1 billion efficiency measures which we are confident that we will reach. And clearly as we're getting closer to 2015 we are spending more time internally debating what is the target to follow those targets.

And I guess longer term we don't see that the development on reducing costs and professionalizing claims will stop with the current measures. We expect to set new targets for that. And also we expect to make sure that we get the benefit from the current work on price differentiation to make sure that we both continue to improve the quality of our new customers and therefore the claims ratio, but also reach a more stable development on the top line. But I think you can expect that when we have new targets to talk about, capital markets day is a likely set-up to do such a discussion so at some point you should expect that to be called.

**Q - Gianandrea Roberti** {BIO 6786731 <GO>}

Thank you. I didn't want to trick you in any way, Morten. Thanks.

**Operator**

Daniel Do-Thoi, JP Morgan.

**Q - Daniel Do-Thoi** {BIO 17019775 <GO>}

Hi. Daniel Do-Thoi here again. Just one quick follow-up question on the large losses. Just going through your report I can see that you mentioned that of your roughly DKK200 million in large losses that you reported, just over DKK100 million came from the Danish part of the portfolio. I'm just trying to see, well, first of all, if that's correct.

And second of all, where the remainder came from. Was it largely in Norway or in Sweden? Thank you.

**A - Morten Hubbe** {BIO 7481116 <GO>}

Yes, I tried to give a brief overview of that earlier as well, Daniel. But it's, yes, it is in particular one significant claim in the Danish portfolio. It's one significant claim in the Norwegian portfolio. Then there's a number of smaller claims and they are deriving from, some from the guarantee businesses, some from Sweden, some from Norway and some from Denmark. So it's scattered round really.

**Q - Daniel Do-Thoi** {BIO 17019775 <GO>}

Okay. Great. Alright. Thanks very much.

**Operator**

There are no further questions at this time. Please go ahead.

**A - Morten Hubbe** {BIO 7481116 <GO>}

Thank you very much and thank you very much to all of you for participating in this call this morning. We will be around in the next couple of months, starting in London tomorrow then around in Europe, Turku and in the States, and hope to see you all around. Thank you. And have a nice day.

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