

# Annual report **2017**

# Contents

## Management's review

3	Tryg at a glance
4	Business areas
5	Income overview
6	Introduction by Chairman and Group CEO
7	Events in 2017
8	Financial outlook
10	Targets and strategy
14	Tryg's results
18	Private
20	Commercial

22	Corporate
24	Sweden
26	Investment activities
28	Capital and risk management
30	Investor information
32	Corporate governance
37	Supervisory Board
39	Executive Board
40	Corporate Social Responsibility in Tryg

## Financial statements

44	Financial statements
113	Group chart
114	Glossary
115	Product overview

## Tryg's timeline

1728

Copenhagen experienced the largest fire in its history. The fire heightened public awareness of the need to insure oneself

2005

Tryg was listed on the OMX Nordic Stock Exchange Copenhagen on the 14 October

2010

TrygVesta simplified its name to Tryg

2012

New dividend policy stating a nominal, steadily increasing dividend with an annual distribution of 60-90% of the profit after tax

2014

Tryg presented financial targets and customer targets for 2017 at Capital Markets Day

2016

TryghedsGruppen decided to pay out a bonus to its members: 8% (DKK 696m) of premium paid to Tryg for 2015

1731

Kjøbenhavns Brand (the oldest component in Tryg's history) was established by Royal Decree as a result of the Copenhagen fire in 1728

2009

Tryg acquired Moderna Försäkringar

2011

Morten Hübbe appointed new Group CEO of Tryg

2013

Jørgen Huno Rasmussen appointed new Chairman of the Supervisory Board

2015

Tryg split its share 1:5, meaning each share with a nominal value of DKK 25 was replaced by 5 shares with a nominal value of DKK 5

2017

For the second year, running, TryghedsGruppen paid out its member bonus corresponding to 8% of the premium paid for 2016

Tryg presented new financial targets and customer targets for 2020 at Capital Markets Day

Tryg acquired Alka



### Purpose

As the world changes, we make it easier to be tryg<sup>a)</sup>.

### Great diversity of products

We offer a broad range of insurance products for private individuals as well as businesses.

### Strong market position

Tryg is one of the largest non-life insurance companies in the Nordic region. We are the largest player in Denmark and the third-largest in Norway. In Sweden we are the fifth-largest company in the market.

### Attractive dividend policy

We aim to distribute steadily increasing dividends in nominal terms and to pay out 60-90% of our profit.

### TryghedsGruppen

Owens 60% of Tryg and annually contributes around DKK 600m to projects that create peace of mind via TrygFonden.

### 3 million customers

Our 3,300 employees provide peace of mind for 3 million customers and handle approximately 950,000 claims on a yearly basis.

a) 'Tryg' means: feeling protected and cared for.

# Business areas

## Private

Private provides insurance products to private customers in Denmark and Norway. Private offers a range of insurance products including car, contents, house, accident, travel, motorcycles, dog and health.



Total premium income



Brands



Employees

Own sales agents • Call centres • Real estate agents  
Internet • Nordea's branches • Car dealers

Distribution channels

## Corporate

Corporate provides insurance products including property, liability, workers' compensation, transport, group life etc. to corporate customers under the brand Tryg in Denmark and Norway and Moderna in Sweden. Tryg is part of the global network AXA Corporate solutions.



Total premium income



Brands



Employees

Own sales agents  
Insurance brokers

Distribution channels

## Commercial

Commercial provides insurance products, including motor, property, liability, workers' compensation, travel and health to small and medium-sized business in Denmark and Norway.



Total premium income



Brands



Employees

Call centres • Internet  
Own sales agents • Franchise offices

Distribution channels

## Sweden

Sweden provides insurance products to private individuals within car, house, dog, child, boat and accident insurance etc.



Total premium income



Brands



Employees

Own sales agents • Call centres  
Internet

Distribution channels

# Income overview

DKKm	Q4 2017	Q4 2016	2017	2016	2015	2014	2013
<b>Gross premium income</b>	<b>4,488</b>	<b>4,504</b>	<b>17,963</b>	<b>17,707</b>	<b>17,977</b>	<b>18,652</b>	<b>19,504</b>
Gross claims	-3,076	-3,245	-11,865	-11,619	-13,562	-12,650	-14,411
Total insurance operating costs	-616	-802	-2,516	-2,737	-2,720	-2,689	-3,008
Profit/loss on gross business	796	457	3,582	3,351	1,695	3,313	2,085
Profit/loss on ceded business	-170	-140	-779	-951	710	-341	349
Insurance technical interest, net of reinsurance	-4	-3	-14	-10	18	60	62
<b>Technical result</b>	<b>622</b>	<b>314</b>	<b>2,789</b>	<b>2,390</b>	<b>2,423</b>	<b>3,032</b>	<b>2,496</b>
Investment return after insurance technical interest	86	598	527	987	-22	360	588
Other income and costs	-23	-112	-77	-157	-91	-90	-91
<b>Profit/loss before tax</b>	<b>685</b>	<b>800</b>	<b>3,239</b>	<b>3,220</b>	<b>2,310</b>	<b>3,302</b>	<b>2,993</b>
Tax	-158	-240	-720	-748	-390	-755	-620
Profit/loss on continuing business	527	560	2,519	2,472	1,920	2,547	2,373
Profit/loss on discontinued and divested business after tax	0	0	-2	-1	49	10	-4
<b>Profit/loss</b>	<b>527</b>	<b>560</b>	<b>2,517</b>	<b>2,471</b>	<b>1,969</b>	<b>2,557</b>	<b>2,369</b>
Run-off gains/losses, net of reinsurance	219	301	972	1,239	1,212	1,131	970
<b>Key figures</b>							
Total equity	12,616	9,437	12,616	9,437	9,644	11,119	11,107
Return on equity after tax (%)	22.1	24.1	28.8	26.2	20.0	23.7	21.8
Number of shares 31 December (1,000)	301,945	274,595	301,945	274,595	282,316	289,120	296,870
Earnings per share (DKK)	1.87	2.03	9.12	8.84	6.91	8.74	7.88
Net asset value per share (DKK)			41.78	34.37	34.16	38.46	37.41
Ordinary dividend per share (DKK) <sup>a)</sup>	1.60		6.40	6.20	6.00	5.80	5.40
Proposed extraordinary dividend per share (DKK)			3.31	3.54			
Premium growth in local currencies	1.9	1.7	1.7	0.1	-0.8	-1.1	-2.7
Gross claims ratio	68.5	72.0	66.1	65.6	75.4	67.8	73.9
Net reinsurance ratio	3.8	3.1	4.3	5.4	-3.9	1.8	-1.8
Claims ratio, net of ceded business	72.3	75.1	70.4	71.0	71.5	69.6	72.1
Gross expense ratio	13.7	18.0	14.0	15.7	15.3	14.6	15.6
<b>Combined ratio</b>	<b>86.0</b>	<b>93.1</b>	<b>84.4</b>	<b>86.7</b>	<b>86.8</b>	<b>84.2</b>	<b>87.7</b>
Run-off, net of reinsurance (%)	-4.9	-6.7	-5.4	-7.0	-6.7	-6.1	-5.0
Large claims, net of reinsurance (%)	1.8	4.4	1.4	2.2	3.4	3.1	2.1
Weather claims, net of reinsurance (%)	2.8	2.6	1.7	2.0	3.4	2.4	3.2
<b>Combined ratio on business areas</b>							
Private	82.0	83.6	82.1	83.8	85.4	82.5	86.0
Commercial	85.9	82.8	82.6	82.1	83.6	79.4	85.4
Corporate	93.8	99.1	90.0	88.8	90.7	89.8	91.7
Sweden	91.3	92.9	88.1	90.7	83.5	92.0	91.2

a) Ordinary dividend per share in 2017 includes dividends paid out in April, July and October of DKK 1.60 and proposed ordinary dividend of DKK 1.60 to be paid on 21 March 2018.

# Targets for 2017 achieved

– New ambitious targets announced



2017 was an eventful year for Tryg. The targets for 2015–2017 were achieved, new targets for the period up until 2020 were announced, a new strategy and purpose were launched, and last but not least, Tryg acquired Alka.

The 2017 technical result was DKK 2,789m, with a combined ratio of 84.4, which together with a high investment return yielded a total profit of DKK 2,517m, corresponding to a return on equity of 28.8% after tax. With an expense ratio of 14, Tryg realised all its ambitious financial targets for 2017.

Our customer targets have played an increasingly important role in recent years, and we are therefore pleased that our target of doubling our Net Promoter Score (NPS) was realised. Our target for number of customers with three or more products (3+ customers) and our retention rate target were met in Denmark. In Norway, there was an increase in the number of 3+ customers, while the retention rate was affected by an increasing outflow of customers in the Norwegian market in general.

#### New targets

In November 2017, Tryg announced new ambitious 2020 targets, which were subsequently updated following the acquisition of Alka: a technical result of DKK 3,300m, a combined ratio of 86 or less, an expense ratio of around 14 and a return on equity of 21% or above after tax.

High customer satisfaction is important to achieving our financial targets, and Tryg therefore presented a new set of customer satisfaction targets. Tryg also wants to increase awareness of TryghedsGruppen's member bonus, which was paid out to customers in Denmark for the second year running.

#### Stable and increasing dividend for shareholders

Tryg's dividend policy seeks to distribute a steadily increasing annual dividend. The Supervisory Board therefore proposes a dividend of DKK 1.60 per share for Q4 2017, meaning that a total of DKK 6.40 (DKK 6.20 in 2016) per share has been paid out for 2017. The Supervisory Board has also proposed an extraordinary dividend of DKK 1bn to be paid in 2018.

#### A new purpose for Tryg and a new strategy

In 2017, the Supervisory Board and the Executive Board initiated a process aimed at defining a purpose for Tryg: As the world *changes*, we make it *easier* to be *tryg*. For many years to come, this will be our guiding principle, and the strategy for 2018–2020 is the first step towards fulfilling our purpose.

#### Focus on innovation and positive customer experience

A solid foundation has been created for further developing and strengthening Tryg. Tryg's new strategy is based on four themes. The development of *new products and services* is key to maintaining and developing our market position. This can be done through the use of new technology, for example new types of car insurance for which the premium is primarily determined by the customer's driving style. But innovation can also take the form of new ways of selling insurance solutions, and a good example was the launch of simple insurance packages in 2017. *Digitalisation* remains important. We have introduced the first fully digital claims handling solutions, enabling simple claims to be processed in just three seconds without involving any employees.

#### Efficient distribution and improved claims steering

As traditional insurance products come under pressure, it is important for Tryg to streamline its distribution, for example through more in-depth knowledge about customers, close cooperation and cheaper distribution channels. Finally, it is important to focus on even *better claims steering* through, for example, favourable procurement agreements and prevention, thereby ensuring that Tryg remains a financially sound company.

#### Thanks to our employees

The realisation of our targets for 2017 has only been possible through the dedicated efforts of our employees, and both the Supervisory Board and the Executive Board would like to thank all our employees for their commitment.

  
**Jørgen Huno Rasmussen**  
Chairman

  
**Morten Hübbe**  
Group CEO

# Events in 2017

## Q1

### January

#### Insurance package launched

Private Denmark launched a new customer concept, an insurance package. The package includes Contents, Accident and Travel insurance, and customers are rewarded with an aggregate discount of up to 20% and current Tryg Plus benefits.

#### Tryg acquired FDM

Tryg acquired FDM's insurance portfolio, which comprises well over 20,000 members. In October 2017, Tryg began selling insurance products to FDM's customers, and by 1 January 2018, all current customers had been transferred to Tryg. Tryg sees a considerable potential for selling insurance products to FDM's 200,000 members.

### February

#### Tryg acquired OBOS

Tryg acquired OBOS Forsikring in Norway with a portfolio of approximately NOK 170m and 10,000 insurance customers. Tryg sees a considerable potential for selling insurance products to OBOS's 416,800 members.

### March

#### First fully digitalised claim processed

Tryg in Norway processed its first fully automated travel insurance claim. A customer reported a claim online; the claim was automatically assessed without the involvement of any employees; and the money was transferred to the customer's account within a few seconds.

#### New, innovative car insurance in Sweden

Moderna, Tryg's Swedish branch, launched a new and innovative car insurance product. The insurance price is based on type of car, mileage and driving style, and independent of traditional parameters such as age and years of holding a driver's licence.

#### Jukka Pertola joined Tryg's Supervisory Board

Chairman of the Supervisory Board Jørgen Huno Rasmussen announced at Tryg's AGM that he will be stepping down in 2018. Former CEO of Siemens Denmark Jukka Pertola joined the Supervisory Board as Deputy Chairman and is expected to take over as Chairman in 2018.

## Q2

### April

#### Medical hotline in Denmark and Norway

Tryg launched a medical hotline in Denmark and Norway, offering access for customers to medical advice/treatment 24/7. The hotline is contacted via a video conferencing app and is manned by specialists in general medicine. Experience shows that 70% of all calls can be resolved through video conferencing by offering treatment or counselling.

#### Quarterly dividend

Tryg paid out a quarterly dividend of DKK 1.60 per share for the first time, moving from half-year distribution to quarterly distribution as of Q1 2017.



## Q3

### July

#### New car insurance for young drivers in Denmark

Private Denmark launched a new car insurance product for young drivers under the age of 30. Drivers may be entitled to a reduction in the price of their insurance of up to 30% depending on their driving style and conduct. [Read more at tryg.dk](#)

### August

#### Tryg's dog insurance – 'best in test'

Tryg's dog insurance was named 'best in test' by the Danish Consumer Council's magazine TÆNK. Tryg won by offering some of the best coverage at the lowest price and with the same excess as other companies.

#### Smart Flex digital car insurance

Moderna launched Smart Flex car insurance designed for sensible drivers with below-average mileage needs. With an app and a dongle installed in the car, drivers are able to measure and influence their driving style and thereby reduce the price of their insurance.

#### New websites tryg.dk and tryg.no

Tryg launched two new and improved customer websites: [tryg.dk](#) and [tryg.no](#). The design of the new websites is more modern, user-friendly and simple, making it easier for customers to buy insurance from mobile phones, tablets and computers.

#### Online meetings with customers

Tryg in Denmark began offering online video meetings with customers, which makes it possible for customers to have face-to-face meetings with Tryg's customer advisers from home or work, from their cottage in the country, or while on holiday.

### September

#### TryghedsGruppen's member bonus

For the second year running, Tryg's majority shareholder TryghedsGruppen paid out a member bonus corresponding to 8% of the premium paid to Tryg for 2016, or the payout of DKK 700m in total to TryghedsGruppen's members who are Tryg's Danish customers.

## Q4



### November

#### Capital Markets Day (CMD)

On 20 November, Tryg hosted its fifth CMD in London attended by 75 analysts, shareholders, investors and journalists. Group CEO Morten Hübbe, Group CFO Christian Baltzer and Group COO Lars Bonde presented Tryg's new financial targets and customer targets for the 2018-2020 period.

#### New updated insurance package

Private Denmark launched a new updated insurance package which includes an app-controlled alarm. The alarm helps customers detect and limit damage to their property. The customers can choose between six different alarm components related to preventing break-ins, fire, indoor climate and water sensors. [Read more at tryg.dk](#).

### December

#### Tryg acquired Alka

On 4 December, Tryg concluded an agreement to acquire Alka Forsikring, the eighth-largest non-life insurance company in Denmark with a market share of approximately 6% of the private market. The transaction is expected to be closed in H1 2018 following a period of regulatory approval.

The logo for Alka, featuring the word 'alka' in a lowercase, sans-serif font with a small orange dot above the 'a'.

# Financial outlook

At a Capital Markets Day (CMD) hosted in London on 20 November 2017, Tryg launched new financial targets. The new financial targets are underpinned by four key strategic themes: claims excellence, digital empowerment of customers, product & service innovation and distribution efficiency, which are all described in more detail in the 'Targets and strategy section' on page 13. The financial targets were updated in December in connection with Tryg's acquisition of Alka.

The Nordic non-life insurance market is characterised by a very high level of market penetration, and non-life premiums in per cent of GDP are some of the highest in the world, especially in Denmark and Norway. Profitability in the industry is generally high as most companies are listed and have a low expense level. Customers are generally loyal to their insurance company based on good customer service and claims handling processes, and retention rates close to 90% (especially in the retail segment) are not uncommon. Motor insurance represents approximately 35% of the non-life insurance market, and insurance companies therefore closely monitor how technical developments affect this area. New technologies, improved safety systems

and increased governmental attention have sharply reduced the number of people killed or seriously injured on the roads. This could imply a potential reduction in the risk pool for motor insurers, and the consequences of this continue to be greatly debated. Recently, it has, however, become clear that newer cars are also significantly more expensive to repair due to the many built-in new technologies; repairing a bumper with a radar is significantly more expensive than just repairing a bumper. New risks are also emerging, creating various growth opportunities. This is particularly true for the insurance of people, pets and technology. Tryg has been actively acquiring portfolios in these areas and developing new child insurance, pet insurance and cyber insurance products.

The general macroeconomic background in Scandinavia remains relatively positive, especially compared to the Euro-zone area. Government indebtedness is low, unemployment rates are below 5% both in Denmark and Norway, while GDP growth is expected to be close to 2%. Western Norway is still recovering from a prolonged period of low oil prices, but the general outlook is becoming slightly more positive.

## Financial targets 2020<sup>a)</sup>

Technical result  
**DKK 3.3bn**

Expense ratio  
**~14**

Combined ratio  
**≤86**

Return on equity  
**≥21%**  
after tax

a) The targets are conditional upon the authorities' approval of the Alka acquisition



On 20 November, Tryg hosted its fifth CMD in London. Group CEO Morten Hübbe, Group CFO Christian Baltzer and Group COO Lars Bonde presented Tryg's new financial targets and customer targets for the 2018-2020 period.

Tryg expects growth in gross premium income of 0-2% in local currencies in 2018 (excluding the acquisition of Alka), which is unchanged from 2017. Starting 1 January 2018, the FDM portfolio will be consolidated, while the OBOS portfolio in Norway was consolidated starting June 2017. The exposure to the Corporate segment is likely to be reduced, driven by an increased focus on profitability.

Tryg's reserves position remains strong. At the CMD in November 2017, it was revealed that run-off gains are expected to be between 3% and 5% in 2020. Tryg's systematic claims-reserving approach continues to include a margin of approximately 3.0% on best estimate.

In 2018, weather claims net of reinsurance and large claims are expected to be DKK 500m and DKK 550m, respectively, which is unchanged compared to previous years.

The interest rate used to discount Tryg's technical provisions is historically low. An interest rate increase will have a positive effect on Tryg's results.

An interest rate increase of 1 percentage point will increase the pre-tax result by around DKK 300m, and vice versa.

[Download IR team newsletter on impact of rising interest rates at tryg.com.](#)

The investment portfolio is divided into a match portfolio corresponding to the technical provisions, and a free portfolio. The objective is for the return on the match portfolio and changes in the technical provisions due to interest rate changes to be close to zero.

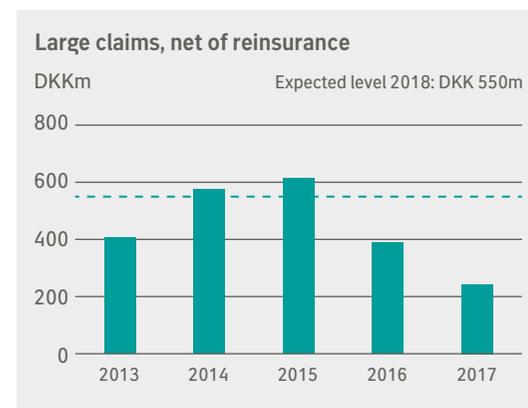
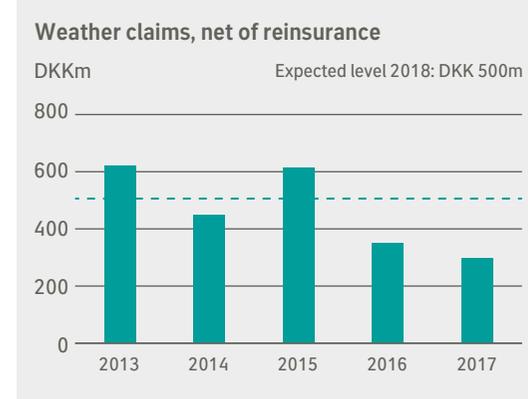
The return on bonds in the free portfolio (approximately 70% of the free portfolio) will vary, but given current interest rate levels, a very low return is expected. For shares, the expected return is around 7% with the MSCI World Index as benchmark, while the expected return for property is around 5%. The investment return in the income statement also includes the cost of managing investments, the cost of currency hedges and interest expenses on subordinated loans.

[Download IR newsletter on modelling investment income at tryg.com.](#)

In the past few years, corporate tax rates have been lowered throughout Scandinavia. In Denmark, the rate will remain at 22% in 2018, while it is 25% in Norway and 22% in Sweden. Capital gains and losses on equities are not taxed in Norway, which reduces the expected tax payable for an average year to 22-23%.

The financial guidance does not include the acquisition of Alka. Figures will be updated once the acquisition has been approved by the authorities. Preliminary estimates show that the Alka acquisition will result in an annual depreciation of approximately DKK 100-150m (before tax) of customer relations within a 5 to 7 years period. This item will be booked under the other income/costs line in the P&L. More details will be released after closing.

As indicated at the time of the acquisition, and assuming normal business and capital markets development, an extraordinary dividend should not be expected for the FY 2018. Tryg remains very focused on creating shareholder value while the capital position is continuously assessed. Tryg has been using share buy backs between 2012 and 2015 to further adjust the capital structure while switching to extraordinary dividend in 2016.



# Targets and strategy

## New purpose

Technological developments are impacting our society at a speed that was unimaginable just a few years ago. These sweeping changes impact individuals and businesses and led Tryg to seek a new purpose which could simplify our customer offering. The new purpose 'As the world changes, we make it easier to be tryg<sup>a)</sup>' is aligned with Tryg's new strategy and is very meaningful to all Tryg employees.

We believe that this purpose will clarify direction and will unite and motivate Tryg's employees, while differentiating Tryg in the market. The word 'tryg' means feeling protected and cared for, which is exactly what insurance is about.

## Our customers – our most important asset

Our customers are our most important asset. Tryg strives to continuously strengthen customer relations through our advisory services, products, concepts, claims handling procedures and claims prevention measures. In 2017, we had a strong focus on initiatives supporting the customer targets for 2017.

## Our employees – our most important resource

Our employees are our most important resource and key to pursuing our purpose of making it easier to be 'tryg'. All our employees must feel that they have an opportunity to be successful.

Clear and ambitious targets must be set for each individual employee, and regular feedback must be provided. Aiming for the highest level of employee satisfaction in the financial sector in the Nordic region, Tryg was pleased to note an increased level of employee satisfaction in 2017, with Tryg surpassing the general level of employee satisfaction in the financial sector in the region. See figure on page 11.

Employee development is a key priority in Tryg. We are committed to offering relevant career paths and to constantly offering the right opportunities for professional and personal development, for example in the form of special rotation programmes, whereby selected employees are moved to other departments and new challenging job functions as a way of developing their competencies.

## Value creation for our shareholders

Tryg's shareholders must see Tryg as a company with ambitious targets, paying stable and increasing dividends.

Tryg delivered a strong result in 2017 and presented new ambitious financial targets for 2018-2020.

## Purpose

# As the world changes, we make it easier to be tryg<sup>a)</sup>

### Grasping opportunities to develop rather than just defending our business

- Digitalisation
- New products
- Analytics

### Adjusting to customer preferences and needs

- Self-service
- Straight-through processes
- Packaging of products

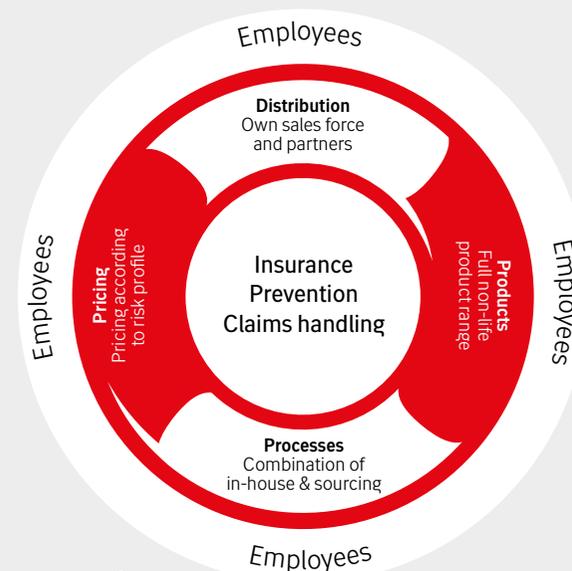
### Increase customer relevance and share of wallet

- Product innovation
- Prevention
- Add-on services

## Tryg's business model

Tryg makes it easier to be 'tryg<sup>a)</sup>' for its customers by offering them insurance against risk, efficient claims handling, and advice and services to prevent claims from arising in the first place. By making it easier for our customers to feel protected and cared for, we benefit all of Tryg's stakeholders. Via TryghedsGruppen's 60% ownership of Tryg, part of the company's profit is returned to customers, who are also members of TryghedsGruppen.

Tryg's new purpose is valid for all stakeholders – our customers, our employees and our shareholders.



Segments: Private, Commercial and Corporate  
Geography: Denmark, Norway and Sweden

### Follow-up on 2017 targets

In November 2014, Tryg communicated a set of financial targets for 2017, which have been fulfilled.

The customer targets, supporting the financial targets, were delivered in the Danish part of the business. In Norway, we saw a strong traction in customers with three or more products in H2 2017, whereas the retention rate was challenged by general market trends, but with Tryg developing more positively than the market in general. The customer targets have been of paramount importance for our strengthened customer focus and have supported a more customer-centric organisation in general.

Together with the CMD targets for 2015-2017, a number of strategic initiatives were defined.

### Next level pricing

Next level pricing was Tryg's most important initiative in the 2015-2017 period. The target was to be ahead of the competition for at least 25% of our products, and we estimate that the target has been reached. In 2017, Tryg continued to develop new products based on more advanced pricing models, but the most important initiative was especially the conversion of our affinity agreements to our newest products.

### Customer journey & success culture

The customer journey & success culture strategic focus area has been key to improving Tryg's customer focus.

A very important initiative has been capturing feedback from customers who have contacted Tryg, whether in connection with customer service or claims handling, as a way of further improving the customer experience. Tryg has a strong focus on aligning targets and KPIs to the performance of individual employees and has a very strong system for ensuring this alignment. One element in the success culture is a systematic people review process for providing feedback and acknowledging the performance of every single employee.

### Leading in efficiency

Tryg launched an efficiency programme for reducing claims and direct costs by DKK 750m by the end of 2017, with DKK 500m relating to claims and DKK 250m to expenses. The programme delivered DKK 750m and was very important for realising an expense ratio of 14 and supporting the improvement in the underlying claims ratio in 2017. In 2017, Norway made a significant contribution to reducing expenses based on a number of structural initiatives aimed at bringing down the administrative expenses.

## Follow-up on 2017 targets



### Earnings

Combined ratio  
target 2017: ≤ 87  
**84.4**

Expense ratio  
target 2017: ≤ 14  
**14.0**

RoE target  
2017: ≥ 21%  
**28.8**

Efficiency programme  
target 2017: DKK 750m  
**DKK 750m**



### Customers

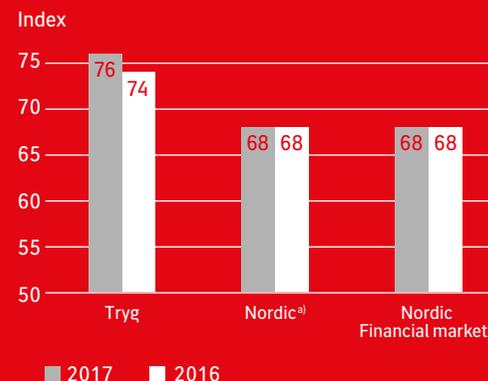
NPS  
target 2017: +100% (22)  
**22**

Retention rate  
target 2017: +1 pp (88.9)  
**88.1**

**Denmark: 89.3**  
**Norway: 86.0**

≥3 products  
target 2017: +5pp (61.3)  
**60.7**  
**Denmark: 61.4**  
**Norway: 59.6**

## Employee satisfaction



Tryg has an employee satisfaction level above the average of the Nordic sector.

a) Source: Global Employee and Leadership Index

### Digitalisation

The development of new digital solutions has been very important in the three-year strategy CMD period 2014-2017 and will be even more important in the next three years. Focus has primarily been on direct private customers through self-service solutions for both customer service and claims handling. In 2017, a straight-through process for claims handling was developed in Norway, allowing digital claims handling in three seconds and without the involvement of employees.

### New targets and strategic initiatives for 2018-2020

On 20 November 2017, Tryg presented a set of new targets for 2020. The targets were later updated following the acquisition of Alka<sup>a)</sup>. The targets for 2020 are supported by four strategic initiatives, described on page 13.

### Financial targets

Tryg has disclosed ambitious financial targets for 2018-2020. Tryg's main target is a nominal technical result of DKK 3,300m. The combined ratio target is at or below 86, an expense ratio target is around 14 and a return on equity target at or above 21% after tax. The expense ratio will be improved through more effective distribution, but will also be impacted by investments in IT, data and analytics. Striking the right balance between efficiency and the need to re-invest in the business is extremely important. This underpins the new 2020 target.

To meet the financial targets and improve customer experience, Tryg decided to invest an additional DKK 500m in IT, which will be recognised as an intangible asset.

### Customer targets

Our customer targets remain extremely important for realising our financial targets. Tryg has decided to focus on customer satisfaction for customers interacting with Tryg, which is measured through

Efficiency programme of DKK 750m 2015-2017



## CMD 2020 targets



### Earnings

Technical result  
**DKK 2.8bn**

Combined ratio  
**≤87**

Expense ratio  
**~14**

RoE  
**≥23**



### Customers

TNPS  
**70**

Number of products  
per customer  
**+10%**

## Targets post ALKA acquisition<sup>a)</sup>



### Earnings

Technical result  
**DKK 3.3bn**

Combined ratio  
**≤86**

Expense ratio  
**~14**

RoE  
**≥21**



### Customers

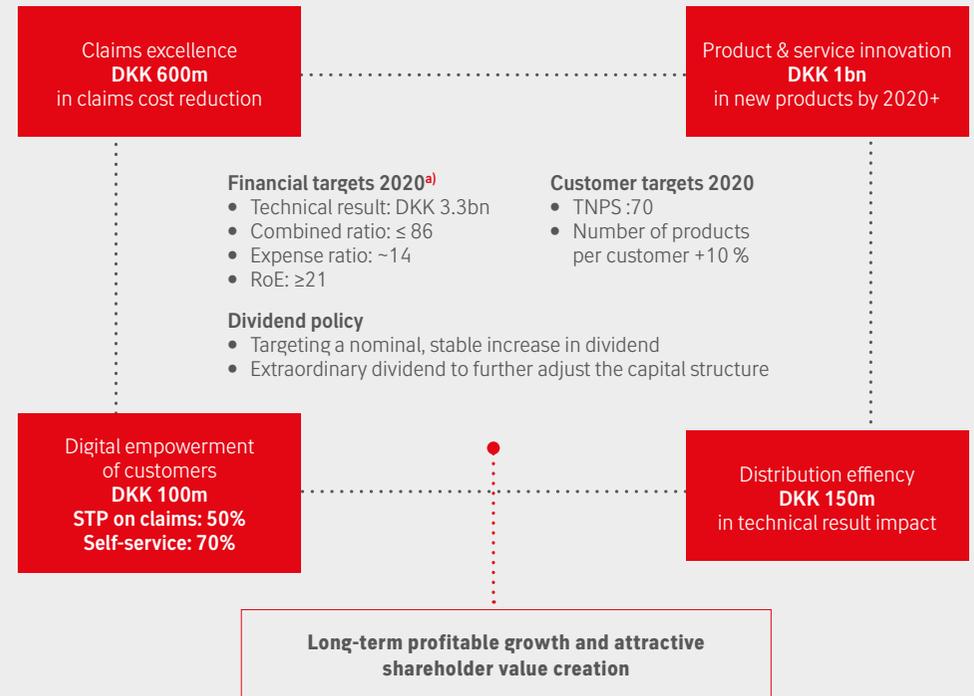
TNPS  
**70**

Number of products  
per customer  
**+10%**

a) The targets are conditional upon the authorities' approval of the Alka acquisition

# Strategy 2018-2020

Strengthening the core, while embracing the future



the Transactional Net Promotor Score (TNPS). The target for 2020 is 70, which equates to a 13% improvement from the current level.

There is a strong correlation between customer loyalty and the number of products per customer, and therefore a target of increasing the number of products by 10% per customer has been defined.

## Strategic initiatives

Tryg has defined four strategic initiatives that support both our financial targets and our customer targets for 2020 and has defined KPIs for each of them.

**Claims excellence** is targeted to reduce claims costs by DKK 600m. The main initiatives relate to procurement, fraud and claims steering through continued focus on exploiting Tryg's procurement power and extending this to areas that have not been targeted yet. Fraud is an important area, and through the use of technology and improved competencies, Tryg will be able to reduce the claims level. Tryg has many agreements with third-party suppliers, and by increasing the use of such agreements, it will be possible to reduce claims costs.

**Digital empowerment of customers** will be of paramount importance in future, and Tryg is therefore investing heavily in this area. Tryg's target for 2020 is 50% straight-through processing for claims and

a self-service level of 70% for all contacts to Tryg. Realising these targets is expected to both support the financial targets with DKK 100m and also the customer targets through higher levels of convenience, transparency and empowerment for our customers.

**Product & service innovation** is targeted at DKK 1,000m in 2020+. Tryg does not want to define a specific growth target as profitability is our key focus, but at the same time we want to adapt to a future which is expected to be characterised by reduced volumes in motor insurance. The main focus will be on insuring people and technology. Tryg is planning to expand its profitable guarantee business, Tryg Garanti, as well as introducing other insurance areas which are not in the market today.

**Distribution efficiency** is targeted to have an impact of DKK 150m in 2020. Tryg has been working intensively on reducing costs in the claims and administration part of the business. Efficiency increases through new technological solutions, product simplification and packaging together with a strong focus on digital channels will be the main initiatives supporting this target.

## Impact of Alka acquisition

The Alka acquisition led to an increase in the technical result target from DKK 2,800m presented

at the CMD to DKK 3,300m after the acquisition. The higher technical result relates to improvements both in Tryg and in the Alka business for claims, procurement, distribution and back-office costs. These improvements have not been included in the described strategic initiatives.

## Corporate Social Responsibility

Corporate Social Responsibility (CSR) is an integrated part of Tryg's core business and closely linked to our purpose. We focus on

activities related to human and labour rights, climate and the environment as well as anti-corruption, and we are actively working to integrate CSR into our insurance, claims handling and prevention activities. CSR plays a role in our decision-making, our mitigation of risks, the improvement and development of our products and services, the optimisation of our operations, the development of our employees, and the positive contributions we make to society at large through our activities.

# Tryg's results

Tryg reported a profit before tax of DKK 3,239m (DKK 3,220m), driven primarily by a technical result of DKK 2,789m (DKK 2,390m) and an investment return of DKK 527m (DKK 987m). Proposed Q4 dividend of DKK 1.60 per share (FY 6.40 per share). Extraordinary dividend of DKK 3.31 per share to be approved by the AGM. Solvency ratio of 196 adjusted for the capital increase to fund the Alka acquisition.

## Results 2017

A profit before tax of DKK 3,239m (DKK 3,220m) was reported, driven primarily by a technical result of DKK 2,789m (DKK 2,390m) and an investment return of DKK 527m (DKK 987m). The combined ratio was 84.4 (86.7), driven by a claims ratio of 70.4 and an expense ratio of 14.0. The overall impact of large claims, weather claims and run-offs was close to 2016. The return on equity (after tax) was 28.8% (26.2%). Price adjustments of around 3% and the efficiency programme had a positive impact on results, as shown by an improvement in the underlying claims ratio for the full year, both for the private segment and at group level. Premium growth was 1.7%(0.1%), driven primarily by the private business in Denmark and small bolt-on acquisitions. The 2016 technical result was impacted by a one-off of DKK 250m, related primarily to write-downs of DKK 250m on intangibles and an extraordinary capital gain of DKK 500m on the sale of properties which boosted investment income.

In 2017, a slightly higher level of claims inflation was observed in the motor insurance segment. Tryg believes that this is driven by an increase in the number of cars and the use of more expensive spare parts, primarily for medium/high-end models. At year-end 2017, the number of registered new cars was up just under 7% relative to year-end 2016, while an increased level of technology

in cars has increased the average cost of claim. Tryg noticed a stabilisation in the motor claims frequency in the last quarter of 2017. Motor insurance remains a very important segment, hence developments are scrutinised closely.

Capital markets developed positively in 2017. Equities and other 'risky assets' posted solid returns despite some geo-political turbulence. The prolonged period of very low interest rate levels remains supportive of equities as an asset class. Equities returned approximately 16%, emerging-market debt (a small asset class for Tryg) returned approximately 9%, while investment-grade bonds returned 4%. Total investment income was more than three times higher than the expected normalised level.

At the Capital Markets Day in 2014, Tryg disclosed customer targets linked to the financial targets. The customer targets were to be reached by 2017.

At the Capital Markets Day in 2014, Tryg disclosed customer targets linked to the financial targets. As communicated at the CMD in November 2017, Tryg reached the NPS for the Group, while the target for a 5 percentage point increase in the number of customers with three or more products was reached in Denmark, but not in Norway although we also saw a strong improvement in the

## Financial highlights 2017

- Profit before tax of DKK 3,239m (DKK 3,070m<sup>a)</sup>)
- Technical result of DKK 2,789m (DKK 2,640m<sup>a)</sup>)
- Combined ratio of 84.4 (85.3<sup>a)</sup>)
- Underlying claims ratio improved in both Private and for the Group
- Expense ratio of 14.0 (14.8<sup>a)</sup>)
- FY dividend of DKK 6.40 per share and extraordinary dividend of DKK 3.31 per share

a) Adjusted for one-offs

## Customer highlights 2017

- NPS unchanged at 22
- Retention rate rose slightly from 88.0 to 88.1
- Number of customers with three or more products up from 57.2% to 60.7%
- Second year with TryghedsGruppen's member bonus for Danish customers

### Customer targets

	2017	2016	Target 2017
Net Promoter Score (NPS)	22	22	22
Retention rate	88.1	88.0	88.9
Denmark	89.3		
Norway	86.0		
Customers with ≥3 products (%)	60.7	57.2	61.3
Denmark	61.4		
Norway	59.6		

second half year. The target for the retention rate was 88.9, corresponding to an increase of 1 percentage point. In Denmark this target was fulfilled, while Norway was challenged due to a general higher churn level for the market as a whole.

In 2017, Danish customers received their second member bonus from TryghedsGruppen (Tryg's 60% majority shareholder). The 8% bonus has been welcomed by customers, and Tryg expects the bonus to provide an important competitive advantage by boosting customer loyalty and customer targets. TryghedsGruppen has announced that the member bonus is a recurring payment although the level of bonus paid will be decided yearly.

Stability is also important from this point of view. Tryg will be implementing price adjustments of around 3% in 2018 to continue improving the underlying level of profitability.

### Premiums

Premium income totalled DKK 17,963m (DKK 17,707m), representing 1.7% growth in local currencies. The development was underpinned by satisfactory growth in Private and Sweden, while premiums fell, particularly in Commercial. An improved macroeconomic situation in Norway and the stabilisation of Danish motor prices will be supportive also going forward.



The underlying claims ratio showed an underlying improvement of 0.2 percentage points for the Group.

In 2017, Private reported premium growth of 1.1%, with Private Denmark reporting healthy growth of 3.0%, while Private Norway reported a decline in premium income of 1.5%, but based on improved developments in the course of the year. The member bonus from TryghedsGruppen supported developments in Denmark, as did product conversions and price adjustments. The decline seen in Private Norway was attributable to the competitive situation in the Norwegian market and a weakened economic situation in western Norway. It should be added that, Private Norway has posted a growing number of customers in the second half of 2017, hence a stabilisation, or a modest top-line growth, is expected in 2018.

Premium income in Commercial was down 0.7% (-1.3%) in local currencies; a slightly positive development in Norway was offset by a more negative development in the Danish part of Commercial. The inclusion of the OBOS portfolio boosted the top-line development in Norway, while Tryg is strongly focused on improving retention levels and striking a better balance between sales and loss of business in the Danish part of Commercial. The development in customer numbers in both Denmark and Norway improved in the last part of the year.

Corporate premium income was up 2.1% (-1.2%) in local currencies, which is primarily ascribable to fronting agreements in the Swedish part of our Corporate business. In Corporate Denmark, the development in premium income was flat due to a generally competitive market, a positive impact from the member bonus model, which has been very positively received by this segment, and strong developments for the guarantee business. In Norway, premium income was roughly stable due to a very competitive market, which among other things, led to the loss of a number of large customers.

The Swedish business grew by 12.5% (3.4%) in local currencies. Top line was clearly boosted by the inclusion of the Skandia child insurance portfolio. In general, the Swedish business developed favourably based on a relatively stable top line despite the loss of two important affinity agreements in 2016. The situation was mitigated by increased efforts on the part of Moderna's own distribution channel.

### Claims

The claims ratio, net of ceded business, was 70.4% (70.5% adjusted for one-offs), while the underlying claims ratio, adjusted for weather claims and large claims, run-off and discount rate (to discount the claims reserves), showed an underlying improvement of 0.2 percentage points.

The efficiency programme made a positive contribution of DKK 250m to the overall claims level. A consistent focus on procurement, a strong focus on accelerating the recovery of injured policyholders in order to allow them to return to work as quickly as possible and increased surveillance to detect frauds are all contributory factors. Some of these initiatives pertain to claims relating to previous years, hence the savings support the overall run-off result.

Motor insurance remains a very profitable segment, however, an increase in claims frequency was observed during 2017 together with an increase in the average cost of claims as more electronics is gradually being introduced also in mid-end cars. Claims frequencies developed more favourably in the last quarter of the year showing a stabilisation. As Motor insurance remains a very important segment for Tryg, developments are scrutinised closely.

In 2017, large claims totalled DKK 243m, while weather claims totalled DKK 298m. Both figures were well below the normal levels of DKK 550m and DKK 500m. The overall run-off result was DKK 972m (1,239m) or 5.4% (7.0%) on the combined ratio. The lower level was primarily due to lower run-off for workers' compensation.

### Expenses

The expense ratio was 14.0 (14.8 adjusted for one-offs), which was in line with the target announced at the Capital Markets Day in 2014.

Initiatives introduced in 2016 focused on cutting down on back-office functions with the aim of reducing expense levels and increasing distribution power. In Denmark, there was an increased focus on integrating the customer service and claims handling functions. The most substantial improvement was seen in Norway, where the expense ratio dropped from 15.2 to 14.7 as a result of structural initiatives, implemented primarily in 2016. These initiatives contributed to improving the expense ratio to the current level of 14. The efficiency programme contributed to reducing expenses by DKK 125m in 2017.

In 2017, the number of employees was 3,373 against 3,264 at the end of 2016. The acquisition of OBOS added 24 employees to the Group, while new trainees were taken on for the integrated customer service and claims handling functions.

### Investment return

The investment return totalled DKK 527m (DKK 987m, or DKK 487m adjusted for the capital gain on the sale of properties).

Tryg's solvency ratio was 281, or 196 when adjusted for the DKK 4bn raised for the Alka acquisition.

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Capital markets developed positively in 2017. Equities and other 'risky assets' posted solid returns despite some geo-political turbulence. The prolonged period of very low interest rate levels remains supportive of equities as an asset class. The CBOE Volatility Index (VIX), a key measure of market expectations of near-term volatility in equity markets, remains at one of the lowest levels seen in the past ten years. Equities returned approximately 16%, emerging-market debt (a small asset class for Tryg) returned just below 9%, while investment-grade bonds returned 4%.

Risky assets boosted the overall returns in the free portfolio, while both components of the match portfolio, – the 'regulatory deviation' and the 'performance result' – also posted strong results. The 'regulatory deviation' made a positive contribution of DKK 98m (DKK 47m) as the yield difference between Danish and Euro swap rates decreased, boosting the total return. The 'performance result' made a positive contribution of DKK 129m (DKK 163m) as Nordic covered-bond spreads narrowed against the swap curve.

The overall investment income was more than three times higher than the expected normalised level.

#### **Other income and costs**

Other income and costs were DKK -77m (DKK -157m). The correspondent figure for 2016 was impacted by the Q4 2016 write-down of goodwill of DKK 100m related to the acquisition of Securator.

#### **Tax**

The overall tax item was DKK 720m (DKK 748m), or 22% of the profit before tax. In 2017, Tryg paid DKK 845m in income tax as well as various payroll taxes totalling DKK 400m, resulting in total tax payments of DKK 1,245m.

#### **Capital position**

At the end of 2017, Tryg's solvency capital requirement (SCR) was DKK 4,684m (DKK 5,077m). The reduction was driven primarily by a generally lower market risk (including a lower property exposure), the inclusion of Danish Workers' Compensation in the partial internal model and currency movements. At the end of the year, own funds were DKK 13,162m (DKK 9,850m). This includes DKK 4bn raised for the acquisition of Alka, the proposed Q4 dividend and the announced extraordinary dividend of DKK 1bn. During the year, own funds were mostly impacted positively by the DKK 4bn raised for the Alka acquisition as well as net profits, and negatively by ordinary and extraordinary dividends. At year-end 2017, the solvency

ratio was 281, or 196 when adjusted for the DKK 4bn raised for the Alka acquisition.

Tryg's own funds comprise mainly shareholders' equity, intangibles, Tier 2 instruments (subordinated debt and natural perils pool), ATier 1 instruments (old subordinated debt which has been grandfathered) and future profits. The vast majority of Tryg's own funds are constituted by shareholders' equity. The Tier 2 capacity has been fully utilised after the SEK 1bn subordinated debt issue in May 2016. Currently, Tier 2 instruments in the amount of some DKK 250m are not included in the own funds as they exceed the 50% SCR cap. Tryg has disclosed an issue of Tier 1 debt of approximately DKK 500m to finance the acquisition of Alka. This will take place in H1 2018 according to market conditions.

Tryg's solvency ratio displays low sensitivities to capital market movements. The highest level of sensitivity is towards spread risk, where a widening/tightening of 100 basis points would impact the solvency ratio by approximately 12 percentage points. Lower sensitivities are displayed towards equity market falls and interest rate movements.

The Supervisory Board regularly assesses the need for capital adjustments. In 2017, Tryg decided to announce the payment of DKK 1bn in extraordinary

dividend after assessing the company's capital plan, in which the SCR is projected on the basis of Tryg's forecasts. The projections include initiatives set out in the company's strategy for the coming years, and also the most significant risks identified by the company. The adequacy is measured in relation to Tryg's strategic targets, including return on equity and dividend policy.

#### **Dividend policy**

According to Tryg's dividend policy, the aim is for the dividend to be steadily increasing in nominal terms on a full-year basis. Tryg introduced quarterly dividends in 2017. The payment has been DKK 1.60 per share per quarter, or a total of DKK 6.40 (DKK 6.20) for the full year. This equates to total dividend payments of DKK 1,827m, or 73% of the profit for the year. At the Capital Markets Day in November 2017, Tryg announced an extraordinary dividend of DKK 1bn to be paid after the AGM in March 2018.

#### **Moody's rating**

Following the acquisition of Alka in December 2017, Moody's affirmed Tryg's 'A1' insurance financial strength rating (IFSR) with a stable outlook. In its press release, Moody's noted that "the affirmation reflects the beneficial impact of the Alka acquisition on Tryg's market position in the Danish non-life market.

Furthermore, thanks to the good underwriting performance of Alka in recent years, Moody's expects Tryg's strong profitability to continue. Given the funding mix of the transaction and that Alka has no debt on its balance sheet, the pro-forma financial leverage of Tryg will decline. More negatively, the acquisition will generate very large goodwill and will meaningfully reduce Tryg's solvency ratio albeit from a relatively high level."

### Results Q4 2017

The profit before tax was DKK 685m, driven primarily by a technical result of DKK 622m and an investment return of DKK 86m. The combined ratio for the quarter was 86.0, driven by a claims ratio of 72.3 and an expense ratio of 13.7%. The underlying claims ratio improved 0.4 for the Group and 0.6 for the Private segment, continuing the positive trend seen in 2017. Tryg pays a quarterly dividend of DKK 1.60 per share and reports a solvency ratio of 281, or 196 adjusted for the DKK 4bn capital increase to fund the Alka acquisition.

### Premiums

Premium growth was 1.9% in local currencies, driven primarily by satisfactory growth in the Danish private segment, an improved top-line

development in Commercial helped by the OBOS portfolio in Norway and continued growth in the low-risk fronting business in Corporate Sweden. Tryg will implement price adjustments of approximately 3% also in 2018 to offset the general claims inflation and improve the profitability of selected parts of the portfolio.

### Claims

The claims ratio, net of ceded business, which covers both claims and business ceded as a percentage of gross premiums, was 72.3 (73.2 adjusted for one-offs). The lower claims level after one-offs primarily represented an improved underlying development. Weather claims and large claims were below the Q4 2016 level but run-off gains were also well below prior-year quarter.

The underlying claims ratio was 0.4 percentage points lower for the Group, and 0.6 percentage points lower for Private, reflecting the impact of price adjustments and claims initiatives to improve profitability. The claims-related part of the efficiency programme went according to plan, and Q4 saw the realisation of efficiency increases of DKK 80m.

### Expenses

The expense ratio was 13.7 (14.4 adjusted for one-offs). The efficiency programme contributed DKK 37m in the quarter, corresponding to an impact of 0.8 percentage points on the expense ratio. The reduction in the expense ratio was most significant for the Norwegian business based on the structural initiatives in this part of the business.

The number of employees increased in the quarter, up 43, equating to 3,373 employees at the end of the year.

### Investments

In Q4, the positive sentiment in the financial markets continued to help boost returns for the full year 2017. The total investment return was DKK 86m in Q4, split between a free portfolio return of DKK 138m (DKK 541m or DKK 41m adjusted for the sale of a property portfolio) and a match portfolio return of DKK 13m (DKK 8m). Other financial income and expenses totalled DKK -65m (DKK 49m). The Q4 2016 figure was impacted by a value adjustment of DKK 93m on Tryg's own domiciles in Ballerup and Bergen. Equities returned more than 4% in Q4 and were the leading asset class in Tryg's free portfolio, returning

## Financial highlights Q4 2017

Pre-tax result  
**DKK 685m**  
(DKK 650m adjusted for one-offs)

Technical result  
**DKK 622m**  
(DKK 564m adjusted for one-offs)

Combined ratio  
**86.0**  
(87.6 adjusted for one-offs)

Expense ratio  
**13.7**  
(14.4 adjusted for one-offs)

Q4 dividend per share  
**DKK 1.6**

just above DKK 112m. Emerging-market debt and inflation-linked bonds (small asset classes for Tryg) also posted good returns. Properties posted a quarterly return of 1.6%.

The regulatory deviation in the match portfolio was DKK 11m (DKK 8m) as the yield difference between Danish and Euro swap rates narrowed, also in the last three months of the year. The performance result was DKK 2m (DKK 0m). Danish covered-bond spreads widened marginally, but a higher yield on the Norwegian bonds helped to drive a small positive performance.

# Private

## Results 2017

The technical result for 2017 was DKK 1,565m (DKK 1,404m) with a combined ratio of 82.1 (83.8). The development was attributable to a combination of positive impacts from the efficiency programme and price adjustments. The development in premiums was positive and improved compared to 2016 due to a positive development in the Danish business.

### Premiums

The gross premium income increased by 1.1% (0.8%) in local currencies. Premiums increased by 3.0% in Denmark, which was very satisfactory and was driven by price adjustments, the introduction of a new package concept, the integration of customer service and claims handling and the impact of the member bonus from TryghedsGruppen.

In Norway, premium income declined by 1.5% in local currencies, due mainly to the competitive market situation and a general reduction in retention rates. However, we saw an increase in the number of customer in the last quarter, due partly to sales to OBOS members. Customer focus is very important both in Denmark and in Norway, as evidenced by our consistently high Net Promoter Score (NPS), which reached 25 in 2017. Awareness of the member bonus from TryghedsGruppen is

still increasing and reached 79% after the bonus payments in September 2017. This also means that there is a potential for increasing loyalty by boosting awareness of the member bonus model. The retention rate in Denmark increased from 89.7 to 90.2, while in Norway the retention rate dropped from 86.4 to 85.8, notably below the general decline in retention rates in the market. The number of customers with three or more products increased from 57.2% to 60.7%, with significant increases seen in both Denmark and Norway. The increase in customer numbers was strongly supported by the new package concept and digital solutions for partner agreements.

### Claims

The gross claims ratio totalled 66.0 (67.8) with a claims ratio, net of ceded business, of 68.4 (69.6). The improvement was ascribable to the efficiency programme and price adjustments to mitigate increased claims inflation levels for motor insurance due mainly to a higher frequency level. The claims level for house insurance with increased claims inflation was reduced partly through a strong focus by our claims team focusing on pipe claims.

### Expenses

The expense ratio for Private was 13.7 (14.2), which was achieved through continued focus on

**Private** encompasses the sale of insurance products to private individuals in Denmark and Norway. Sales are effected via call centres, the Internet, Tryg's own agents, franchisees (Norway), interest organisations, car dealers, estate agents and Nordea branches.

The business area accounts for 49% of the Group's total premium income.

## Financial highlights 2017

Technical result  
**DKK 1,565m**  
(DKK 1,404m)

Combined ratio  
**82.1**  
(83.8)

Premium growth  
(local currencies)  
**1.1%**  
(0.8%)

Expense ratio  
**13.7**  
(14.2)

## Key figures – Private

DKKm	Q4 2017	Q4 2016	2017	2016
<b>Gross premium income</b>	<b>2,203</b>	<b>2,235</b>	<b>8,798</b>	<b>8,710</b>
Gross claims	-1,448	-1,518	-5,807	-5,904
Gross expenses	-301	-310	-1,208	-1,240
Profit/loss on gross business	454	407	1,783	1,566
Profit/loss on ceded business	-57	-40	-211	-158
Insurance technical interest, net of reinsurance	-3	-1	-7	-4
<b>Technical result</b>	<b>394</b>	<b>366</b>	<b>1,565</b>	<b>1,404</b>
Run-off gains/losses, net of reinsurance	48	61	306	312
<b>Key ratios</b>				
Premium growth in local currencies	1.1	1.3	1.1	0.8
Gross claims ratio	65.7	67.9	66.0	67.8
Net reinsurance ratio	2.6	1.8	2.4	1.8
Claims ratio, net of ceded business	68.3	69.7	68.4	69.6
Gross expense ratio	13.7	13.9	13.7	14.2
<b>Combined ratio</b>	<b>82.0</b>	<b>83.6</b>	<b>82.1</b>	<b>83.8</b>
Combined ratio exclusive of run-off	84.2	86.3	85.6	87.4
Run-off, net of reinsurance (%)	-2.2	-2.7	-3.5	-3.6
Large claims, net of reinsurance (%)	0.0	0.0	0.0	0.0
Weather claims, net of reinsurance (%)	2.4	3.8	1.9	2.8

efficiency. In 2017, the expense ratio was most significantly reduced in the Norwegian part of Private, where the impact from the structural initiatives implemented in Norway led to a reduction in employee numbers. In both Denmark and Norway, the integration of the customer service and claims handling functions positively impacted expense levels.

Total employee numbers increased from 929 at the end of 2016 to 1,000 in 2017, due mainly to the continued transfer of employees from the claims department as part of the integration of the customer service and claims handling functions and increased distribution power for the FDM portfolio. In Norway, the number of employees was reduced by more than 8%.

### Results Q4 2017

The technical result totalled DKK 394m (DKK 366m), with a combined ratio of 82.0 (83.6), and was affected by a lower underlying claims ratio, a lower level of weather claims compared to 2016 and also a lower level of run-off gains.

### Premiums

Gross premiums increased by 1.1% (1.3%) in local currencies. Continued premium growth at

a rate of 3.3% was seen in Denmark, whereas premium income for Norway was down 1.7% due to a competitive market situation.

The NPS score decreased slightly in Q4 by 2 percentage points to 33 in Denmark and from 21 to 15 in Norway. The retention rate in Denmark increased slightly from 89.7 to 90.2, whereas the retention rate in Norway declined from 86.4 to 85.8.

### Claims

The gross claims ratio was 65.7 (67.9), and the claims ratio, net of ceded business, was 68.3 (69.7). The lower level was primarily due to our efficiency programme and price adjustments. Weather was benign in Denmark, whereas Norway was impacted by storms and flooding, which combined to a drop in the weather claims. Run-off gains were at a somewhat lower level.

### Expenses

The expense ratio was 13.7 (13.9). Employee numbers increased by 27 in Q4 2017 to 1,000 due to increased distribution power for the FDM portfolio concurrently with a reduction in the number of employees in the Norwegian part of Private.

## Financial highlights Q4 2017

Technical result  
**DKK 394m**  
(DKK 366m)

Combined ratio  
**82.0**  
(83.6)

Claims ratio,  
net of ceded business  
**68.3**  
(69.7)

Expense ratio  
**13.7**  
(13.9)



In 2017, Private Denmark launched a new car insurance product for young drivers under the age of 30. The driver may be rewarded with a cheaper insurance price of up to 30% depending on his/her driving style and behaviour.

# Commercial

## Results 2017

The technical result for 2017 was DKK 667m (DKK 695m), with a combined ratio of 82.6 (82.1). The combined ratio was affected by a higher level of weather claims and large claims but also a higher level of run-off. The development in premiums improved significantly due to the OBOS acquisition in 2017, but was still not satisfactory even though we saw an improved trend in Q4.

### Premiums

The development in gross premium income was negative by 0.7% (-1.3%) in local currencies, which was a significant improvement compared with 2016, but still unsatisfactory. The drop in premiums was highest in Denmark, while the Norwegian part of Commercial benefited from the acquisition of OBOS. The development in the Danish part is characterised by a sales level that is too low to neutralise the churn in the portfolio. To improve this development, Commercial in Denmark will strive to capitalise on the member bonus from TryghedsGruppen, improved processes and segmentation as well as copying the successful package concept from Private and improving sales via the broker channel. In Norway, the market is competitive and has also been impacted by the slowdown in the Norwegian economy. With the acquisition of OBOS, Commercial improved the

business area's market position, which in combination with structural initiatives supporting greater distribution power will be the key initiatives to improve the premium development.

The Net Promotor Score (NPS) improved significantly from 6 to 13 in 2017. In Denmark, the NPS score increased from 6 to 15, and in Norway a slight decline from 9 to 7 was seen. The retention rate for Commercial in Denmark increased from 87.1 to 87.7, and in Norway the retention rate dropped from 87.5 to 86.9. The positive development in Denmark can be ascribed to a positive impact from the member bonus model, whereas the negative development for Commercial in Norway is ascribable to a more competitive market.

### Claims

The gross claims ratio totalled 62.7 (61.1), with a claims ratio, net of ceded business, of 65.4 (65.1). The higher claims level was mainly due to a higher level of large claims, but also a slightly higher run-off result. Generally speaking, the claims level for the Commercial area is acceptable, which has been accomplished through selected price and pruning initiatives as and when needed. In 2017, selected price initiatives for especially property were implemented.

**Commercial** encompasses the sale of insurance products to small and medium-sized businesses in Denmark and Norway. Sales are effected via Tryg's own sales force, brokers, franchisees (Norway), customer centres as well as group agreements.

The business area accounts for 22% of the Group's total premium income.

## Financial highlights 2017

Technical result  
**DKK 667m**  
(DKK 695m)

Combined ratio  
**82.6**  
(82.1)

Premium growth  
(local currencies)  
**-0.7%**  
(-1.3%)

Expense ratio  
**17.2**  
(17.0)

## Key figures – Commercial

DKKm	Q4 2017	Q4 2016	2017	2016
<b>Gross premium income</b>	<b>977</b>	<b>972</b>	<b>3,862</b>	<b>3,893</b>
Gross claims	-648	-567	-2,423	-2,380
Gross expenses	-155	-160	-665	-663
Profit/loss on gross business	174	245	774	850
Profit/loss on ceded business	-36	-78	-106	-154
Insurance technical interest, net of reinsurance	0	-1	-1	-1
<b>Technical result</b>	<b>138</b>	<b>166</b>	<b>667</b>	<b>695</b>
Run-off gains/losses, net of reinsurance	88	91	329	304
<b>Key ratios</b>				
Premium growth in local currencies	2.3	-0.8	-0.7	-1.3
Gross claims ratio	66.3	58.3	62.7	61.1
Net reinsurance ratio	3.7	8.0	2.7	4.0
Claims ratio, net of ceded business	70.0	66.3	65.4	65.1
Gross expense ratio	15.9	16.5	17.2	17.0
<b>Combined ratio</b>	<b>85.9</b>	<b>82.8</b>	<b>82.6</b>	<b>82.1</b>
Combined ratio exclusive of run-off	94.9	92.2	91.1	89.9
Run-off, net of reinsurance (%)	-9.0	-9.4	-8.5	-7.8
Large claims, net of reinsurance (%)	4.8	2.8	3.1	2.2
Weather claims, net of reinsurance (%)	3.9	1.9	1.8	1.6

### Expenses

The expense ratio for Commercial was 17.2 (17.0). The expense level is generally too high for Commercial, and initiatives were therefore implemented to improve this in 2017. The most significant step was an improved IT set-up which allows the front-office organisation in Denmark to effect sales and changes in agreements directly without involving back-office functions.

Total employee numbers were quite stable from 474 at the end of 2016 to 479 in 2017, which could be ascribed to a slight increase in the Danish part of Commercial.

### Results Q4 2017

The technical result totalled DKK 138m (DKK 166m), with a combined ratio of 85.9 (82.8). The result was negatively affected by a much higher level of weather claims and large claims, but also a high level of run-off gains. Premium growth was positive by 2.3% (-0.8%) due to the OBOS acquisition, and the expense level improved to 15.9 (16.5).

### Premiums

Gross premiums increased by 2.3% (-0.8%) in local currencies based on an increase in Norway due to the OBOS acquisition, leading to premium growth of 8.6%, while a flat development was seen in the Danish part of Commercial. In Norway, the NPS score was down from 9 to 7, whereas the NPS score increased from 6 to 15 in Denmark. The retention rate in Denmark increased to 87.7 (87.1), while the retention rate in Norway dropped to 86.9 (87.5) due to increasing competition in the market.

### Claims

The gross claims ratio was 66.3 (58.3), with a claims ratio, net of ceded business, of 70.0 (66.3). The much higher level was due to a higher level of weather claims and large claims. Weather claims was higher mainly due to flooding and storms in Norway, whereas the weather in Denmark was benign.

### Expenses

The expense ratio was 15.9 (16.5), and the number of employees was reduced by 2 to 479 in Q4 2017.

## Financial highlights Q4 2017

Technical result  
**DKK 138m**  
(DKK 166m)

Combined ratio  
**85.9**  
(82.8)

Claims ratio,  
net of ceded business  
**70.0**  
(66.3)

Expense ratio  
**15.9**  
(16.5)

Tryg was among the first companies to develop a cyber insurance for small and medium-sized companies, and there has been considerable interest in Tryg's eProtect product (cyber insurance). In Q1, Tryg sold approximately 700 insurance policies and by end of Q4, Tryg had sold approximately 5,250 insurance policies.

# Corporate

## Results 2017

The technical result was DKK 386m (DKK 421m), with a combined ratio of 90.0 (88.8). The result was positively affected by a lower level of large claims, but also a much lower level of run-off gains. The increase in premiums can be ascribed especially to fronting business in the Swedish part of Corporate. In general, the corporate market is challenged in all countries, and Tryg has therefore implemented initiatives to improve profitability.

## Premiums

Gross premium income increased by 2.1% (-1.2%) in local currencies. A slight increase of around 1.0% was seen in Denmark due to a positive development for the Guarantee business Tryg Garanti, whereas in Norway, premium income declined by 3.6% in local currencies due to the loss of a number of large customers and a competitive market situation, especially for the broker channel. In Sweden, which accounts for only 20% of the total Corporate business, premium growth was 20% due to fronting agreements. Fronting business is low-risk as it is ceded to other insurance companies.

## Claims

The gross claims ratio totalled 67.7 (60.8), with a claims ratio, net of ceded business, of 79.8 (77.8). The higher claims level was primarily due to a lower level of run-off gains as the total level of large claims and weather claims were much lower. The lower run-off level of DKK 239m (DKK 506m) was due to lower run-off for workers' compensation. The corporate market is very competitive, which has led to unsatisfactory claims levels. As Tryg has a strong focus on profitability, initiatives have been implemented to improve profitability. In Norway, where profitability is most challenged, Tryg has communicated to the brokers that Tryg will implement price adjustments to improve profitability, and therefore a reduction in the portfolio is expected.

In Denmark, profitability initiatives will also be implemented, but Tryg's position in the Corporate market in Denmark is generally much better due to the member bonus payment from TryghedsGruppen. In Sweden, more significant steps were taken to improve profitability, especially for some of our large accounts. In the Swedish market, priority will be given to initiatives targeting motor insur-

**Corporate** sells insurance products to corporate customers under the brands 'Tryg' in Denmark and Norway, 'Moderna' in Sweden and 'Tryg Garanti'. Sales are effected both via Tryg's own sales force and via insurance brokers. Moreover, customers with international insurance needs are served by Corporate through its cooperation with the AXA Group.

The business area accounts for 21% of the Group's total premium income.

## Financial highlights 2017

Technical result  
**DKK 386m**  
(DKK 421m)

Combined ratio  
**90.0**  
(88.8)

Premium growth  
(local currencies)  
**2.1%**  
(-1.2%)

Expense ratio  
**10.2**  
(11.0)

## Key figures – Corporate

DKKm	Q4 2017	Q4 2016	2017	2016
<b>Gross premium income</b>	<b>965</b>	<b>966</b>	<b>3,852</b>	<b>3,775</b>
Gross claims	-720	-814	-2,606	-2,295
Gross expenses	-97	-102	-392	-416
Profit/loss on gross business	148	50	854	1,064
Profit/loss on ceded business	-88	-41	-467	-643
Insurance technical interest, net of reinsurance	0	0	-1	0
<b>Technical result</b>	<b>60</b>	<b>9</b>	<b>386</b>	<b>421</b>
Run-off gains/losses, net of reinsurance	62	121	239	506
<b>Key ratios</b>				
Premium growth in local currencies	3.0	0.9	2.1	-1.2
Gross claims ratio	74.6	84.3	67.7	60.8
Net reinsurance ratio	9.1	4.2	12.1	17.0
Claims ratio, net of ceded business	83.7	88.5	79.8	77.8
Gross expense ratio	10.1	10.6	10.2	11.0
<b>Combined ratio</b>	<b>93.8</b>	<b>99.1</b>	<b>90.0</b>	<b>88.8</b>
Combined ratio exclusive of run-off	100.2	111.6	96.2	102.2
Run-off, net of reinsurance (%)	-6.4	-12.5	-6.2	-13.4
Large claims, net of reinsurance (%)	3.3	17.6	3.2	8.0
Weather claims, net of reinsurance (%)	2.7	0.9	1.2	1.0

ance and liability as these are the main areas with excessive claims ratios.

#### Expenses

The expense ratio for Corporate was 10.2 (11.0), and the drop was mainly due to commissions from the fronting business in Sweden. Although expense levels are quite low, Corporate also has a strong focus on reducing expenses as a way of improving our competitive position.

The number of employees was reduced from 257 at the end of 2016 to 250 in 2017.

#### Results Q4 2017

The technical result amounted to DKK 60m (DKK 9m), with a combined ratio of 93.8 (99.1), and was positively affected by a much lower level of large claims. Premium growth was positive by 3.0% (0.9%) due to fronting agreements in Sweden.

#### Premiums

Gross premiums increased by 3.0% (0.9%) in local currencies based on more or less unchanged portfolios in Denmark and a drop in the Norwegian business, but an increase in fronting business in Sweden. Although some of the large players have

also communicated the need for improved profitability, competition remains fierce and still more pronounced in the broker channel.

#### Claims

The gross claims ratio was 74.6 (84.3), with a claims ratio, net of ceded business, of 83.7 (88.5). The much lower level was primarily due to a much lower level of large claims. Also, the level of weather claims was somewhat higher primarily due to storms and flooding in Norway.

#### Expenses

The expense ratio was 10.1 (10.6) and somewhat lower than last year. The number of employees was 250, down 2 in Q4 2017.

## Financial highlights Q4 2017

Technical result  
**DKK 60m**  
(DKK 9m)

Combined ratio  
**93.8**  
(99.1)

Claims ratio,  
net of ceded business  
**83.7**  
(88.5)

Expense ratio  
**10.1**  
(10.6)

#### TryghedsGruppen's member bonus

For the second year running, Tryg's majority shareholder TryghedsGruppen paid out a member bonus in 2017. The bonus corresponded to 8% of the premium paid to Tryg for 2016, or the pay-out of DKK 700m in total to TryghedsGruppen's members who are Tryg's Danish customers.



# Sweden

## Results 2017

Sweden Private posted a result of DKK 171m (DKK 120m), which represented a significant improvement compared to the prior-year result. The result for 2017 was impacted by profitability initiatives to improve the extended warranty insurance for electronic products and the integration of the profitable Skandia child insurance portfolio. We also saw a significant improvement in the expense ratio supporting the result.

### Premiums

Premium income increased by 12.5% (3.4%) in local currencies. This was mainly due to the acquisition of Skandia's child insurance portfolio, which is highly profitable and characterised by high retention levels. At the same time, Tryg's private business in Sweden has mitigated the loss of a number of large affinity agreements and grown the portfolio at the end of the year, when adjusting for the Skandia acquisition. Moderna continues to focus strongly on developing innovative products, especially for the motor insurance segment, and launched a number of new products in 2017.

### Claims

The gross claims ratio totalled 70.9 (71.5) and was affected by a somewhat lower run-off level and a positive impact from the Skandia child insurance portfolio. The underlying claims development improved through price adjustments and also due to the acquisition of the child insurance portfolio from Skandia.

### Expenses

The expense ratio was much lower at 16.9 (19.0), which can be ascribed to a continued focus on effective distribution and the integration of the Skandia portfolio.

The number of employees was 353 (337) at the end of 2017, which reflects the focus on substituting distribution from lost partner agreements with own distribution.

**Sweden** comprises the sale of insurance products to private customers under the 'Moderna' brand. Moreover, insurance is sold under the brands Atlantica, Bilsport & MC and Moderna Djurförsäkringar. Sales take place through its own sales force, call centres, partners and online.

The business area accounts for 8% of the Group's total premium income.

## Financial highlights 2017

Technical result  
**DKK 171m**  
(DKK 120m)

Combined ratio  
**88.1**  
(90.7)

Premium growth  
(local currencies)  
**12.5%**  
(3.4%)

Expense ratio  
**16.9**  
(19.0)

## Key figures – Sweden

DKK m	Q4 2017	Q4 2016	2017	2016
<b>Gross premium income</b>	<b>355</b>	<b>337</b>	<b>1,487</b>	<b>1,348</b>
Gross claims	-259	-245	-1,055	-964
Gross expenses	-63	-68	-251	-256
Profit/loss on gross business	33	24	181	128
Profit/loss on ceded business	-2	0	-5	-3
Insurance technical interest, net of reinsurance	-1	-1	-5	-5
<b>Technical result</b>	<b>30</b>	<b>23</b>	<b>171</b>	<b>120</b>
Run-off gains/losses, net of reinsurance	21	28	98	117
<b>Key ratios</b>				
Premium growth in local currencies	5.1	12.2	12.5	3.4
Gross claims ratio	73.0	72.7	70.9	71.5
Net reinsurance ratio	0.6	0.0	0.3	0.2
Claims ratio, net of ceded business	73.6	72.7	71.2	71.7
Gross expense ratio	17.7	20.2	16.9	19.0
<b>Combined ratio</b>	<b>91.3</b>	<b>92.9</b>	<b>88.1</b>	<b>90.7</b>
Combined ratio exclusive of run-off	97.2	101.2	94.7	99.4
Run-off, net of reinsurance (%)	-5.9	-8.3	-6.6	-8.7
Weather claims, net of reinsurance (%)	2.5	0.9	0.9	0.8

## Results Q4 2017

Sweden's technical result totalled DKK 30m (DKK 23m), with a combined ratio of 91.3 (92.9). Weather claims were at a slightly higher level, while run-off gains were much lower at 5.9 (8.3). Premium growth was positive by 5.1% (12.2%). The expense level improved significantly to 17.7 (20.2), primarily as a result of the acquisition of the Skandia business and a strong focus on effective distribution.

### Premiums

Gross premiums increased by 5.1% (12.2%) in local currencies. The increase was not affected by the Skandia acquisition as Skandia was included from September 2016, but resulted from a strong focus on effective distribution channels.

### Claims

The gross claims ratio was 73.0 (72.7) and net of ceded business 73.6 (72.7). The increase was primarily due to a lower run-off level.

### Expenses

The expense ratio was 17.7 (20.2), reflecting the fact that the Skandia child insurance portfolio is now part of the business and with a low expense level, but also Private Sweden's strong focus on more effective distribution.

The number of employees was 353, equating to an increase of 4 employees in Q4 2017 to strengthen distribution.

## Financial highlights Q4 2017

Technical result  
**DKK 30m**  
(DKK 23m)

Combined ratio  
**91.3**  
(92.9)

Claims ratio,  
net of ceded business  
**73.6**  
(72.7)

Expense ratio  
**17.7**  
(20.2)



In 2017, Moderna, Tryg's Swedish branch, launched a new and innovative car insurance product together with Greater Than. The insurance price is based on type of car, mileage and driving style, and independent of traditional parameters such as age and years of holding a driver's licence.

# Investment activities

2017 was another eventful year characterised by high levels of geo-political volatility, which has been largely discounted by equity investors. Elections in France and Germany, ongoing negotiations between the EU and the UK on Brexit and tension surrounding the situation in North Korea were the most significant political events of the year. These resulted in only short-term pressure on equity indexes, which had another impressive year with gains of approximately 17% (MSCI All Country), benefiting also from global economic expansion and the adoption of the US tax reform before Christmas. Interest rates remain at a very low level despite some initial tightening by the Federal Reserve and the Bank of England supporting equities as an asset class.

Tryg's investment activities reported an overall result of DKK 527m (DKK 987m). The result for the full year 2016 was positively impacted by a capital gain of DKK 500m on the sale of a property portfolio. The overall result for the investment activities in 2017 was more than three times higher than the expected normalised level. The purpose of our investment strategy is to support a high and stable technical result and thus reduce overall volatility to the greatest possible extent. Since 2010, this purpose has been supported by the strategic split of the investment portfolio into a match portfolio (assets matching the insurance reserves) and a free portfolio (the capital of the company). Tryg

reported a DKK 598m (DKK 939m) return on the free portfolio, a DKK 227m (DKK 210m) result on the match portfolio and other financial income and expenses of DKK -298m (DKK -162m).

## Free portfolio result

The free portfolio produced an overall result of DKK 598m (DKK 939m). The corresponding result in 2016 was boosted by a capital gain on the sale of a property portfolio of DKK 500m. Equities had another good year returning just below 16% for a total amount of DKK 353m. The CBOE Volatility Index (VIX), a key measure of market expectations of near-term volatility in equity markets, remains at one of the lowest levels seen in the past ten years.

Several fixed-income asset classes posted very strong returns, emerging-market debt (a small asset class for Tryg) returned more than 9%, while investment-grade bonds and high-yields returned 4.0% and 2.8%. The return on the investment property portfolio was DKK 92m (5.6%). Tryg is still in the process of re-investing the proceeds from the property sales announced in December 2016. The property allocation target is likely to be met during the first part of 2018.

## Match result

The result of the match portfolio is the difference between the return on the match portfolio and the

## Financial highlights 2017

Investment return  
**DKK 527m**

Free portfolio result  
**DKK 598m**  
Equities  
**16% return**

Match portfolio  
**DKK 227m**

## Key figures – investments

DKKm	Q4 2017	Q4 2016	2017	2016
Free portfolio, gross return	138	541	598	939
Match portfolio, regulatory deviation and performance	13	8	227	210
Other financial income and expenses	-65	49	-298	-162
<b>Total investment return</b>	<b>86</b>	<b>598</b>	<b>527</b>	<b>987</b>

## Return – match portfolio

DKKm	Q4 2017	Q4 2016	2017	2016
Return, match portfolio	83	-275	289	547
Value adjustments, changed discount rate	-26	323	122	-188
Transferred to insurance technical interest	-44	-40	-184	-149
<b>Match, regulatory deviation and performance</b>	<b>13</b>	<b>8</b>	<b>227</b>	<b>210</b>
Hereof:				
Match, regulatory deviation	11	8	98	47
Match, performance	2	0	129	163

## Financial highlights Q4 2017

Investment return of  
**DKK 86m**

Free portfolio result  
**DKK 138m**  
Equities  
**4.3% return**

Match portfolio  
**DKK 13m**

amount transferred to the insurance business. The result can be split into a 'regulatory deviation' and a 'performance result'. The most important driver of the 'regulatory deviation' is the yield difference between Euro swap rates and Danish swap rates. In Norway and Sweden, Tryg hedges using local swaps corresponding to the EIOPA curve; hence only the Danish exposure is relevant. The regulatory deviation made a positive contribution of DKK 98m (DKK 47m) as the yield difference between Danish and Euro swap rates decreased. As an example, looking at the 10-year interest rate level, the difference decreased by 11 basis points, boosting the total return. The most important driver of the performance result is the difference in yields between Danish, Norwegian and Swedish covered bonds and equivalent swap rates. If spreads narrow (versus swap rates), the overall performance is positive; otherwise the overall

performance is negative. The performance result made a positive contribution of DKK 129m (DKK 163m) as Nordic covered-bond spreads narrowed against the swap curve.

### Other financial income and expenses

The other financial income and expenses component is primarily made up of interest expenses related to outstanding subordinated debt, the cost of the currency hedge to protect the shareholders' equity and the cost of running the investment operations. These are the main elements included in other financial income and expenses. Other financial income and expenses totalled DKK -298m (-162m).

### Investment activities in Q4 2017

In Q4, the positive sentiment in the financial markets continued to help boost returns for the full year

2017. Since the prior bear market ended in March 2009, the current advance in equities is now the second-longest on record without at least a 20% drop in leading indexes.

The total investment return was DKK 86m in Q4, split between a free portfolio return of DKK 138m (DKK 541m or DKK 41m adjusting for the sale of a property portfolio) and a match portfolio return of DKK 13m (DKK 8m). Other financial income and expenses amounted to DKK -65m (DKK 49m). The Q4 2016 figure was impacted by a write-up of DKK 93m on Tryg's own domiciles in Ballerup and Bergen.

Equities returned more than 4% in Q4 and were the leading asset class in Tryg's free portfolio, returning DKK 112m. Emerging-market debt and inflation-linked bonds (small asset classes for Tryg)

also posted good returns. Properties posted a quarterly return of 1.6%. The regulatory deviation in the match portfolio was DKK 11m (DKK 8m) as the yield difference between Danish and Euro swap rates narrowed, also in the last three months of the year. The performance result was DKK 2m (DKK 0m). Danish covered-bond spreads widened marginally, but a higher yield on the Norwegian bonds helped to drive a small positive performance.

### Return – free portfolio

DKKm	Q4 2017	Q4 2017 (%)	Q4 2016	Q4 2016 (%)	2017	2017 (%)	2016	2016 (%)	Investment assets	
									31.12.2017	31.12.2016
Government bonds	3	0.3	0	0.0	5	1.3	1	0.4	327	322
Covered bonds	-23	-0.1	6	0.1	30	0.4	69	1.8	4,111	4,464
Inflation linked bonds	10	1.8	-20	-3.5	8	1.5	41	8.1	547	539
Investment grade credit	2	0.2	-21	-4.2	29	4.0	-14	-0.9	935	546
Emerging market bonds	4	0.8	-18	-4.1	47	9.1	41	9.5	595	447
High-yield bonds	2	0.2	13	1.8	22	2.8	81	10.6	791	730
Other <sup>a)</sup>	3		-2		12		-23		159	220
<b>Interest rate and credit exposure</b>	<b>1</b>	<b>0.2</b>	<b>-42</b>	<b>-0.6</b>	<b>153</b>	<b>1.8</b>	<b>196</b>	<b>2.8</b>	<b>7,465</b>	<b>7,268</b>
<b>Equity exposure<sup>b)</sup></b>	<b>112</b>	<b>4.3</b>	<b>115</b>	<b>5.3</b>	<b>353</b>	<b>15.9</b>	<b>194</b>	<b>8.4</b>	<b>2,185</b>	<b>2,187</b>
<b>Investment property</b>	<b>25</b>	<b>1.6</b>	<b>468</b>	<b>22.2</b>	<b>92</b>	<b>5.6</b>	<b>549</b>	<b>26.1</b>	<b>1,715</b>	<b>2,540</b>
<b>Total gross return</b>	<b>138</b>	<b>1.3</b>	<b>541</b>	<b>4.7</b>	<b>598</b>	<b>5.0</b>	<b>939</b>	<b>8.0</b>	<b>11,365</b>	<b>11,995</b>

a) Senior/Bank deposits less than 1 year and derivative financial instruments hedging interest rate risk and credit risk. b) In addition to the equity portfolio exposure is derivative contracts of DKK -135m.

# Capital and risk management

Risk management is based on Tryg's targets and strategies and the risk exposure limits decided by the Supervisory Board. The assessment and management of Tryg's aggregated risk and the associated capital requirements therefore constitute a central element in the management of the company. Tryg's Supervisory Board defines the framework for the company's target risk appetite and thereby the capital which must be available to cover any losses.

## Insurance risk

The insurance risk is managed by limiting the size of single large commitments and through the use of reinsurance, thus reducing the maximum cost of large claims. Furthermore, the insurance risk is managed through geographical limitations and by refraining from offering certain types of insurance such as aviation and marine hull insurance. Operating within these boundaries, Tryg's risk depends on the company's choice of exposure within different segments and industries in the insurance market. Tryg operates in a relatively stable line of business. Quarterly fluctuations are driven mainly by large claims and weather events, and reinsurance is used extensively to smooth impacts on earnings.

## Investment risk

The amount of assets invested is divided between the match portfolio and the free investment portfolio.

The match portfolio, representing approximately 75% of invested assets, consists of bonds and a swap overlay designed in such a way that sensibility towards change in the interest rate curve at any point matches the corresponding sensibility of the discounted claims reserves. This matching strategy means that the net effect on the balance sheet of any change in the interest rate curve for practical purposes is zero. The free portfolio (approximately 25%) is intended to produce the maximum return on risk. The investment risk for the free portfolio is managed through limits on exposures within each asset class (bonds, shares, properties etc.).

## Solvency II

The Solvency II regime emphasises the need for sound risk management and introduces additional requirements concerning risk governance, consistency across the group and top management reporting and involvement. Tryg has been working towards implementing the principles of Solvency II for years and has, among other things, carried out risk identification routines, ORSA (Own Risk and Solvency Assessment) reports, acted in a setup comprising three lines of defence and appointed a special Risk Committee under the Supervisory Board. Tryg's partial internal model was approved by the Danish FSA in November 2015. Read more about Tryg's risk management in Note 1 on page 55.

## SFCR

Tryg was one of the first European insurers to publish its Solvency Financial Condition Report (SFCR) on 16 May 2017. SFCR contained only limited additional information, including capital charges by geography, balance sheet according to Solvency II against IFRS (statutory financial statements) and SCR components as per Q4 2016. The publication of SFCR attracted a lot of attention in the insurance industry, with a clear focus on capital quality, including the use of transitional measures and the impact of long-term guarantee measures. Tryg's solvency position does not factor in any benefits from the measures above as the company is a pure non-life insurer with relatively short-term liabilities.

## Capital management

Capital management is based on Tryg's partial internal capital model, which was approved by the Danish FSA in November 2015. Tryg has modelled the insurance risk internally, while using the standard formula for all other risks. The capital model is based on Tryg's risk profile, and therefore takes into consideration the composition of Tryg's insurance portfolio, geographical diversification, its claims reserves profile, reinsurance programme, investment mix and Tryg's profitability in general.

The Solvency Capital Requirement (SCR) is calculated in such a way that Tryg would statistically be able to honour its obligations in 199 out of 200 years. In other words, Tryg could have a negative result greater than DKK 4,684m (the SCR) in 1 out of 200 years. Tryg's SCR was DKK 4,684m at the end of 2017, down approximately DKK 400m from the end of 2016. The reduction was driven primarily by a generally lower market risk (including a lower property exposure), the inclusion of Danish Workers' Compensation in the partial internal model and currencies movements. At the end of 2017, Tryg's own funds were DKK 13,162m (after deducting the proposed Q4 dividend and the proposed extraordinary dividend of DKK 1bn) against DKK 9,850m at the end of 2016.

## Solvency capital requirement





Tryg's Supervisory Board has proposed an extraordinary dividend of DKK 1bn, corresponding to DKK 3.31 per share and a Q4 dividend of DKK 1.60 per share to be approved by the AGM.

Own funds during the year were mostly impacted positively by the DKK 4bn raised for the Alka acquisition as well as net profits and negatively by ordinary and extraordinary dividends. The solvency ratio was 281 or 196 when adjusted for the DKK 4bn raised for the Alka acquisition at year-end 2017.

The key components of Tryg's own funds are shareholders' equity, intangibles, Tier 2 instruments (subordinated debt and Norwegian natural perils pool), ATier 1 instruments (old subordinated debt which has been grandfathered) and future profits. The vast majority of Tryg's own funds are constituted by shareholders' equity. The Tier 2 capacity has been fully utilised; currently some DKK 250m of Tier 2 instruments are not included

in the own funds as they exceed the 50% SCR cap. Tryg has an additional ATier 1 capacity of DKK 1.9bn at the end of 2017.

At the Capital Markets Day on 20 November 2017, Tryg announced measures to reduce the SCR by up to 10%. The inclusion of Danish Workers' Compensation in the partial internal model has lowered the SCR by approximately DKK 100m, while further work to include Sweden in the internal model and other minor adjustments will reduce the SCR further. All changes are subject to approval by the Danish FSA.

Tryg's solvency ratio displays low sensitivities towards capital market movements. The highest sensitivity is towards spread risk, where a widening/tightening of 100 basis points would impact the solvency ratio by 12 percentage points. Lower sensitivities are displayed towards equity market falls and interest rate fluctuations. A change in the UFR (Ultimate Forward Rate) would have an insignificant impact. This is unsurprising, considering that Tryg underwrites only non-life risks with low duration.

#### Ordinary and extraordinary dividend

The Supervisory Board regularly assesses the need for capital adjustments. In November 2017, Tryg announced the distribution of extraordinary dividends of DKK 1bn, corresponding to DKK 3.31 per

share, after assessing the company's capital plan, in which the solvency ratio is projected based on Tryg's forecasts. The projections include initiatives set out in the company's strategy for the coming years, and are based also on the most significant risks identified by the company. The adequacy is measured in relation to Tryg's strategic targets, including return on equity and dividend policy.

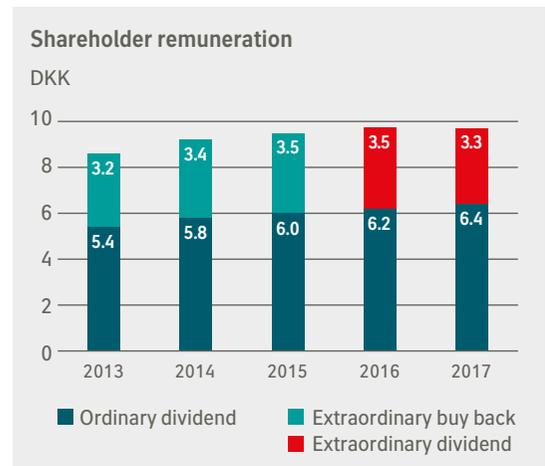
At the annual general meeting to be held on 16 March 2018, Tryg's Supervisory Board will propose a Q4 dividend of DKK 1.60 per share. In 2017, Tryg also paid Q1-Q3 dividends of DKK 4.80 per share in total. The full-year dividend is thus DKK 6.40 per share, equivalent to the total distribution of DKK 1,827m.

#### Capital plan and contingency plan

In conjunction with the capital plan, a contingency plan is made. It describes specific measures that may be introduced in the near term, should the company's desired capital position be threatened. Tryg's Supervisory Board has approved both the capital plan and the contingency plan. Read more about Tryg's risk management and Solvency II in note 1 on page 55.

#### The Alka acquisition

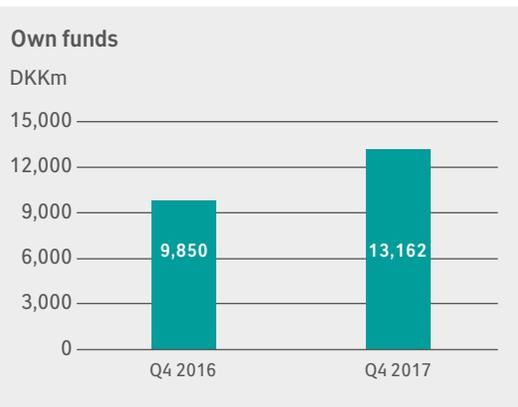
Tryg announced the acquisition of Alka on 4 December 2017. Alka will add approximately



4% market share and approximately DKK 2bn of non-life premiums. The acquisition is expected to be closed in Q2 2018 upon approval by the authorities. Tryg has disclosed a solvency ratio of approximately 170 when the Alka acquisition is finalised.

#### Moody's rating

Tryg has an 'A1' (stable outlook) insurance financial strength (IFSR) rating from Moody's. The rating agency highlights Tryg's strong position in the Nordic P&C market, robust profitability, very good asset quality and relatively low financial leverage. Moody's also assigned an 'A3' rating to Tryg's subordinated debt. The rating was reaffirmed following the Alka acquisition.



# Investor information

Investor Relations (IR) is responsible for Tryg's communication with the capital markets. It is important that investors, analysts and other stakeholders are able to form a true and fair view of developments, including Tryg's financial results. For this reason, Tryg's IR team strives to be as open and transparent as possible to ensure that stakeholders' information requirements are met at the highest possible level. IR is in charge of communication with equity investors, fixed-income investors and rating agencies.

➤ [See Tryg's IR policy at tryg.com/investor.](https://tryg.com/investor)

After the publication of quarterly and annual reports, Tryg's management and IR team travel extensively to meet with shareholders and potential investors. Quarterly analyst presentations are held in Copenhagen and London. Tryg also attends various financial conferences. In 2017, we held almost 300 investor meetings – mostly one-to-ones but also some group meetings in Europe, the USA, Canada and Asia. The Tryg share is covered by 23 analysts, who continuously update their recommendations and earnings forecasts.

➤ [See a list of analysts and their recommendations at tryg.com/investor.](https://tryg.com/investor)

Tryg hosted its CMD on 20 November 2017 in London. At the CMD, new financial targets were published and updated following the Alka acquisition: A technical result of DKK 3.3bn is targeted for 2020, driven by a combined ratio of 86 or lower and an expense ratio of around 14 and a return on equity target of 21% after tax.

## The Tryg share

The Tryg share is listed on NASDAQ Copenhagen. From the last day of the reporting quarter (31 December, 31 March, 30 June and 30 September), Tryg refrains from dialogue with analysts/investors until the release of the interim/annual reports. Company announcements, press releases and transaction statements are published in both Danish and English, whereas interim reports and annual reports are published in English.

➤ [Subscribe to all financial information at tryg.com.](https://tryg.com) Follow [@TrygIR](https://twitter.com/TrygIR) on Twitter.

The Tryg share started the year at a price of DKK 127.7 and ended 2017 at DKK 155.2. The total return (price and dividends) of the share was 33%. The positive share price development was driven primarily by an improved underlying financial performance. After a period of deterioration, Tryg's underlying claims ratio flattened out in Q1 2017

and started to improve in the following quarters. Additionally, capital markets continued to develop positively, boosting the company's investment income. The insurance sector's key attraction is its dividend yield. Therefore, earnings and solvency are always carefully scrutinised by investors. In the world of Solvency II, movements in solvency levels can be more difficult to predict and often also difficult to understand. A relatively simple business model and a transparent capital position are therefore key competitive advantages.

NASDAQ Copenhagen remains the primary exchange for trading in the Tryg share. In 2017, NASDAQ Copenhagen accounted for 65 of the turnover of the Tryg shares. This means that approximately 35 of all trading in 2017 was carried out on alternative exchanges. Average daily turnover on NASDAQ was DKK 65m, and average daily volume was 1,700.

## Share capital and ownership

Tryg's share capital totalled 1,510,739,955 on 31 December 2017. It comprises one share class (302,147,991 with a nominal value of DKK 5), and all shares rank pari passu. The number of shares was increased by 27,400,000 after the Alka acquisition. The majority shareholder, TryghedsGruppen smba, owns 60% of the shares and is the only

shareholder holding more than 5% of the share capital. TryghedsGruppen invests in peace of mind and healthcare providers in the Nordic region, and supports non-profit-making activities.

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## TrygFonden

TrygFonden is the leading and most well-known peace of mind supporter in Denmark, supporting around 800 activities that contribute to this, such as coastal lifeguards, cuddle bears for children at hospitals and defibrillators. Behind TrygFonden is TryghedsGruppen, which owns 60% of the shares in Tryg and contributed DKK 600m to projects that create peace of mind throughout Denmark in 2017.

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## TryghedsGruppen

In 2017, for the second year running, Tryg's majority shareholder, TryghedsGruppen, paid out a member bonus to Tryg's customers in Denmark corresponding to 8% of the annual premium paid for 2016.

### Quarterly dividends started in 2017

Tryg started paying quarterly dividends in 2017. Tryg's share has a distinct income profile; the business generally grows in line with GDP, producing high margins, which are mostly returned to shareholders. The prolonged period of very low interest rates in the wake of the financial crisis means that investors, all else being equal, attach even greater importance to dividends than in a more normal environment. This is particularly true for insurance investors as insurance is one of the sectors offering the highest dividend yield. From an investment perspective, a quarterly dividend will be a clear reminder of the high profitability of our business and our focus on returning capital to shareholders. Tryg's dividend policy is based on the following assumptions:

- An aspiration to distribute a steadily increasing dividend in nominal terms on a full-year basis.
- A general objective of creating long-term value for the company's shareholders.
- A competitive dividend policy in comparison with the policies of our Nordic competitors
- Annual distribution of 60-90% of our profit after tax.
- The capital level must at all times reflect our return on equity targets and statutory capital requirements.
- The capital level may be adjusted via extraordinary dividends.

Based on Tryg's dividend policy and the satisfactory 2017 results, the Supervisory Board will propose a Q4 dividend of DKK 1.60 per share at the annual general meeting on 16 March 2018. The full-year dividend corresponds to a payout ratio of 73.

### Extraordinary dividend for 2017

At the time of publication of the 2016 annual report, Tryg decided to move from extraordinary buy backs to extraordinary dividends when the capital position allows such extraordinary payments. At the CMD on 20 November 2017, Tryg announced an extraordinary dividend of DKK 1bn, corresponding to a dividend of DKK 3.31 per share to be approved by the AGM. The extraordinary dividend per share is lower compared to 2016 as Tryg has issued 27.4 million new shares to fund the acquisition of Alka.

### Annual general meeting

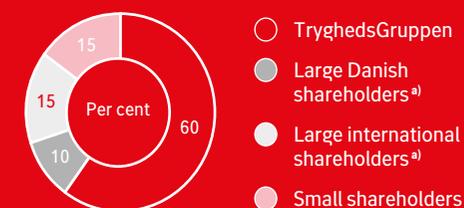
Tryg's annual general meeting will be held on 16 March 2018 at 15:00 CET at Tryg's head office, Klausdalsbrovej 601, 2750 Ballerup, Denmark. The notice will be advertised in the daily press in February 2018 and will be sent to shareholders upon request.

- The annual general meeting will also be announced at [tryg.com](http://tryg.com).
- The company announcements published in 2017 can be seen at [tryg.com/investor/news](http://tryg.com/investor/news).

## Financial calendar 2018

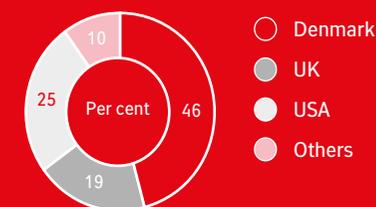
- 16 Mar. 2018** Annual general meeting
- 19 Mar. 2018** Tryg shares are traded ex-dividend
- 21 Mar. 2018** Payment of Q4 dividend and extraordinary dividend
- 11 Apr. 2018** Interim report Q1
- 12 Apr. 2018** Tryg shares are traded ex-dividend
- 16 Apr. 2018** Payment of Q1 dividend
- 10 July 2018** Interim report Q2 and H1
- 11 July 2018** Tryg shares are traded ex-dividend
- 13 July 2018** Payment of Q2 dividend
- 11 Oct. 2018** Interim report Q1-Q3
- 12 Oct. 2018** Tryg shares are traded ex-dividend
- 16 Oct. 2018** Payment of Q3 dividend

## Shareholders at 31 December 2017



a) Shareholders holding more than 10,000 shares.

## Free float – geographical distribution at 31 December 2017



Free float is exclusive of TryghedsGruppen.

## Shareholder distribution

DKKm	2017	2016	2015	2014	2013
Dividend	1,827	1,770	1,759	1,731	1,656
Dividend per share (DKK) <sup>a)</sup>	6.4	6.2	6.0	5.8	5.4
Payout ratio	73%	72%	89%	68%	70%
Extraordinary share buy back	0	0	1,000	1,000	1,000
Extraordinary dividend <sup>b)</sup>	1,000	1,000			
Extraordinary dividend per share (DKK)	3.31	3.54			

- a) Dividend per share includes dividend for Q1-Q3 of DKK 1.60 per quarter paid out in April, July and October 2017 and dividend of DKK 1.60 proposed by the Supervisory Board for adoption by the annual general meeting.
- b) Proposed by the Supervisory Board for adoption by the annual general meeting.

# Corporate governance

Tryg focuses on managing the company in accordance with the principles of good corporate governance and generally complies with the Danish recommendations prepared by the Committee on Corporate Governance. The Recommendations on Corporate Governance are available at [corporate-governance.dk](http://corporate-governance.dk). At [tryg.com](http://tryg.com), Tryg has published its statutory corporate governance report based on the 'comply-or-explain' principle for each individual recommendation. This section on corporate governance is an excerpt of the corporate governance report.

✚ [Download Tryg's statutory corporate governance report at \[tryg.com\]\(http://tryg.com\) > Investor > Download.](#)

## Dialogue between Tryg, shareholders and other stakeholders

Tryg's Investor Relations (IR) department maintains regular contact with analysts and investors. Together with the Executive Board, IR organises investor meetings, conference calls and participates in conferences in Denmark and abroad. In 2017, Tryg held a Capital Markets Day in London presenting its new financial targets and customer targets for 2020. IR also communicates with stakeholders on social media via [Twitter@TrygIR](https://twitter.com/TrygIR). The Supervisory Board is informed about the dialogue with investors and other stakeholders on a regular basis. Tryg has an IR policy, which states, among other things,

that all company announcements are published in Danish and English. Tryg publishes quarterly interim reports in English. Furthermore, Tryg publishes an annual profile in Danish, English and Norwegian. The profile is addressed to Tryg's private shareholders, customers, employees and other stakeholders and is published on 29 January 2018. Moreover, Tryg prepares quarterly investor presentations, which are used in our dialogue with investors and analysts. Tryg also publishes IR newsletters on relevant subjects on a regular basis. All announcements, financial reports, presentations and newsletters are available at [tryg.com](http://tryg.com). This material provides all stakeholders with a comprehensive picture of Tryg's position and performance. The consolidated financial statements are presented in accordance with IFRS. At [tryg.com](http://tryg.com), stakeholders are invited to subscribe to press releases, company announcements as well as trading announcements by insiders. A number of internal guidelines ensure that the disclosure of price-sensitive information complies with legislation and stock exchange codes of conduct. Tryg has adopted a number of policies describing the relationship between different stakeholders.

➤ [See the IR policy at \[tryg.com\]\(http://tryg.com\) > Investor > IR contacts > IR policy, and the CSR policy at \[tryg.com\]\(http://tryg.com\) > CSR > CSR strategy > CSR policy.](#)

## Annual general meeting

Tryg holds an annual general meeting (AGM) every year. As required by the Danish Companies Act and the Articles of Association, the AGM is convened via a company announcement and at [tryg.com](http://tryg.com) subject to at least three weeks' notice. Shareholders may also opt to receive the notice by post or email. The notice contains information about time and venue as well as an agenda for the meeting.

All shareholders are encouraged to attend the AGM. The AGM is held by personal attendance as the Supervisory Board values personal contact with the Group's shareholders. Shareholders may propose items to be included on the agenda for the annual general meeting, and may ask questions before and at the meeting. Shareholders may vote in person at the annual general meeting, by post or appoint the Supervisory Board or a third party as their proxy. Shareholders may consider each item on the agenda. The proxy form and form for voting by post are available at [tryg.com](http://tryg.com) prior to the AGM.

## Share and capital structure

Tryg's share capital comprises a single share class, and all shares rank *pari passu*. The majority shareholder, TryghedsGruppen smba, owns 60% of the shares and is the only shareholder owning more

than 5% of the company's shares. The Supervisory Board ensures that Tryg's capital structure is aligned with the needs of the Group and the interests of its shareholders and that it complies with the requirements applicable to Tryg as a financial undertaking. Tryg has adopted a capital plan and a contingency capital plan, which are reviewed annually by the Supervisory Board.

Depending on the development in results, each year the Supervisory Board proposes the distribution of quarterly dividends, and possibly an extraordinary annual dividend if further adjustment of the capital structure is required. The proposed extraordinary dividend is DKK 1bn in 2018 to be paid after the AGM.

## Duties, responsibilities and composition of the Supervisory Board

The Supervisory Board is responsible for the central strategic management and financial control of Tryg and for ensuring that the business is organised in a sound way. This is achieved by monitoring targets and frameworks on the basis of regular and systematic reviews of the strategy and risks. The Executive Board reports to the Supervisory Board on strategies and action plans, market developments and Group performance, funding issues, capital resources and special risks.

The Supervisory Board holds one annual strategy seminar to decide on and/or adjust the Group's strategy with a view to sustaining value creation in the company. The Executive Board works with the Supervisory Board to ensure that the Group's strategy is developed and monitored. The Supervisory Board ensures that the necessary skills and financial resources are available for Tryg to achieve its strategic targets. The Supervisory Board specifies its activities in a set of rules of procedure and an annual cycle for its work.

Nine members of the Supervisory Board are elected by the annual general meeting for a term of one year. Of the nine members elected at the annual general meeting, five, and thus the majority, are independent persons, thus complying with recommendation 3.2.1. in Recommendations on Corporate Governance, while the other four members are dependent persons as they are appointed by Tryg's majority shareholder, TryghedsGruppen. See page 38 for information on when the individual members joined the Supervisory Board, were re-elected and when their current election period ends. To ensure the integration of new talent on the Supervisory Board, members elected by the annual general meeting may hold office for a maximum of nine years. The Supervisory Board has 13 members, eight men and five women (currently including two male and two female employee representatives).

Women are thus not underrepresented on Tryg's Supervisory Board, thus complying with legislation as well as Tryg's policy. The Supervisory Board has members from Denmark, Sweden and Norway.

**i** See details about the independent board members in the section [Supervisory Board on pages 37-38 and at tryg.com](#).

The Supervisory Board performs an annual evaluation of its work and skills to ensure that it possesses the expertise required to perform its duties in the best possible way. The Supervisory Board focuses primarily on the following qualifications and skills: management experience, financial insight, organisation, IT and digitalisation, product development, communication, market insight, international experience, knowledge of insurance, reinsurance, capital requirements, general accounting insight and accounting principles (GAAP), including regulations and principles designed for the insurance industry and M&A experience.

**i** See CV's and descriptions of the skills in the section [Supervisory Board on pages 37-38 and at tryg.com](#).

#### **Duties and composition of the Executive Board**

Each year, the Supervisory Board reviews and adopts the rules of procedure of the Supervisory

Board and the Executive Board with relevant policies, guidelines and instructions describing reporting requirements and requirements for communication with the Executive Board. Financial legislation also requires the Executive Board to disclose all relevant information to the Supervisory Board and report on compliance with limits defined by the Supervisory Board and in legislation.

The Supervisory Board considers the composition, development, risk and succession plans of the Executive Board in connection with the annual evaluation of the Executive Board, and regularly in connection with board meetings. Each year, the Supervisory Board discusses Tryg's activities to guarantee diversity at management levels. Tryg attaches importance to diversity at all management levels. Tryg has prepared an action plan, which sets out specific targets to ensure diversity and equal opportunities and access to management positions for qualified men and women. In 2017, the proportion of women at management level was 37% against 36.4% in 2016. The target for 2017 of 38% or more women at management level was therefore not met. Tryg maintains the target to increase the total proportion of women at management level to 38% or more in 2018.

**>** See the action plan at [tryg.com](#).

#### **Board committees**

Tryg has an Audit Committee, a Risk Committee, a Nomination Committee and a Remuneration Committee. In 2016, Tryg set up a temporary IT Committee to allow the Board to work more closely with Tryg's IT strategy. The framework of the committees' work is defined in their terms of reference.

**>** The board committees' terms of reference can be found at [tryg.com > Governance > Management > Supervisory Board > Board committees, including descriptions of members, meeting frequency, responsibilities and activities during the year](#).

**>** See the tasks of the board committees in 2017 at [tryg.com > Governance > Management > Supervisory Board > Board committees](#).

Three out of four members of the Audit Committee and three out of five members of the Risk Committee, including the chairman of the committees, are independent persons. Of the five members of the Remuneration Committee, two members are independent persons, and two out of three members of the Nomination Committee are independent. Board committee members are elected primarily based on special skills that are considered important by the Supervisory Board.

Involvement of the employee representatives in the committees is also considered important. The committees exclusively prepare matters for decision by the entire Supervisory Board.

➤ The special skills of all members are also described at [tryg.com](http://tryg.com).

#### Remuneration of Management

Tryg has adopted a remuneration policy for Tryg in general which contains specific schemes for the Supervisory Board, the Executive Board and other employees in Tryg, whose activities have a material impact on the risk profile of the company, so-called risk takers. The remuneration policy for 2017 was adopted by the Supervisory Board in January 2017 and approved by the annual general meeting on 8 March 2017.

The Chairman of the Supervisory Board reports on Tryg's remuneration policy each year in connection with the review of the annual report at the annual general meeting. The Board's proposal for the remuneration of the Supervisory Board for the current financial year is also submitted for approval by the shareholders at the annual general meeting.

➤ See the remuneration policy at [tryg.com](http://tryg.com).

#### Remuneration of the Supervisory Board

Members of Tryg's Supervisory Board receive a fixed fee and are not comprised by any form of incentive or severance programme or pension scheme. Their remuneration is based on trends in peer companies, taking into account the required skills, efforts and the scope of the Supervisory Board's work, including the number of meetings held. The remuneration received by the Chairman of the Board is three times that received by ordinary members, while the Deputy Chairman's remuneration is twice that received by ordinary members of the Supervisory Board.

#### Remuneration of the Executive Board

Members of the Executive Board are employed on a contractual basis, and all terms of their remuneration are established by the Supervisory Board within the framework of the approved remuneration policy.

#### Total remuneration of the Supervisory Board in 2017

DKK	Fee	Audit Committee	Risk Committee	One-off IT fee	Remuneration committee	Total
Jørgen Huno Rasmussen	1,080,000				150,000	1,230,000
Torben Nielsen	720,000	225,000	210,000			1,155,000
Jukka Pertola <sup>a)</sup>	584,516				81,183	665,699
Elias Bakk <sup>a)</sup>	292,258					292,258
Tom Eileng	360,000				100,000	460,000
Lone Hansen	360,000			140,000		500,000
Anders Hjulmand	360,000					360,000
Jesper Hjulmand	360,000	150,000	140,000			650,000
Ida Sofie Jensen	360,000			140,000	100,000	600,000
Lene Skole	360,000	150,000	140,000			650,000
Tina Snebjerg	360,000		140,000			500,000
Mari Thjørmøe	360,000	150,000	140,000			650,000
Carl-Viggo Østlund	360,000			140,000	100,000	600,000
Bill-Owe Johansson <sup>b)</sup>	67,742					67,742

<sup>a)</sup> Joined the Supervisory Board in March 2017

<sup>b)</sup> Resigned from the Supervisory Board in March 2017

#### Total remuneration of the Executive Board in 2017

DKK	Base salary	Pension	Car allowance	Other benefits	Total fixed salary	Share-based remuneration <sup>b)</sup>	Total fee
Morten Hübbe	10,000,000	2,500,000	255,000	26,000	12,781,000	2,600,000	15,381,000
Lars Bonde	5,003,536	1,250,884	255,000	26,000	6,535,420	1,250,000	7,785,420
Christian Baltzer	4,000,000	1,000,000	255,000	26,000	5,281,000	1,000,000	6,281,000

<sup>a)</sup> The maximum investment opportunity offered under the Matching Shares Programme at the beginning of 2018 (performance year 2017)

Tryg wants to strike an appropriate balance between management remuneration, predictable risk and value creation for the shareholders in the short and long term.

The Executive Board's remuneration consists of a base salary, a pension contribution of 25% of the base salary and other benefits. The base salary must be competitive and appropriate for the market and provide sufficient motivation for all members of the Executive Board to do their best to achieve the company's defined targets. The Supervisory Board can decide that the base salary should be supplemented with a variable pay element of up to 50% of the fixed salary including pension.

The variable pay element consists of a Matching Shares Programme. The Executive Board may, using taxed funds, buy shares (so-called investment shares) in Tryg A/S at market price for a predefined amount, which is dependent on the member's performance for the fiscal year. Four years after the purchase, Tryg will grant one matching share per investment share free of charge. Matching is conditional upon fulfilment of additional conditions such as continued employment and back testing (a testing prior to matching, to ensure that the criteria forming the basis of the calculation of the variable salary are still met at the time of

matching). The purpose of the Matching Shares Programme is to ensure alignment of interests between the Executive Board and the company's shareholders.

Each year the Supervisory Board evaluates the performance of the Executive Board against the targets set by the Supervisory Board for the financial year. The overall fulfilment of the weighted targets determines the number of investment shares offered to each member of the Executive Board. The targets for 2017 were a combination of corporate KPIs and developmental targets. The corporate KPIs were linked to Tryg's technical result and the year's fulfilment of Tryg's CMD 2017 targets, which were specified as expense ratio, retention rate, premium growth and employee satisfaction. The development targets included targets such as implementation and anchoring of Tryg's new long-term strategy and development of the management-level reporting to Executive Board.

➤ [Read more about the Matching Shares Programme in the remuneration policy at \[tryg.com\]\(#\).](#)

#### **Financial reporting, risk management and auditing**

Being an insurance business, Tryg is subject to the risk management requirements of the Danish Financial Business Act and Solvency II. The Super-

visory Board defines Tryg's risk management framework as regards insurance risk, investment risk, compliance risk and operational risk, as well as IT security, in policies and guidelines for the Executive Board. Risks associated with new financial reporting rules and accounting policies are monitored and considered by the Audit Committee, the finance management and the internal auditors. Material legal and tax-related issues and the financial reporting of such issues are assessed on an ongoing basis.

➤ [Other risks associated with the financial reporting are described in the section \[Capital and risk management on pages 28-29\]\(#\) and in \[Note 1 Risk management on page 55\]\(#\).](#)

Tryg engages in ongoing risk identification, mapping insurance risks and other risks which may endanger the realisation of Tryg's strategy or which may potentially have a substantial impact on Tryg's financial position. The process involves identifying and continually monitoring the risks identified. As in previous years, Tryg undertook an Own Risk and Solvency Assessment (ORSA) in 2017. The purpose of the ORSA is to ensure and demonstrate a link between strategy, risk management, risk appetite, solvency and capital planning over the planning period.

The Supervisory Board and the Executive Board approve and monitor the Group's overall policies and guidelines, procedures and controls in important risk areas. They receive reports about developments in these areas and about the ways in which the frameworks are applied. The Supervisory Board checks that the company's risk management and internal controls are effective. The Board receives reports on non-compliance with the frameworks and guidelines established by the Supervisory Board. The Risk Committee monitors the risk management on an ongoing basis and reports quarterly to the Supervisory Board.

The Group's internal control systems are based on clear organisational structures and guidelines, general IT controls and segregation of functions, which are supervised by the internal auditors.

As part of the internal control system, Tryg has established independent risk management, compliance and actuarial functions. The functions report to the Executive Board and the Supervisory Board's Risk Committee. Tryg has a decentralised set-up whereby risk managers in the business areas carry out controlling tasks for the risk management and compliance functions.

Risk management is an integral part of Tryg's business operations. The Group seeks at all times to minimise the risk of unnecessary losses in order to optimise returns on the company's capital.

**i** [Read more about Tryg's risk management in the section Capital and risk management on pages 28-29 and in Note 1 on page 55.](#)

#### Whistleblower line

Tryg has a whistleblower line, which allows employees, customers and business partners to report any serious wrongdoings or suspected irregularities. Reporting takes place in confidence to the Chairman of the Audit Committee and the Head of Compliance.

**>** [Read more about Tryg's whistleblower line at tryg.com.](#)

#### Independent and internal audit

The Supervisory Board ensures monitoring by competent and independent auditors. The Group's internal auditor attends all Board meetings. The independent auditor attends the annual Board meeting at which the annual report is presented.

The annual general meeting annually appoints an independent auditor recommended by the

Supervisory Board. The internal and independent auditors attend the Audit and Risk Committee meetings, and at least once a year the auditors meet with the Audit Committee without the presence of the Executive Board. The Chairman of the Audit Committee deals with any matters that need to be reported to the Supervisory Board.

Tryg's internal audit department regularly reviews the quality of the Group's internal control systems and business procedures. It is responsible for planning, performing and reporting on the audit work to the Supervisory Board.

#### Deviations and explanations

Tryg complies with the Recommendations on Corporate Governance with the exception of the recommendations concerning the retirement age for members of the Supervisory Board, with which Tryg complies partially, the number of independent members of the board committees, with which Tryg complies partially and agreements on termination payments, with which Tryg complies partially; see recommendations 3.1.4., 3.4.2. and 4.1.5. of the Recommendations on Corporate Governance.

**>** [The deviations are explained in Tryg's statutory corporate governance report, which is available at tryg.com > Investor > Download.](#)

Tryg has published its statutory corporate governance report based on the 'comply-or-explain' principle for each individual recommendation.

**>** [Download the report at tryg.com > Investor > Download.](#)



# Supervisory Board

## Carl-Viggo Østlund (1955)

### Board member

Has experience from the packaging industry, logistics, insurance, finance and banking, from leading positions in listed and private companies. Carl-Viggo Østlund has special knowledge of Swedish market conditions.

## Elias Bakk (1975)

### Employee representative

Project Manager in Tryg. Employed since 2006.

## Jukka Pertola (1960)

### Deputy Chairman

Has special skills in the fields of management, insurance, IT and digitalisation, communication and finance. Jukka Pertola has more than ten years of board work experience from companies, foundations and organisations.

## Jørgen Huno Rasmussen (1952)

### Chairman

As former CEO of FLSmidt, Jørgen Huno Rasmussen has experience in international management of listed companies and special skills within strategy, business development, communication, risk management and finance.

## Torben Nielsen (1947)

### Deputy Chairman

Has special skills in the fields of management, finance, financial services and risk management as former Governor of Denmark's Nationalbank.

## Tina Snebjerg (1962)

### Employee representative

Officer of Tryg's Personnel Department. Employed since 1987.

## Jesper Hjulmand (1963)

### Board member

From positions with SEAS-NVE, Jesper Hjulmand has experience in the fields of M&A, strategy, organisational and management development, communication and business development.

## Lone Hansen (1966)

### Employee representative

Chairman of the Association for Tied Agents and Key Account Managers in Tryg. Employed since 1990.

## Tom Eileng (1954)

### Employee representative

Deputy chairman of Finansforbundet Tryg and Senior Commercial Adviser. Employed since 1986.

## Mari Thjømøe (1962)

### Board member

Has special skills in the fields of financial planning and control, restructuring/financing, investment analysis, investor relations, asset management, strategic planning, branding as well as special knowledge of the insurance market. Mari Thjømøe has special insights into the Norwegian market.

## Anders Hjulmand (1951)

### Board member

Is experienced in the counselling of a number of Danish and international, privately and publicly owned companies and foundations, and experienced in the areas of law, management, strategy and business development.

## Ida Sofie Jensen (1958)

### Board member

Has experience from business operations and the healthcare sector as well as management, strategy, politics and finance.

## Lene Skole (1959)

### Board member

Has experience from international companies, among other things through previous positions with Coloplast and Maersk Company Limited, UK. Lene Skole has particular skills in the fields of strategy, financing and communication.

## Jørgen Huno Rasmussen<sup>a)</sup>

### Chairman

Born in 1952. Joined the Supervisory Board in 2012. Danish Citizen.

**Career:** Professional board member. Adjunct professor at the Copenhagen Business School. Former CEO of the FLSmith Group.

**Education:** B.Com. (Organisation), MSc (Civ. Eng.), PhD (Constr. Man.).

**Board seats, Chairman:** Tryg A/S, Tryg Forsikring A/S, Trygheds-Gruppen smba, Lundbeckfonden and LundbeckFond Invest A/S.

**Board seats, Deputy Chairman:** Terma A/S, Rambøll Group A/S and Haldor Topsøe A/S.

**Board member:** Bladt Industries A/S, Otto Mønsted A/S and Thomas B. Thriegs Fond.

**Committee memberships:** Remuneration Committee (Chairman) and Nomination Committee (Chairman) in Tryg; Remuneration Committee (Chairman) in Haldor Topsøe A/S.

**Number of shares held:** 1,830

**Change in portfolio 2017:** 0

## Torben Nielsen<sup>b)</sup>

### Deputy Chairman

Born in 1947. Joined the Supervisory Board in 2011. Danish citizen.

**Career:** Professional board member, Adjunct Professor at the Copenhagen Business School. Former Governor of Danmarks Nationalbank (Danish Central Bank).

**Education:** Savings bank training, Graduate Diplomas in Organisation, Work Sociology, Credit and Financing.

**Board seats, Chairman:** Sydbank A/S, Investeringsforeningen Sparinvest, Vordingborg Borg Fund and Museum South East Denmark.

**Board seats, Deputy Chairman:** Tryg A/S and Tryg Forsikring A/S.

**Board member:** Sampension KP Livsforsikring A/S, Dansk Landbrugs Realkredit and a member of the Executive Management of Bombebøssen.

**Committee memberships:** Audit Committee (Chairman), Risk Committee (Chairman) and Nomination Committee in Tryg, Risk Committee (Chairman) in Sydbank, and Dansk Landbrugs Realkredit's Audit Committee (Chairman).

**Number of shares held:** 21,000

**Change in portfolio 2017:** +1,000

## Jukka Pertola<sup>b)</sup>

### Deputy Chairman

Born in 1960. Joined the Supervisory Board in 2017. Finnish citizen.

**Career:** Professional board member. Former CEO of Siemens.

**Education:** MSc in Engineering.

**Board seats, Chairman:** Danish Academy of Technical Sciences (ATV), Gomspace Group AB / GomSpace A/S, Leo Pharma A/S, Siemens Gamesa Renewable Energy A/S.

**Board seats, Deputy Chairman:** Tryg A/S and Tryg Forsikring A/S.

**Board member:** Baltic Development Forum, Industriens Pensionsforsikring A/S, Cowi Holding A/S.

**Committee memberships:** Remuneration Committee and Nomination Committee in Tryg.

**Number of shares held:** 1,200

**Change in portfolio 2017:** +1,200

## Elias Bakk

Born in 1975. Employee representative. Joined the Supervisory Board in 2017. Danish citizen. Employed since 2006.

**Career:** Project Manager at Tryg.

**Education:** Norrea Real Gymnasium.

Education at 'Forsikringsakademiet' for new board members.

**Number of shares held:** 670

**Change in portfolio 2017:** +100

## Tom Eileng

Born in 1954. Employee representative. Joined the Supervisory Board in 2016. Norwegian citizen. Employed since 1986.

Deputy chairman of Finansforbundet Tryg and Senior Commercial Adviser.

**Education:** Business Economist. Authorised adviser in life and non-life insurance.

**Board member:** Tryg A/S, Tryg Forsikring A/S and Vesta Støttefond.

**Committee memberships:** Remuneration Committee in Tryg.

**Number of shares held:** 320

**Change in portfolio 2017:** +55

## Lone Hansen

Born in 1966. Employee representative. Employee since 1990. Joined the Supervisory Board in 2012. Danish citizen. Chairman of the Association for Tied Agents and Key Account Managers in Tryg.

**Education:** Certified commercial insurance agent. Various insurance and sales courses and negotiation training.

**Board member:** Tryg A/S and Tryg Forsikring A/S. Member of the Tied Agents' District Board of Finansforbundet.

**Number of shares held:** 750

**Change in portfolio 2017:** +55

## Anders Hjulmand<sup>a)</sup>

Born in 1951. Joined the Supervisory Board in 2016. Danish citizen. Lawyer and partner at HjulmandKaptajn.

**Education:** LL.M.

**Board seats, Chairman:** B&E STÅL A/S, Brdr. Schlie's Fiskeeksport A/S, Conscius A/S, CPS A/S, Danish Label Coating A/S, Friis & Moltke A/S, Lastvoan & Trailer Center A/S, Nordjyske Jernbaner A/S, Palle Mørch A/S, Pava Produkter A/S, Seafood Danmark A/S, Scan Fish Danmark A/S, Utzon Center A/S, Kunsten – Museum of Modern Art, Thor Fisk A/S, Lerøy Schlie A/S, PSC A/S, GF Inveco A/S and a number of subsidiaries.

**Board seats, Deputy Chairman:** Royal Danish Theatre.

**Board member:** Tryg A/S and Tryg Forsikring A/S, Trygheds-Gruppen smba, Flemming Christensens Fond, FDE Fonden, Effer Krancenter A/S, Sawo A/S and the Utzon Foundation.

**Number of shares held:** 3,622

**Change in portfolio 2017:** +2,454

## Jesper Hjulmand<sup>a)</sup>

Born in 1963. Joined the Supervisory Board in 2010. Danish citizen.

**Career:** CEO of SEAS-NVE A.m.b.A.

**Education:** MSc (Economics and Business Administration), Lieutenant-Colonel Royal Danish Air Force Reserve, Pathfinder.

**Board seats, Chairman:** SEAS-NVE Net A/S, Energy Denmark A/S, Fibia P/S, Danish Energy Association and Danish Utilities (DEA).

**Board seats, Deputy Chairman:** TryghedsGruppen smba.

**Board member:** Tryg A/S, Tryg Forsikring A/S, Danish Industry.

**Committee memberships:** Audit Committee and Risk Committee of Tryg, Representatives of Danish Energy, Representatives of TryghedsGruppen smba and Representatives of Forenet Kredit.

**Number of shares held:** 8,750

**Change in portfolio 2017:** 0

## Ida Sofie Jensen<sup>a)</sup>

Born in 1958. Joined the Supervisory Board in 2013. Danish citizen.

**Career:** Group Managing Director of Lif (Danish Association of the Pharmaceutical Industry), CEO of the subsidiary DLI A/S (Danish Medicine Information) and the subsidiary ENLI ApS (Ethical Board for the Pharmaceutical Industry).

**Education:** MSc in Political Science, European Health Leadership Programme INSEAD, Executive Management Programme INSEAD, Executive Program Columbia Business School, Executive Program Singularity University.

**Deputy Chairman:** TryghedsGruppen smba and Hans Knudsen Institutet (business trust).

**Board member:** Tryg A/S, Tryg Forsikring A/S and Plougmann & Vingtoft A/S.

**Committee memberships:** Remuneration Committee in Tryg.

**Number of shares held:** 2,368

**Change in portfolio 2017:** +1,193

## Lene Skole<sup>b)</sup>

Born in 1959. Joined the Supervisory Board in 2010. Danish citizen.

**Career:** CEO of Lundbeckfonden (+ Lundbeckfond Invest A/S).

**Education:** Maersk International Shipping Education, Graduate Diploma in Finance and various international management programmes.

**Board seats, Chairman:** LFI Equity A/S.

**Board seats, Deputy Chairman:** Ørsted A/S, H. Lundbeck A/S, ALK-Abelló A/S, Falck A/S and TDC A/S.

**Board member:** Tryg A/S and Tryg Forsikring A/S.

**Committee memberships:** Audit Committee and Risk Committee in Tryg, Audit & Nomination Committee in ALK-Abelló A/S, Scientific and Remuneration Committee in H. Lundbeck A/S, and Remuneration Committee in Falck A/S.

**Number of shares held:** 7,025

**Change in portfolio 2017:** +1,500

## Tina Snebjerg

Born in 1962. Employee representative. Employed since 1987.

Joined the Supervisory Board in 2010. Danish citizen.

Officer of Tryg's Personnel Department.

**Education:** Insurance training.

**Board member:** Tryg A/S and Tryg Forsikring A/S.

**Committee memberships:** Risk Committee in Tryg, and Central Board of Forsikringsforbundet.

**Number of shares held:** 750

**Change in portfolio 2017:** +55

## Mari Thjømøe<sup>b)</sup>

Born in 1962. Joined the Supervisory Board in 2012. Norwegian citizen.

**Education:** MSc in Economics and Business Administration, Chartered Financial Analyst (CFA) as well as Senior Executive Programme from London Business School and Harvard Business School.

**Board seats, Chairman:** Seilssport Maritimt Forlag AS, Færder Nasjonalparksenter IKS, ThjømøeKranen AS.

**Board member:** Tryg A/S, Tryg Forsikring A/S, Nordic Mining ASA, Forskningskonsernet Sintef, E-CO Energi AS (Vice Chairman), Scatec Solar ASA, Norconsult A/S (Vice Chairman), TF Bank AB and Teodin Acquico AS (Helly Hansen).

**Committee memberships:** Audit Committee and Risk Committee in Tryg; member of the Audit Committee of E-CO (Chairman), Scatec Solar ASA, Norconsult (Chairman), TF Bank and Helly Hansen (Chairman).

**Number of shares held:** 3,300

**Change in portfolio 2017:** 0

## Carl-Viggo Östlund<sup>b)</sup>

Born in 1955. Joined the Supervisory Board in 2015. Swedish citizen.

**Career:** Professional board member and independent adviser. Former CEO of the Swedish banks SBAB and Nordnet as well as the insurance company SalusAnsvar.

**Education:** BSc in International Business and Finance & Accounting.

**Board seats, Chairman:** Bridge Scandinavia Ventures AB, Creador AB, FCG Fonder AB, HappyX AB, Insiderfonder AB, Investment-aktiebolaget QV, Irisande Care Group AB, Hypoteket AB, Papilly AB, Ponture AB.

**Board member:** Allert Östlund AB, DBT Capital AB, Havsgaard AB, Holmö Fastigheter AB, Tryg A/S, Tryg Forsikring A/S, Wonderbox AB.

**Committee memberships:** Remuneration Committee in Tryg.

**Number of shares held:** 1,230

**Change in portfolio 2017:** +1,060

Members of the Supervisory Board are elected for a term of one year. Employee representatives are, however, elected for a term of four years.

a) Dependent member of the Supervisory Board.

b) Independent member of the Supervisory Board, as per the definition in Recommendations on Corporate Governance.

# Executive Board



**Lars Bonde**  
Group COO

Born in 1965. Joined Tryg in 1998.  
Joined the Executive Board in 2006.

**Education:** Insurance training, LL.M.  
**Chairman:** P/F Betri Trygging, Tryg  
Livsforsikringselskab A/S.  
**Board member:** Danish Employers' Association  
for the Financial Sector, Tjenestemændenes  
Forsikring, Forsikringsakademiet, the Danish  
Insurance Association and cphbusiness.

**Number of shares held:** 49,967  
**Change in portfolio in 2017:** +7,367



**Morten Hübbe**  
Group CEO

Born in 1972. Joined Tryg in 2002.  
Joined the Executive Board in 2003.

**Education:** BSc (International Business  
Administration and Modern Languages),  
MSc (Finance and Accounting), management  
programme at Wharton.  
**Board member:** KMD A/S, KMD Holding A/S  
and KBC.

**Number of shares held:** 136,204  
**Change in portfolio in 2017:** +24,694



**Christian Baltzer**  
Group CFO

Born 1978. Joined Tryg in 2009.  
Joined the Executive Board in 2016.

**Education:** Masters in Insurance Science.

**Number of shares held:** 7,470  
**Change in portfolio in 2017:** +4,235

# Corporate Social Responsibility in Tryg

## Statutory Corporate Social Responsibility report

In 2017, Tryg intensified its Corporate Social Responsibility (CSR) work by initiating an in-depth analysis of our existing CSR initiatives while also working on prioritising new potential initiatives and focus areas for 2018. As part of our analysis, both internal stakeholders and customers were involved in creating a materiality analysis mapping the importance of various CSR-related areas. Based on the analysis, a new strategy was decided. The strategy is closely linked to our business model (see page 10) and our purpose – ‘As the world changes, we make it easier to be tryg’.<sup>a)</sup> Our CSR strategy focuses on Tryg’s contribution to peace of mind in society, Tryg as a responsible workplace with responsible management, and competent and responsible customer relations.

### Peace of mind in society

The essence of Tryg’s purpose is to ensure peace of mind in a world that is changing. We believe a changing world represents a great opportunity to improve peace of mind in society, while also representing a risk of diminishing peace of mind if the right actions are not put in place. To increase and ensure peace of mind, we are actively working to develop and offer insurance products that meet demands in a changing world and ensure that people do not experience unnecessary challenges or insecurities if they experience an injury or

damage to their belongings. Besides contributing to our customers’ peace of mind, we also want to contribute to peace of mind in society. For example, we share our knowledge and contribute to peace of mind in local communities. In 2018, we will continue to examine new ways of contributing to peace of mind by exploring the possibilities of expanding our CSR efforts in new areas and thereby increase peace of mind in society.

### Conference with focus on concussions

In January 2017, Tryg and Hjerneskadeforeningen welcomed 300 doctors, colleagues and individuals who have previously been affected by concussion to a conference focusing on the late effects of concussions on the brain. The conference was initiated because the late effects of concussions are not always handled correctly since practices are diverse and sometimes contradictory. This might lead to a longer course of illness, higher costs for companies, and larger compensation sums from Tryg. By knowing how to handle the late effects, it might be possible to minimise the uncertainty and malaise that some experience after a concussion, thereby increasing their peace of mind.

### Lifebuoys

Since 1952, Tryg’s iconic lifebuoys have provided safety along the coastline of Norway. The lifebuoy

is a vitally important rescue tool and one of our most important CSR initiatives when it comes to ensuring peace of mind. In 2017, we increased our commitment by providing more than 3,000 lifebuoys compared to a little over 2,000 in 2016. To increase safety along the coastline, Tryg has also participated in several large events offering the public a chance to practise their life-saving skills with a lifebuoy and thereby prepare them for preventing drownings in future. Each year, the lifebuoy plays a crucial role in preventing people from drowning, and since 1952 it has prevented more than 1,000 deaths.

- [Watch Tryg’s new commercial with a grandfather and grandson who were saved by a lifebuoy on youtube.com](#)
- [Read more about lifebuoys at tryg.no](#)

### Cooperation with the Norwegian Society for Sea Rescue

The Norwegian Society for Sea Rescue (Rednings-selskapet) is a nationwide humanitarian association with the purpose of saving lives and increase safety and peace of mind at sea and along the coastline. Tryg has sponsored an ‘Elias boat’, which is known from children’s TV and is a well-known, popular concept targeting smaller children. During the UCI Road World Championships in Bergen in Septem-

ber 2017, more than 1,100 children and their parents queued up and were welcomed onboard the ‘Tryg-Elias’ for a boat trip. This was one of several events in 2017 where Tryg and Redningsselskapet actively worked together for the common cause of preventing drownings and sharing knowledge about this issue. In 2018, we are planning more events together to raise awareness and teach people how to react in order to prevent drownings.

### The Nightravens

The Nightravens are local groups of volunteers who walk the streets at night, providing safety, offering help, and preventing unwanted incidents, especially among young people. Tryg is the main partner of the Nightravens in Norway and hosts a national Nightravens Conference every other year. There are a total of about 350 Nightravens groups, which are highly respected, and Tryg is honoured to support their important efforts to create safety and peace of mind in local communities all over Norway.

- [Read more about the Nightravens at natteravn.no](#)

### Tryg as a responsible workplace with responsible management

In order to fulfil our purpose and ensure peace of mind, we believe it is necessary to focus on Tryg as a responsible workplace with responsible manage-

a) The word ‘tryg’ is a unique Scandinavian word, which is best directly translated as peace of mind, but the essence of the word is about feeling protected and cared for.

ment. As part of our materiality and risk assessments, it has become clear that our employees are a very valuable resource and also key to providing competent and high-quality services to our customers, which is also illustrated in our business model on page 10. Our employees therefore represent an important resource when it comes to further improving our service and customer care standards. However, there is also a risk that Tryg can negatively impact its employees through, for example, dissatisfaction, discrimination, and the physical as well as the psychosocial working environment. To mitigate this risk, we are actively working to improve the conditions for our employees. At the same time, we want to take a holistic approach to our operations, hence we do not only focus on our employees in the Nordic region, but also on activities involving other companies. However, we believe that responsible management is more than this, which is why we also focus on our impact on the climate and the environment.

### Employee satisfaction

We focus on the well-being of our employees and their right to a healthy and safe workplace. To monitor the development in employee satisfaction, we take our annual employee satisfaction survey very seriously and use it actively to improve working conditions and minimise the risk of dissatisfaction, discrimination and stress among

our employees. As part of this work, we have a clearly defined process for supporting and guiding departments with a low level of employee satisfaction. Such focused efforts are key to increasing employee satisfaction, and our analyses show that our efforts are having a positive effect. In 2017, 34 departments received extra support and guidance compared to 49 departments in 2016. Overall employee satisfaction increased from 74 in 2016 to 76 in 2017.

**i** [Read more about employee satisfaction on page 11.](#)

### Equal opportunities

In Tryg, we want to promote diversity at management level to ensure a strong and resilient organisation. As part of our focus on diversity, the first five female managers completed the Women's Leadership Programme in 2017. The programme is run by the Danish Diversity Council, of which Tryg is a founding partner, and the aim is to strengthen the participants' competencies, so they are better equipped to pursue top management positions. In 2018, we will continue to work with the Danish Diversity Council, and another five female leaders will be taking part in the Women's Leadership Programme.

In 2017, Tryg also introduced a rotation programme for internal talents with the aim of developing their

profile by letting them work in different functions and departments in Tryg. We believe this initiative is necessary since we can see that, during their careers, women often stay with the same department for a long time. Such loyalty leads to in-depth knowledge of a certain area, but by increasing talents' knowledge about other departments, we believe they will become more attractive in connection with recruitments for top management positions. In this way, we want to increase our pool of potential managers, while mitigating the risk of a shortage of qualified managers in the future. The rotation programme is for both men and women, but in 2018 at least 70% of the 25 participants should be women. Tryg's target for women at management level is still 38% in 2018. In 2017, we achieved 37% women at management level compared to 36.4% in 2016.

**i** [See the composition of the Supervisory Board on page 33.](#)

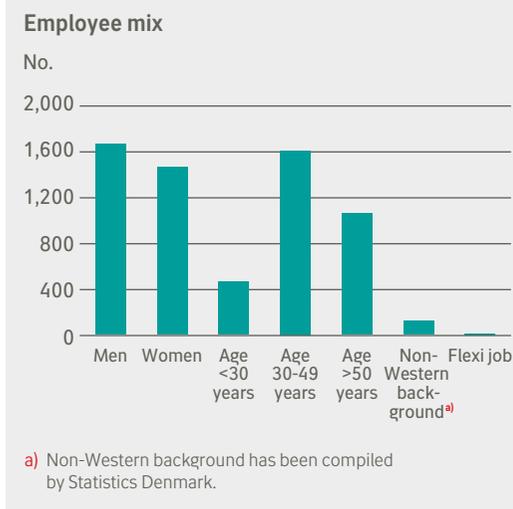
In addition to our work on equal opportunities at management level, we also ensure that employees have equal opportunities as regards pay levels and career opportunities, for example by ensuring an equal distribution of men and women in recruitment processes. At the same time, we also promote paternity leave while having a general focus on the importance of a

good work-life balance, which can include flexible or reduced working hours.

**>** [Read more about equal opportunities at tryg.com](#)

### Employees and business ethics

It is important that our employees comply with our Code of Conduct at all times since it covers a number of areas that are key to Tryg's values, including good practices for marketing, handling of personal data, anti-discrimination, diversity and anti-corruption, including gifts. Even though



all employees must comply with the Code of Conduct, some departments and positions are more exposed to risks of improper conduct than others, for example when it comes to handling personal data or anti-corruption, including gifts. In order to mitigate the risk of employees violating the Code of Conduct, we continued to educate our employees in the guidelines in 2017. At the same time, we do also accept that some departments need stricter procedures than the ones stated in the Code of Conduct in order to mitigate the risks associated with certain positions.

#### ✘ [Download part of Tryg's Code of Conduct](#)

We encourage our employees and external partners to report any activities that do not comply with our Code of Conduct or applicable legislation. This can be done to Tryg's whistle-blower line, which can be used in confidentiality. All incidents are evaluated by the Chairman of the Audit Committee with assistance from Tryg's Legal & Compliance Department, which decides if further action is necessary. In 2017, the whistle-blower line was used seven times.

#### ➤ [Tryg's whistle-blower line](#)

#### **Supply chain management**

One area that stood out in our materiality and risk assessments was our outsourcing activities and

the risk of Tryg violating human and labour rights. In Tryg, we respect the internationally recognised human rights, which is why the area is also an integrated part of our Code of Conduct that suppliers must follow. We actively monitor our suppliers with reference to our supplier Code of Conduct. Based on our experience from 2016, we refined and developed our monitoring approach in 2017. To determine how our monitoring efforts should be organised in the future, we did a trial with one of our largest outsourcing partners. Prior to our on-site visit, our partner filled out a report, which was then used as a starting point for our dialogue. We believe that using the report as a dialogue tool increased the quality of our monitoring, thereby minimising the risk of violations of our Code of Conduct. As a result of this trial, we have decided to use the same approach in 2018, including further systematisation of our monitoring process of outsourcing partners.

#### **Responsible investments**

As part of Tryg's CSR strategy, we want to increase the transparency of our CSR initiatives. We are at risk of violating international standards when investing and want to be transparent about our efforts to mitigate this risk. In 2017, we published our responsible investment policy, which illustrates our belief in the importance of not violating international conventions when investing. Even though it provides no guarantees, in 2017, we established

a process for conducting negative screenings for conventional breaks in our investment portfolio including not only our portfolio holdings, but also the ultimate parents. As part of this process, we have established an internal procedure for handling any conventional breaks identified through our negative screening. The first negative screening was completed in 2017, and our target is to do a screening in 2018 as well.

#### ✘ [Download Tryg's responsible investment policy](#)

#### **Climate initiatives**

Tryg's business is to a large degree affected by extreme weather events, which also represents a risk to Tryg, since these events can increase the number and frequency of climate-related claims. At the same time, such weather-related claims can also have serious consequences for the people affected and for society as a whole. This is why we believe the climate and the environment should be of concern for everyone. We therefore work actively to minimise our own carbon emissions while also finding solutions which can help people prevent claims from happening in the first place, thereby increasing peace of mind.

Since extreme weather represents a risk to Tryg, we believe it is important to take part in the global community's endeavours to minimise greenhouse

gas emissions. Although we want to take responsibility, Tryg is not an energy-intensive company, since our carbon emissions are mainly associated with heating and electricity use at our leased offices and with car, rail and air travel. However, we are actively working to minimise our environmental impact and our carbon emissions. In 2017, we continued our work to optimise ventilation as well as heating and cooling pumps serving our leased facilities in Ballerup, while also being certified as an Eco-Lighthouse (Miljøfyrtårn) in Norway. As a result of our initiatives, we reduced our carbon emissions by an estimated 0.96% in 2017 compared to our actual emissions in 2016. Thus, we have not achieved our 1% target reduction compared to 2017. This is mainly associated with a slight increase in the use of electricity, which might be related to an increase of activities at our offices. Since both our buildings in Ballerup and Bergen were sold and leased back in 2017, in future it will not be possible for us to influence the environmental footprint of our buildings to the same extent, which might have a bearing on our climate-friendly initiatives. However, in 2018, we will continue to introduce more climate-friendly activities, while retaining our Eco-Lighthouse certificate in Norway and focusing on energy efficiency in connection with the renovation of parts of our leased building in Ballerup. Due to our continuous work with climate-friendly initiatives, our 2018 target is to maintain the 2017 level of carbon emissions even though the activities at our offices are increasing

due to e.g. an increase in the opening hours in our contact centres. Due to an increase in activities, we therefore believe that maintaining the 2017 level is an ambitious target for 2018.

➤ [Read more about our environment and climate-friendly activities at tryg.com](#)

### Tryg's environmental initiatives

Tryg is at risk of impacting the environment negatively if the right actions are not taken. In Tryg, we strive to minimise our environmental footprint by

sorting waste at centralised waste stations, which also helps to minimise waste in general. At the same time, we try to minimise food waste in our canteens by highlighting the issue and selling left-over food in Ballerup.

In 2017, we primarily focused on the environmental footprint of our own operations related to our office buildings. We have systematised our environmental management, and as a result Tryg was certified as an Eco-Lighthouse in Norway in 2017. The certification is evidence that we are actively working with our impact on the environment and the climate as certification is granted only to enterprises which satisfy certain requirements and implement environmental measures to create more environment and climate-friendly operations. In 2017, we continued our efforts to minimise energy use for heating in Bergen, while also installing new LED lightning. In 2017, we also continued to sort our waste and actively worked to minimise waste volumes, including paper and food. Besides our own environmental initiatives, we have also focused on how our customers can become more climate and environment-friendly in their operations. This work is important, since we believe that a greater impact can be achieved if more people and enterprises are working responsibly with climate and environmental issues. Therefore, we offer guidance to customers who wish to

obtain the Eco-Lighthouse certification in Norway. As part of the Eco-Lighthouse certification, we will prepare a report on Tryg's environmental initiatives in spring 2018. Based on the report, we will adopt an action plan for the rest of 2018.

### Competent and responsible customer relations

Our materiality assessment clearly showed that the most important topic for Tryg is our customers, since they represent an opportunity to improve our business. At the same time, our customers also represent a major risk as they may decide to leave Tryg for another insurance company if we do not meet their requirements. To ensure that we meet customer needs and offer highly competent customer service, we continuously work to explore possible improvements in the way we handle our customer dialogue. Since customers are key to our business, it is natural for our customer relations to also be an integrated part of our CSR strategy.

### The Tryg experience

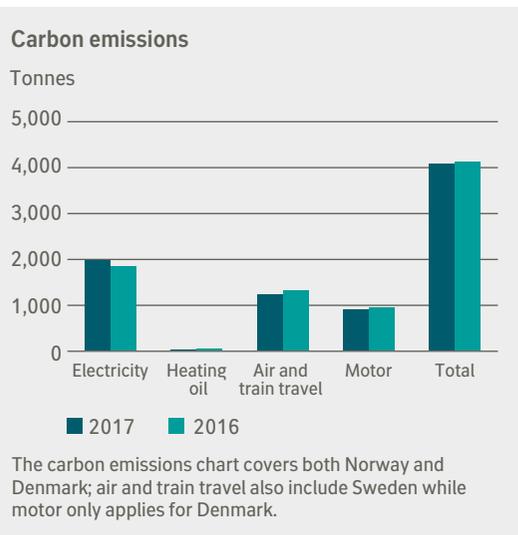
In Tryg, we focus on equal treatment of our customers and on their satisfaction with Tryg. To ensure that all our customers are offered the same highly competent consultancy regarding their insurance needs, we implemented a new approach to our daily customer dialogue in 2017. The new approach describes five valuable steps in our cus-

tomers dialogue. We still recognise that different customers have different needs, and therefore we are also working to ensure that individual dialogues are based on the exact needs of the individual customer. In addition to working with our direct customer dialogue, we also improved our websites in 2017 in order to make it easier for customers to find information and to ensure faster and more efficient claims handling online. We believe that a combination of personal dialogue and digital solutions is the best way to ensure satisfied customers, and we continuously work to improve our solutions to suit customer needs. In 2017, our Net Promoter Score (NPS) was 22, meaning that we met our target of an NPS of 22 in 2017.

### Complaints are taken seriously

Even though we work hard to ensure responsible customer relations and focus on customer satisfaction, sometimes customers do not agree with the settlement of their claims. In these situations, customers should contact the department responsible for handling their claim, and if a solution cannot be found, it is possible to contact our complaints department. Every complaint is taken very seriously, and all complaints are analysed in order to establish whether any procedures or business processes need changing.

➤ [See Tryg's complaint process at tryg.dk](#)



# Contents – Financial statements 2017

Tryg's Group consolidated financial statements are prepared in accordance with IFRS

## Tryg Group

Note		Note	
	Statement by the Supervisory Board and the Executive Board	45	
	Independent auditor's reports	46	
	Financial highlights	49	
	Income statement	50	
	Statement of comprehensive income	51	
	Statement of financial position	52	
	Statement of changes in equity	53	
	Cash flow statement	54	
1	Risk and capital management	55	
2	Operating segments	65	
2	Geographical segments	67	
2	Technical result, net of reinsurance, by line of business	69	
3	Premium income, net of reinsurance	71	
4	Insurance technical interest, net of reinsurance	71	
5	Claims, net of reinsurance	71	
6	Insurance operating costs, net of reinsurance	71	
6	Matching shares and conditional shares	73	
7	Interest income and dividends etc.	74	
8	Value adjustments	74	
9	Tax	74	
		10	Intangible assets
		11	Property, plant and equipment
		12	Investment property
		13	Equity investments in associates
		14	Financial assets
		15	Reinsurers' share
		16	Current tax
		17	Equity
		18	Premium provisions
		18	Claims provisions
		19	Pensions and similar liabilities
		20	Deferred tax
		21	Other provisions
		22	Amounts owed to credit institutions
		23	Debt relating to unsettled funds transactions and repos
		24	Earnings per share
		25	Sale of properties
		26	Contractual obligations, collateral and contingent liabilities
		27	Acquisition of subsidiaries
		28	Related parties
		29	Financial highlights
		30	Accounting policies

## Tryg A/S (parent company)

Income statement	103
Statement of financial position	104
Statement of changes in equity	105
Notes	106

## Reporting for Q4

Quarterly outline	109
Geographical segments	111

## Information

Other key ratios	112
Group chart	113
Glossary	114
Product overview	115
Disclaimer	116

# Statement by the Supervisory Board and the Executive Board

The Supervisory Board and the Executive Board have today considered and adopted the annual report for 2017 of Tryg A/S and the Tryg Group.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the financial statements of the parent company have been prepared in accordance with the Danish Financial Business Act and the

requirements of the NASDAQ Copenhagen for the presentation of financial statement of listed companies. In addition, the annual report has been presented in accordance with additional Danish disclosure requirements for the annual reports of listed financial enterprises.

In our opinion, the accounting policies applied are appropriate, and the annual report gives a true and fair view of the Group's and the parent company's

assets, liabilities and financial position at 31 December 2017 and of the results of the Group's and the parent company's operations and the cash flows of the Group for the financial year 1 January-31 December 2017.

Furthermore, in our opinion the Management's review gives a true and fair view of developments in the activities and financial position of the Group and the parent company, the results for the year

and of the Group's and the parent company's financial position in general and describes significant risk and uncertainty factors that may affect the Group and the parent company.

We recommend that the annual report be adopted by the shareholders at the annual general meeting.

**Ballerup, 23 January 2018**

## Executive Board

Morten Hübbe  
Group CEO

Christian Baltzer  
Group CFO

Lars Bonde  
Group COO

## Supervisory Board

Jørgen Huno Rasmussen  
Chairman

Torben Nielsen  
Deputy Chairman

Jukka Pertola  
Deputy Chairman

Elias Bakk

Tom Eileng

Lone Hansen

Anders Hjulmand

Jesper Hjulmand

Ida Sofie Jensen

Lene Skole

Tina Snejbjerg

Mari Thjørnøe

Carl-Viggo Östlund

# Independent auditor's report

## To the shareholders of Tryg A/S

### Opinion

We have audited the consolidated financial statements and the parent financial statements of Tryg A/S for the financial year 1 January to 31 December 2017, pages 44-108, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the summary of significant accounting policies, for the Group as well as the Parent and the consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2017 and of its financial performance and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial companies.

Also, in our opinion, the parent financial statements give a true and fair view of the financial position of the Parent at 31 December 2017 and of its financial performance for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the IESBA Code of Ethics for Professional Accountants and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Claims provisions

Management's estimates of the claims provisions are based on actuarial methods and involve complex statistical methods as well as estimates of future events. Changes in methods and assumptions may result in a material impact on the size of the claims provisions. Consequently, the audit of the claims provisions is considered a key audit matter.

The claims provisions amount to DKK 23,925m at 31 December 2017 (2016: DKK 25,452m).

Management has specified the risks etc. related to the estimates of the claims provisions in note 1 'Risk and capital management' on pages 56-57 and in 'Accounting policies', note 30 on pages 95-96. The principles of estimating the claims provisions have been specified in 'Accounting policies', note 30 on page 101, and further specified in note 1 on pages 58-61 and in note 18.

The estimates of the claims provisions depend on accurate and complete insurance data of current and historical claims, including the development in claims and payment patterns, as these data are used to establish the expectations for future claims for the purpose of the statistical models.

The most important assessments and assumptions of future events relate to:

- Estimated future claims payments, which are based on the completeness and the accuracy of historical claims and payment patterns, among other things.
- Expectations for future inflation.
- Determination of the margin included in Management's estimate of the claims provisions to address the uncertainty related to the actuarial estimates.

## How the matter was addressed in the audit

- Assessment and test of controls related to the processes of claims handling and the recognition and measurement of provisions for known claims.
- In cooperation with our own internationally qualified actuaries, we have tested controls related to the actuarial estimates of the claims provisions of selected lines of business.
- We have tested the accuracy and the completeness of the data that are included in the actuarial estimates of the claims provisions.
- In cooperation with our own internationally qualified actuaries and based on our knowledge of the industry, experience and historical observations, we have assessed the statistical models applied to estimate the claims provisions and we have tested significant estimates and assumptions focusing on consistency and possible changes.
- Based on the actuarial estimates of the claims provisions and analyses and in cooperation with our own internationally qualified actuaries, we have assessed the development in the claims provisions, including run-off gains/losses and the development in the size of the margin included in Management's estimate of the claims provisions.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Tryg A/S on 28 January 2002 for the financial year 2002 as part of the formation of the Company. However, we have been the appointed auditors of the underlying subsidiaries since before 1995. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of more than 16 years up to and including the financial year 2017.

#### **Statement on the management review**

Management is responsible for the management review.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management review and, in doing so, consider whether the management review is materially inconsistent with the consolidated financial statements and the

parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management review is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the management review.

#### **Solvency ratio**

Management is responsible for the solvency ratio evident from the statement of financial highlights and key figures on page 49 of the annual report.

As disclosed in the statement of financial highlights and key figures, the solvency ratio is exempt from the requirement to be audited. Consequently, our opinion on the consolidated financial statements and the parent financial statements does not cover the solvency ratio, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to consider whether the solvency ratio is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on this, we conclude that the solvency ratio is materially misstated, we are required to report on this. We have nothing to report in this respect.

#### **Management's responsibilities for the consolidated financial statements and the parent financial statements**

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies, and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management

is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Parent or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are

therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Ballerup, 23 January 2018**

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
Business Registration No 33 96 35 56



**Jens Ringbæk**

State Authorised Public Accountant, MNE no 27735



**Kasper Bruhn Udum**

State Authorised Public Accountant, MNE no 29421

# Financial highlights

DKKm	2017	2016	2015	2014	2013
NOK/DKK, average rate for the period	79.99	80.09	83.52	89.42	96.04
SEK/DKK, average rate for the period	77.24	78.93	79.69	82.16	86.35
<b>Gross premium income</b>	<b>17,963</b>	<b>17,707</b>	<b>17,977</b>	<b>18,652</b>	<b>19,504</b>
Gross claims	-11,865	-11,619	-13,562	-12,650	-14,411
Total insurance operating costs	-2,516	-2,737	-2,720	-2,689	-3,008
Profit/loss on gross business	3,582	3,351	1,695	3,313	2,085
Profit/loss on ceded business	-779	-951	710	-341	349
Insurance technical interest, net of reinsurance	-14	-10	18	60	62
<b>Technical result</b>	<b>2,789</b>	<b>2,390</b>	<b>2,423</b>	<b>3,032</b>	<b>2,496</b>
Investment return after insurance technical interest	527	987	-22	360	588
Other income and costs	-77	-157	-91	-90	-91
<b>Profit/loss before tax</b>	<b>3,239</b>	<b>3,220</b>	<b>2,310</b>	<b>3,302</b>	<b>2,993</b>
Tax	-720	-748	-390	-755	-620
<b>Profit/loss on continuing business</b>	<b>2,519</b>	<b>2,472</b>	<b>1,920</b>	<b>2,547</b>	<b>2,373</b>
Profit/loss on discontinued and divested business after tax <sup>a)</sup>	-2	-1	49	10	-4
<b>Profit/loss</b>	<b>2,517</b>	<b>2,471</b>	<b>1,969</b>	<b>2,557</b>	<b>2,369</b>
Run-off gains/losses, net of reinsurance	972	1,239	1,212	1,131	970
<b>Statement of financial position</b>					
Total provisions for insurance contracts	30,018	31,527	31,814	31,692	32,939
Total reinsurers' share of provisions for insurance contracts	1,366	2,034	3,176	1,938	2,620
Total equity	12,616	9,437	9,644	11,119	11,107
Total assets	51,367	49,861	51,281	52,224	53,371
<b>Key ratios</b>					
Gross claims ratio	66.1	65.6	75.4	67.8	73.9
Net reinsurance ratio	4.3	5.4	-3.9	1.8	-1.8
Claims ratio, net of ceded business	70.4	71.0	71.5	69.6	72.1
Gross expense ratio	14.0	15.7	15.3	14.6	15.6
<b>Combined ratio</b>	<b>84.4</b>	<b>86.7</b>	<b>86.8</b>	<b>84.2</b>	<b>87.7</b>
Gross expense ratio without adjustment <sup>b)</sup>		15.5	15.1	14.4	15.4
Operating ratio	84.5	86.5	86.5	83.8	87.2
Relative run-off gains/losses	4.1	5.5	5.1	4.8	3.9
Return on equity after tax (%)	28.8	26.2	20.0	23.7	21.8
Solvency ratio <sup>c)</sup>	281	194	108	87	90

a) Profit/loss on discontinued and divested business after tax includes mainly Marine Hull insurance and the Finnish branch of Tryg Forsikring, which was sold in 2012.

b) Up until the sale of the group occupied property in 2016, the gross expense ratio without adjustment is calculated as the ratio of actual gross insurance operating costs to gross premium income. Other key ratios are calculated in accordance with 'Recommendations & Financial Ratios' issued by the Danish Finance Society. The adjustment, which is made pursuant to the Danish Financial Supervisory Authority's and the Danish Finance Society's definitions of expense ratio and combined ratio, involves the addition of a calculated expense (rent) in respect of owner-occupied property based on a calculated market rent and the deduction of actual depreciation and operating costs on owner-occupied property. The sale of owner-occupied property in December 2016 does not affect the calculation.

c) Solvency I ratios in 2013-2015 are the ratio between base capital and weighted assets and are audited. Solvency II ratio in 2016 and 2017 are the ratios between own funds and the solvency capital requirement and is exempt from the requirement for auditing and thus not audited.

# Income statement

DKKm	2017	2016	
Note	<b>General insurance</b>		
	Gross premiums written	18,358	17,842
	Ceded insurance premiums	-1,255	-1,210
	Change in premium provisions	-145	151
	Change in reinsurers' share of premium provisions	16	13
3	<b>Premium income, net of reinsurance</b>	<b>16,974</b>	<b>16,796</b>
4	<b>Insurance technical interest, net of reinsurance</b>	<b>-14</b>	<b>-10</b>
	Claims paid	-12,807	-13,947
	Reinsurance cover received	1,029	1,260
	Change in claims provisions	942	2,328
	Change in the reinsurers' share of claims provisions	-729	-1,164
5	<b>Claims, net of reinsurance</b>	<b>-11,565</b>	<b>-11,523</b>
	<b>Bonus and premium discounts</b>	<b>-250</b>	<b>-286</b>
	Acquisition costs	-1,902	-2,029
	Administration expenses	-614	-708
	Acquisition costs and administration expenses	-2,516	-2,737
	Reinsurance commissions and profit participation from reinsurers	160	150
6	<b>Insurance operating costs, net of reinsurance</b>	<b>-2,356</b>	<b>-2,587</b>
2	<b>Technical result</b>	<b>2,789</b>	<b>2,390</b>

DKKm	2017	2016	
Note	<b>Investment activities</b>		
14	Income from associates	3	42
	Income from investment property	69	105
7	Interest income and dividends	624	671
8	Value adjustments	224	518
7	Interest expenses	-107	-113
	Administration expenses in connection with investment activities	-102	-87
	<b>Total investment return</b>	<b>711</b>	<b>1,136</b>
4	Return on insurance provisions	-184	-149
	<b>Total investment return after insurance technical interest</b>	<b>527</b>	<b>987</b>
	Other income	117	104
	Other costs	-194	-261
	<b>Profit/loss before tax</b>	<b>3,239</b>	<b>3,220</b>
9	Tax	-720	-748
	<b>Profit/loss on continuing business</b>	<b>2,519</b>	<b>2,472</b>
	Profit/loss on discontinued and divested business	-2	-1
	<b>Profit/loss for the year</b>	<b>2,517</b>	<b>2,471</b>
24	Earnings per share	9.12	8.84

# Statement of comprehensive income

DKKm	2017	2016
Note <b>Profit/loss for the year</b>	2,517	2,471
Other comprehensive income		
<b>Other comprehensive income which cannot subsequently be reclassified as profit or loss</b>		
Change in equalisation provision and other provisions	4	15
Sale of owner-occupied property <sup>a)</sup>	0	215
Sale of owner-occupied property, revaluation from previous years <sup>a)</sup>	0	-115
Tax on sale of owner-occupied property	0	-53
Tax on revaluation of owner-occupied property from previous years	0	29
Actuarial gains/losses on defined-benefit pension plans	-7	-95
Tax on actuarial gains/losses on defined-benefit pension plans	2	24
	-1	20
<b>Other comprehensive income which can subsequently be reclassified as profit or loss</b>		
Exchange rate adjustments of foreign entities for the year	-137	51
Hedging of currency risk in foreign entities for the year	135	-50
Tax on hedging of currency risk in foreign entities for the year	-30	11
	-32	12
<b>Total other comprehensive income</b>	<b>-33</b>	<b>32</b>
Comprehensive income	2,484	2,503

a) Please refer to note 25 Sale of properties

# Statement of financial position

DKKm	2017	2016
Note	<b>Assets</b>	
10	<b>Intangible assets</b>	<b>884</b>
	Operating equipment	49
11	<b>Total property, plant and equipment</b>	<b>49</b>
12	<b>Investment property</b>	<b>2,323</b>
13	Equity investments in associates	218
	<b>Total investments in associates</b>	<b>218</b>
	Equity investments	48
	Unit trust units	3,950
	Bonds	35,254
	Deposits with credit institutions	0
	Derivative financial instruments	1,000
	<b>Total other financial investment assets</b>	<b>40,252</b>
14	<b>Total investment assets</b>	<b>42,793</b>
	Reinsurers' share of premium provisions	214
18	Reinsurers' share of claims provisions	1,820
15	<b>Total reinsurers' share of provisions for insurance contracts</b>	<b>2,034</b>
	Receivables from policyholders	1,108
	Total receivables in connection with direct insurance contracts	1,108
	Receivables from insurance enterprises	183
	Other receivables	1,646
14	<b>Total receivables</b>	<b>2,937</b>
	Cash at bank and in hand	475
	<b>Total other assets</b>	<b>475</b>
	Interest and rent receivable	224
	Other prepayments and accrued income	465
	<b>Total prepayments and accrued income</b>	<b>689</b>
	<b>Total assets</b>	<b>49,861</b>

DKKm	2017	2016
Note	<b>Equity and liabilities</b>	
17	<b>Equity</b>	<b>9,437</b>
1	<b>Subordinate loan capital</b>	<b>2,567</b>
18	Premium provisions	5,487
18	Claims provisions	25,452
	Provisions for bonuses and premium discounts	588
	<b>Total provisions for insurance contracts</b>	<b>31,527</b>
19	Pensions and similar obligations	345
20	Deferred tax liability	702
21	Other provisions	125
	<b>Total provisions</b>	<b>1,172</b>
	Debt relating to direct insurance	555
	Debt relating to reinsurance	426
22	Amounts owed to credit institutions	178
23	Debt relating to unsettled funds transactions and repos	1,732
14	Derivative financial instruments	702
16	Current tax liabilities	317
	Other debt	1,203
	<b>Total debt</b>	<b>5,113</b>
	<b>Accruals and deferred income</b>	<b>45</b>
	<b>Total equity and liabilities</b>	<b>49,861</b>
1	<b>Risk and capital management</b>	
25	<b>Sale of properties</b>	
26	<b>Contractual obligations, collateral and contingent liabilities</b>	
27	<b>Acquisition of activities</b>	
28	<b>Related parties</b>	
29	<b>Financial highlights</b>	
30	<b>Accounting policies</b>	

# Statement of changes in equity

DKKm	Share capital	Revaluation-reserves	Reserve for exchange rate adjustment	Equalisation-reserve	Other reserves <sup>a)</sup>	Retained earnings	Proposed dividend	Total
<b>Equity at 31 December 2016</b>	<b>1,413</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>822</b>	<b>5,182</b>	<b>2,017</b>	<b>9,437</b>
<b>2017</b>								
Profit/loss for the year					-39	-271	2,827	2,517
Other comprehensive income		0	-32			-1		-33
Total comprehensive income	0	0	-32	0	-39	-272	2,827	2,484
Nullification of own shares	-39					39		0
Dividend paid							-3,361	-3,361
Dividend own shares						82		82
Purchase and sale of own shares						-20		-20
Issue of new shares <sup>b)</sup>	137					3,841		3,978
Issue of employee shares						10		10
Issue of conditional shares and matching shares						6		6
<b>Total changes in equity in 2017</b>	<b>98</b>	<b>0</b>	<b>-32</b>	<b>0</b>	<b>-39</b>	<b>3,686</b>	<b>-534</b>	<b>3,179</b>
<b>Equity at 31 December 2017</b>	<b>1,511</b>	<b>0</b>	<b>-29</b>	<b>0</b>	<b>783</b>	<b>8,868</b>	<b>1,483</b>	<b>12,616</b>
<b>Equity at 31 December 2015</b>								
<b>Equity at 31 December 2015</b>	<b>1,448</b>	<b>86</b>	<b>-9</b>	<b>127</b>	<b>766</b>	<b>6,213</b>	<b>1,013</b>	<b>9,644</b>
<b>2016</b>								
Adjustment 1.1.2016 <sup>c)</sup>				-127		127		0
Profit/loss for the year					56	-355	2,770	2,471
Other comprehensive income		-86	12			106		32
Total comprehensive income	0	-86	12	-127	56	-122	2,770	2,503
Nullification of own shares	-35					35		0
Dividend paid							-1,766	-1,766
Dividend, own shares						52		52
Purchase and sale of own shares						-1,000		-1,000
Exercise of share options						1		1
Issue of share options and matching shares						3		3
<b>Total changes in equity in 2016</b>	<b>-35</b>	<b>-86</b>	<b>12</b>	<b>-127</b>	<b>56</b>	<b>-1,031</b>	<b>1,004</b>	<b>-207</b>
<b>Equity at 31 December 2016</b>	<b>1,413</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>822</b>	<b>5,182</b>	<b>2,017</b>	<b>9,437</b>

Dividend per share in 2017 includes ordinary dividend paid out in April, July and October of DKK 1.60, proposed ordinary dividend of DKK 1.60, totalling DKK 6.40 (DKK 6.20 in 2016) and proposed extraordinary dividend of DKK 3.31. (DKK 3.54 in 2016). Proposed dividend per share is calculated as the total dividend proposed by the Supervisory Board after the end of the financial year divided by the total number of shares at the end of the year (302,147,991 shares). The dividend is not paid until approved by the shareholders at the annual general meeting.

The possible payment of dividend from Tryg Forsikring A/S to Tryg A/S is influenced by contingency fund provisions of DKK 1,592m (DKK 1,774m in 2016). The contingency fund provisions can be used to cover losses in connection with the settlement of insurance provisions or otherwise for the benefit of the insured.

- a) Other reserves contains Norwegian Natural Perils Pool.
- b) Cost related to the issue of new shares are deducted in proceeds recognised in retained earnings with DKK 50.3m.
- c) A new executive order from the Danish FSA from 1 January 2016 has abolished the requirements of equalisation reserves in credit and guarantee insurance.

# Cash flow statement

DKKm	2017	2016
Note		
<b>Cash from operating activities</b>		
Premiums	17,600	17,729
Claims	-13,205	-13,744
Ceded business	-139	340
Costs	-2,642	-2,699
Change in other debt and other amounts receivable	495	-129
<b>Cash flow from insurance activities</b>	<b>2,109</b>	<b>1,497</b>
Interest income	622	723
Interest expenses	-107	-113
Dividend received	19	25
Taxes	-845	-529
Other income and costs	-77	-56
<b>Cash from operating activities, continuing business</b>	<b>1,721</b>	<b>1,547</b>
Cash from operating activities, discontinued and divested business	-1	-1
<b>Total cash flow from operating activities</b>	<b>1,720</b>	<b>1,546</b>
<b>Investments</b>		
Purchase and refurbishment of property	-10	-122
Sale of property	2,307	6
Purchase/sale of equity investments and unit trust units (net)	-978	147
Purchase/sale of bonds (net)	-3,578	413
Deposits with credit institutions	-250	0
Purchase/sale of operating equipment (net)	-38	-1
Acquisition of intangible assets	-102	-135
Hedging of currency risk	135	-50
<b>Investments, continuing business</b>	<b>-2,514</b>	<b>258</b>
<b>Total investments</b>	<b>-2,514</b>	<b>258</b>

DKKm	2017	2016	
Note			
<b>Financing</b>			
Issue of new shares	3,978	0	
Exercise of share options/purchase of own shares (net)	-4	-999	
Subordinate loan capital	0	800	
Dividend paid	-3,279	-1,714	
Change in amounts owed to credit institutions	128	115	
<b>Financing, continuing business</b>	<b>823</b>	<b>-1,798</b>	
<b>Total financing</b>	<b>823</b>	<b>-1,798</b>	
<b>Change in cash and cash equivalents, net</b>	<b>29</b>	<b>6</b>	
Additions relating to purchase of subsidiaries	13	0	
Exchange rate adjustment of cash and cash equivalents, 1 January	-8	-2	
<b>Change in cash and cash equivalents, gross</b>	<b>34</b>	<b>4</b>	
Cash and cash equivalents at 1 January	475	471	
<b>Cash and cash equivalents at 31 December</b>	<b>509</b>	<b>475</b>	
<b>Liabilities arising from financing activities</b>			
	<b>Subordinated loans</b>	<b>Amounts owed to credit institutions</b>	<b>Total</b>
<b>2017</b>			
Carrying amount at 1 January	2,567	178	2,745
Exchange rate adjustments	-156	0	-156
Amortisation	1	0	1
Cash flow	0	128	128
<b>Carrying amount at 31 December</b>	<b>2,412</b>	<b>306</b>	<b>2,718</b>
<b>2016</b>			
Carrying amount at 1 January	1,698	64	1,762
Exchange rate adjustments	68	-1	67
Amortisation	1	0	1
Cash flow	800	115	915
<b>Carrying amount at 31 December</b>	<b>2,567</b>	<b>178</b>	<b>2,745</b>

# Notes

## 1 Risk and capital management

### Risk management in Tryg

The Supervisory Board defines the company's risk appetite through its business model and strategy, and this is operationalised through the company's policies. The company's risk management forms the basis for the risk profile being in line with the specified risk appetite at all times.

Tryg's risk profile is continuously measured, quantified and reported to the management and the Supervisory Board. Given the extensive requirements for the Supervisory Board's involvement in capital and risk management, Tryg's Supervisory Board has a special Supervisory Board Risk Committee to address these topics separately during the year.

The Committee meets minimum four times a year for a detailed review of various risk management topics and regularly keeps the entire Supervisory Board up-to-date on the status.

Tryg's risk management is organised into three levels of control. The first level of control is handled in the business where the company's policies are implemented, and day-to-day compliance is verified. The risk management function is the second level of control, supported by decentralised risk managers affiliated with the individual business areas. The risk management function ensures a consistent approach across the organisation, risk assessment at group level and reporting to the management and the Supervisory Board. This involves an ongoing identification and assessment of the most significant risks in the company. Furthermore, the function prepares specific recommendations in relation to capital management, reinsurance, investment risk management and more. Tryg's risk management function is also responsible for determining the company's capital requirement. The third level consists of the internal audit which performs independent assessments of the entire control environment.

### Capital management

Tryg's capital management is based on the key business objectives:

- A solid capital base, supporting both the statutory requirements and a single 'A' rating from Moody's.
- Support of a steadily increasing nominal dividend per share, with a payout ratio in the interval 60-90%.
- Return on the average equity of at least 21% after tax.

Tryg's capital base currently consist of Tier 1 and 2 capital, such as shareholders' equity and subordinated loans.

**i** See table Subordinate loan capital on page 64.

### What risk profile does Tryg want?

- Business model
- Strategy
- Policies

### How is this supported?

#### Tactically

- Policies
- Capital plan
- Contingency plan

#### Operationally

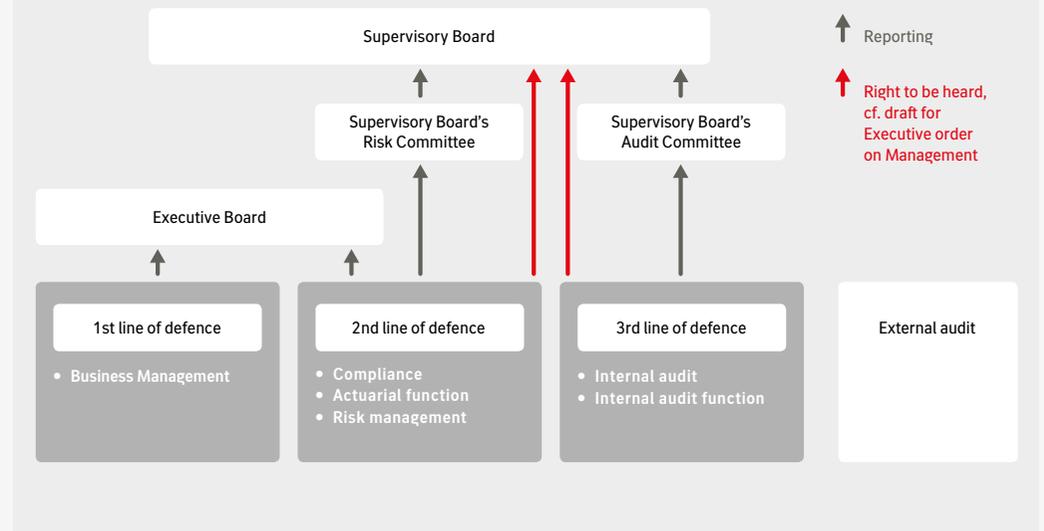
- Frameworks
- Limitations
- Instructions
- Allocated capital
- Contingency plans

### How is the actual risk profile measured?

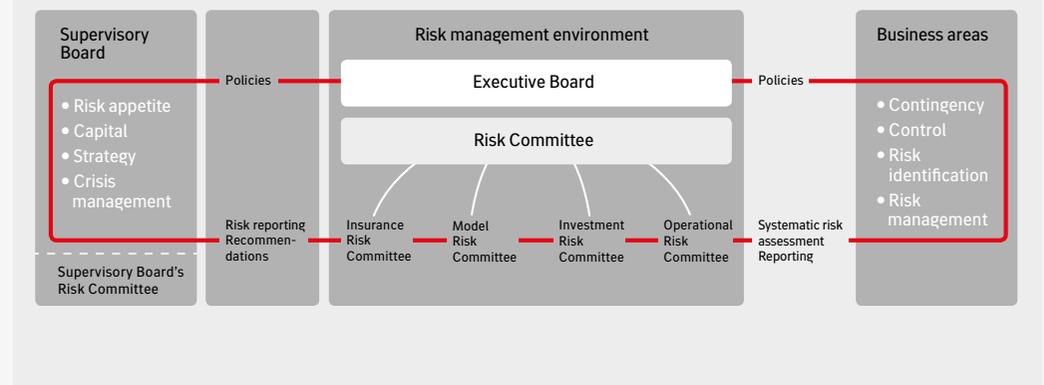
#### Tactically

- Risk reports
- Internal controls
- Capital model
- Stress tests

### Lines of defence



### Tryg's risk management environment



# Notes

The capital base is continuously measured against the capital requirement calculated on the basis of Tryg's partial internal model, where insurance risks are modelled using an internal model, while other risks are described using the standard formula.

The model calculates Tryg's capital requirement with 99.5% solvency level with a 1-year horizon, which means that Tryg will be able to fulfil its obligations in 199 out of 200 years. The partial internal model has been used for a number of years, and was approved by the Danish Financial Supervisory Authority in 2015.

## **Company's Own Risk and Solvency Assessment (ORSA)**

ORSA is the company's own risk assessment based on the Solvency II principles, which implies that Tryg must assess all material risks that the company is or may be exposed to. The ORSA report also contains an assessment of whether the calculation of solvency capital requirement is reasonable and is reflecting Tryg's actual risk profile. Moreover, the projected capital requirement is also assessed over the company's strategic planning period. Tryg's risk activities are implemented via continuous risk management processes, where the main results are reported to the Supervisory Board and the Risk Committee during the year. The ORSA report is an annual summary document assessing all these processes.

## **Insurance risk**

Insurance risk comprises two main types of risks: Underwriting risk and provisioning risk.

## **Underwriting risk**

Underwriting risk is the risk that insurance premiums will not be sufficient to cover the compensations and other costs associated with the insurance business. Underwriting

risk is managed primarily through the company's insurance policy defined by the Supervisory Board, and administered through business procedures, underwriting guidelines etc. Underwriting risk is assessed in Tryg's capital model, determining the capital impact from insurance products.

Reinsurance is used to reduce the underwriting risk in situations where this can not be achieved to a sufficient degree via ordinary diversification. In case of major events involving damage to buildings and contents, Tryg's reinsurance programme provides protection for up to DKK 5.75bn, which statistically is sufficient to cover at least a 250-year event. Retention for such events is DKK 160m. In the event of a frequency of natural disasters, Tryg is covered for up to DKK 600m, after total annual retention of DKK 300m. Tryg has also taken out reinsurance for the risk of large claims occurring in sectors with very large sums insured. Tryg's largest individual building and contents risks are covered by up to DKK 2bn. Retention for large claims is DKK 100m, gradually dropping to DKK 25m. Single risks exceeding DKK 2bn are covered individually.

Tryg has combined the minimum cover of other sectors into a joint cover with retention of DKK 100m for the first claim and DKK 25m for subsequent claims. For the individual sectors, individual cover has subsequently been taken out as needed. The use of reinsurance creates a natural counterparty risk. This risk is handled by applying a wide range of reinsurers with at least an 'A' rating and DKK 750m in capital.

## **Reserving risk**

Reserving risk relates to the risk of Tryg's insurance provisions being inadequate. The Supervisory Board lays down the overall framework for the handling of reserv-

ing risk in the insurance policy, while the overall risk is measured in the capital model. The uncertainty associated with the calculation of claims reserves affects Tryg's results through the run-off on reserves. Long-tailed reserves in particular are subject to interest rate and inflation risk. Interest rate risk is hedged by means of Tryg's match portfolio which corresponds to the discounted claims reserves. In order to manage the inflation risk of Danish workers' compensation claims reserves, Tryg has bought zero coupon inflation swaps. Tryg determines the claims reserves via statistical methods as well as individual assessments.

At the end of 2017, Tryg's claims reserves totalled DKK 22,804m with an average duration of approximately 4 years.

## **Investment risk**

The overall framework for managing investment risk is defined by the Supervisory Board in Tryg's investment policy. In overall terms, Tryg's investment portfolio is divided into a match portfolio and a free portfolio. The match portfolio corresponds to the value of the discounted claims reserves and is designed to hedge the interest rate sensitivity of these as closely as possible. Tryg carries out daily monitoring, follow-up and risk management of the Group's interest rate risk. The swap and bond portfolio is thus adjusted continuously to minimise the net interest rate risk. The free portfolio is subject to the framework defined by the Supervisory Board through the investment policy. The purpose of the free portfolio is to achieve the highest possible return relative to risk. Tryg's equity portfolio constitutes the company's largest investment risk. At the end of 2017, the equity portfolio accounted for 5.0% of the total investment assets. Tryg's property portfolio comprises investment properties, the value of which

is adjusted based on the conditions on the property market through internal valuations backed by external valuations. At the end of 2017, investment properties accounted for 3.9% (including property funds).

Tryg does not wish to speculate in foreign currency, but since Tryg invests and operates its insurance business in other currencies than Danish kroner, Tryg is exposed to currency risk. Tryg is primarily exposed to fluctuations in the other Scandinavian currencies due to its ongoing insurance activities. Premiums earned and claims paid in other currencies create a natural currency hedge, for which reason other risk mitigation measures are not required in this area. However, the part of equity held in other currencies than Danish kroner will be exposed to currency risk. This risk is hedged on an ongoing basis using currency swaps.

In addition to the above-mentioned risks, Tryg is exposed to credit, counterparty and concentration risk. These risks primarily relate to exposures in high-yield bonds, emerging market debt exposures as well as Tryg's investments in AAA-rated Nordic and European government and mortgage bonds. These risks are also managed through the investment policy and the framework for reinsurance defined in the insurance policy. For a non-life insurance company like Tryg, liquidity risk is practically non-existent, as premium payments fall due before claims payments. The only significant assets on Tryg's balance sheet, which by nature is somewhat illiquid, are the property portfolio.

## **Operational risk**

Operational risk relates to errors or failures in internal procedures, fraud, breakdown of infrastructure, IT security and similar factors. As operational risks are mainly internal, Tryg focuses on an adequate control

# Notes

environment for its operations. In practice, this work is organised by means of procedures, controls and guidelines covering the various aspects of the Group's operations. The Supervisory Board defines the overall framework for managing operational risk in Tryg's Operational Risk policy. These risks are controlled via the Operational Risk Committee. A special crisis management structure is set up to deal with the eventuality that Tryg is hit by major crises. This comprises a Crisis Management Team at Group level, national contingency teams at country level and finally business contingency in the individual areas. Tryg has prepared contingency plans to address the most important areas. In addition, comprehensive IT contingency plans have been established, primarily focusing on the business-critical systems.

## Other risks

### Strategic risk

The strategic risk is the risk of loss as a result of Tryg's chosen strategic position. The strategic position covers both business transactions, IT strategy, choice of business partners and changed market conditions. Tryg's strategic position is determined by Tryg's Supervisory Board in close collaboration with the Executive Board. Before determining the strategic position, the strategic decisions are subject to a risk assessment, explaining the risk of the chosen strategy to Tryg's Supervisory Board and Executive Board.

### Compliance risk

Compliance risk is the risk of loss as a result of lack of compliance with rules, regulations, market standards or internal guidelines. The handling of compliance risk is coordinated centrally via the Group's Compliance & Legal department, which, among other things, sits on industry committees in connection with legislative monitoring, ensures implementation of regulation in Tryg through business procedures, provides ongoing training in compliance matters and performs compliance controls within the organisation. Compliance risks and the result of the performed compliance controls are reported to the Supervisory Board's Risk Committee.

### Emerging risk

Emerging risk cover new risks or known risks, with changing characteristics. The management of this type of risk will be handled in the individual business areas, which monitor the market and adapt the products as the conditions change. In the event of a change in insurance terms, it is ensured that Tryg's reinsurance cover is consistent with the new conditions.

## Sensitivity analysis

DKKm	2017	2016
<b>Insurance risk</b>		
<b>Effect of 1% change in:</b>		
Combined ratio (1 percentage point)	+/- 180	+/- 175
Major events	- 100	- 100
Catastrophe event up to DKK 5.75bn	- 160	- 150
<b>Reserving risk</b>		
1% change in inflation on person-related lines of business <sup>a)</sup>	+/- 408	+/- 436
10% error in the assessment of long-tailed lines of business (workers' compensation, motor liability, liability, accident)	+/- 1,706	+/- 1,800
<b>Investment risk</b>		
<b>Interest rate market</b>		
<b>Effect of 1% increase in interest curve:</b>		
Impact of interest-bearing securities	-1,118	-1,131
Higher discounting of claims provisions	1,014	1,061
Net effect of interest rate rise	-104	-70
Impact of Norwegian pension obligation <sup>b)</sup>	153	173
<b>Equity market</b>		
15 % decline in equity market	-285	-365
Impact of derivatives related thereto	20	-15
<b>Real estate market</b>		
15 % decline in real estate markets	-257	-229
<b>Currency market</b>		
Equity:		
15 % decline in exposed currency (exclusive of EUR) relative to DKK	-975	-763
Impact of derivatives	946	728
Net impact of exchange rate decline	-29	-35
Technical result per year:		
Impact of 15% change in NOK and SEK exchange rates relative to DKK	+/- 151	+/- 158

<sup>a)</sup> Including the effect of the zero coupon inflation swap.

<sup>b)</sup> Additional sensitivity information in note 19 'Pensions and similar obligations'.

# Notes

## Claims provisions – estimated accumulated claims – DKKm

Gross	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Estimated accumulated claims												
End of year	11,527	12,045	13,356	15,546	15,885	13,434	13,842	12,681	14,673	12,869	12,733	
1 year later	12,092	13,334	13,984	15,643	16,268	13,521	14,103	13,003	14,615	12,725		
2 year later	12,631	13,205	13,998	15,596	16,325	13,475	13,763	12,820	14,568			
3 year later	12,605	13,220	13,799	15,518	16,277	13,289	13,593	12,732				
4 year later	12,608	13,182	13,701	15,430	16,102	13,024	13,573					
5 year later	12,516	13,106	13,607	15,354	16,134	12,936						
6 year later	12,400	13,070	13,576	15,330	15,999							
7 year later	12,394	12,815	13,458	15,239								
8 year later	12,319	12,692	13,400									
9 year later	12,271	12,600										
10 year later	12,088											
Cumulative payments to date	-11,548	-11,762	-12,378	-13,988	-14,582	-11,436	-11,730	-10,588	-12,121	-9,658	-6,221	-126,012
Provisions before discounting, end of year	540	838	1,022	1,251	1,417	1,500	1,843	2,144	2,447	3,067	6,512	22,581
Discounting	-52	-80	-94	-108	-103	-106	-112	-125	-115	-125	-180	-1,200
Reserves from 2006 and prior years												2,544
Gross provisions for claims, end of year												23,925

# Notes

## Claims provisions – estimated accumulated claims – DKKm

Ceded business	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Estimated accumulated claims												
End of year	496	152	278	654	1,449	222	1,088	273	2,077	202	314	
1 year later	463	214	344	730	2,134	253	1,476	309	1,884	254		
2 year later	477	184	323	722	2,257	288	1,260	303	1,917			
3 year later	482	174	282	699	2,293	283	1,254	297				
4 year later	501	174	285	709	2,241	269	1,269					
5 year later	473	162	290	712	2,235	259						
6 year later	501	167	278	715	2,241							
7 year later	492	158	277	708								
8 year later	489	157	276									
9 year later	488	157										
10 year later	488											
Cumulative payments to date	-476	-151	-268	-692	-2,158	-248	-1,167	-257	-1,559	-162	-77	-7,215
Provisions before discounting, end of year	12	6	8	16	83	11	102	40	358	92	237	965
Discounting	-1	0	0	0	-1	0	0	-1	-2	-2	-2	-9
Reserves from 2006 and prior years												165
Provisions for claims, end of year												1,121

# Notes

## Claims provisions – estimated accumulated claims – DKKm

Net of reinsurance	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Estimated accumulated claims												
End of year	11,031	11,893	13,078	14,892	14,436	13,212	12,754	12,408	12,596	12,667	12,419	
1 year later	11,629	13,120	13,640	14,913	14,134	13,268	12,627	12,694	12,731	12,471		
2 year later	12,154	13,021	13,675	14,874	14,068	13,187	12,503	12,517	12,651			
3 year later	12,123	13,046	13,517	14,819	13,984	13,006	12,339	12,435				
4 year later	12,107	13,008	13,416	14,721	13,861	12,755	12,304					
5 year later	12,043	12,944	13,317	14,642	13,899	12,677						
6 year later	11,899	12,903	13,298	14,615	13,758							
7 year later	11,902	12,657	13,181	14,531								
8 year later	11,830	12,535	13,124									
9 year later	11,783	12,443										
10 year later	11,600											
Cumulative payments to date	-11,072	-11,611	-12,110	-13,296	-12,424	-11,188	-10,563	-10,331	-10,562	-9,496	-6,145	-118,798
Provisions before discounting, end of year	528	832	1,014	1,235	1,334	1,489	1,741	2,104	2,089	2,975	6,275	21,616
Discounting	-51	-80	-94	-108	-102	-106	-112	-124	-113	-123	-178	-1,191
Reserves from 2006 and prior years												2,379
Provisions for claims, net of reinsurance, end of the year												22,804

The amounts in foreign currency in the table are translated to Danish kroner using the exchange rate at 31 December 2017 to prevent the impact of exchange rate fluctuations.

# Notes

## Claims provisions (continued)

DKKm	0-1 year	1-2 years	Expected cash flow, not discounted		Total
			2-3 years	> 3 years	
<b>2017</b>					
Premium provisions, gross	5,381	85	57	37	5,560
Premium provisions, ceded	-245	0	0	0	-245
Claims provisions, gross	7,670	3,791	2,576	11,278	25,315
Claims provisions, ceded	-546	-240	-126	-204	-1,116
	<b>12,260</b>	<b>3,636</b>	<b>2,507</b>	<b>11,111</b>	<b>29,514</b>
<b>2016</b>					
Premium provisions, gross	5,296	114	56	21	5,487
Premium provisions, ceded	-214	0	0	0	-214
Claims provisions, gross	8,201	4,110	2,749	11,697	26,757
Claims provisions, ceded	-880	-416	-235	-303	-1,834
	<b>12,403</b>	<b>3,808</b>	<b>2,570</b>	<b>11,415</b>	<b>30,196</b>

# Notes

DKKm	2017	2016				
<b>Investment risk</b>						
<b>Bond portfolio including interest derivatives</b>						
Duration 1 year or less	17,509	14,758				
Duration 1 year - 5 years	14,770	13,692				
Duration 5 - 10 years	5,015	5,373				
Duration more than 10 years	2,353	2,369				
<b>Total</b>	<b>39,647</b>	<b>36,192</b>				
<b>Duration</b>	<b>2.8</b>	<b>2.9</b>				
The option adjusted duration is used to measure duration. The option adjustment relates primarily to Danish mortgage bonds and reflects the expected duration-shortening effect of the borrower's option to cause the bond to be redeemed through the mortgage institution at any point in time.						
<b>Listed shares</b>						
Nordic countries	51	47				
United Kingdom	90	95				
Rest of Europe	274	259				
United States	1,196	1,377				
Asia etc.	435	368				
<b>Total</b>	<b>2,046</b>	<b>2,146</b>				
The portfolio of unlisted shares totals	179	48				
The share portfolio includes exposure from share derivatives of DKK -135m (DKK 97m in 2016). Unlisted equity investments are based on an estimated market price.						
<b>Exposure to exchange rate risk</b>						
	2017			2016		
	Assets and debt	Hedge	Exposure	Assets and debt	Hedge	Exposure
USD	3,205	-3,149	56	2,960	-2,872	88
EUR	1,413	-1,174	239	1,231	-1,203	28
GBP	267	-262	5	263	-254	9
NOK	2,924	-2,836	88	2,808	-2,623	185
SEK	1,324	-1,228	96	346	-314	32
Other	529	-473	56	525	-469	56
<b>Total</b>			<b>540</b>			<b>398</b>

## Impact of exchange rate fluctuations in SEK and NOK on technical result

	2017	2016	Change	Currency effect	Change excl. currency effect
<b>Gross premium income</b>	<b>17,963</b>	<b>17,707</b>	<b>256</b>	<b>20</b>	<b>236</b>
Gross claims	-11,865	-11,619	-246	-13	-233
Total insurance operating costs	-2,516	-2,737	221	-3	224
Profit/loss on gross business	3,582	3,351	231	4	227
Profit/loss on ceded business	-779	-951	172	-1	173
Insurance technical interest, net of reinsurance	-14	-10	-4	0	-4
<b>Technical result</b>	<b>2,789</b>	<b>2,390</b>	<b>399</b>	<b>3</b>	<b>396</b>

	2016	2015	Change	Currency effect	Change excl. currency effect
<b>Gross premium income</b>	<b>17,707</b>	<b>17,977</b>	<b>-270</b>	<b>-293</b>	<b>23</b>
Gross claims	-11,619	-13,562	1,943	190	1,753
Total insurance operating costs	-2,737	-2,720	-17	45	-62
Profit/loss on gross business	3,351	1,695	1,656	-58	1,714
Profit/loss on ceded business	-951	710	-1,661	15	-1,676
Insurance technical interest, net of reinsurance	-10	18	-28	0	-28
<b>Technical result</b>	<b>2,390</b>	<b>2,423</b>	<b>-33</b>	<b>-43</b>	<b>10</b>

# Notes

## Impact of exchange rate fluctuations in SEK and NOK on the statement of financial position

DKKm	2017	2016	Change	Currency effect	Change excl. currency effect
<b>Assets</b>					
Intangible assets	1,105	884	221	-30	251
Total property, plant and equipment	67	49	18	-1	19
Investment property	1,324	2,323	-999	-29	-970
Investments in associates	225	218	7	0	7
Other financial investment assets	43,511	40,252	3,259	-1,215	4,474
Reinsurers' share of provisions for insurance contracts	1,366	2,034	-668	-54	-614
Receivables	2,728	2,937	-209	-81	-128
Other assets	509	475	34	-4	38
Prepayments and accrued income	532	689	-157	-9	-148
<b>Total assets</b>	<b>51,367</b>	<b>49,861</b>	<b>1,506</b>	<b>-1,423</b>	<b>2,929</b>
<b>Equity and liabilities</b>					
Equity	12,616	9,437	3,179	0	3,179
Subordinate loan capital	2,412	2,567	-155	-156	1
Provisions for insurance contracts	30,018	31,527	-1,509	-833	-676
Other provisions	1,057	1,172	-115	-64	-51
Other debt	5,221	5,113	108	-369	477
Accruals and deferred income	43	45	-2	-1	-1
<b>Total equity and liabilities</b>	<b>51,367</b>	<b>49,861</b>	<b>1,506</b>	<b>-1,423</b>	<b>2,929</b>

## Credit risk

Bond portfolio by ratings	2017 DKKm	%	2016 DKKm	%
AAA to A	36,831	99.1	35,233	99.9
Other	208	0.6	20	0.1
Not rated	112	0.3	1	0.0
<b>Total</b>	<b>37,151</b>	<b>100.0</b>	<b>35,254</b>	<b>100.0</b>

## Reinsurance balances

AAA to A	953	92.3	1,536	90.7
Other	0	0.0	0	0.0
Not rated	80	7.7	157	9.3
<b>Total</b>	<b>1,033</b>	<b>100.0</b>	<b>1,693</b>	<b>100.0</b>

## Liquidity risk

### Maturity of the Group's financial obligations including interest

2017	0-1 years	1-5 years	> 5 years	Total
Subordinate loan capital	92	369	3,334	3,795
Amounts owed to credit institutions	306	0	0	306
Debt relating to unsettled funds transactions and repos	1,711	0	0	1,711
Derivative financial instruments	576	49	153	778
Other debt	2,458	0	0	2,458
	<b>5,143</b>	<b>418</b>	<b>3,487</b>	<b>9,048</b>

## 2016

Subordinate loan capital	98	392	3,547	4,037
Amounts owed to credit institutions	178	0	0	178
Debt relating to unsettled funds transactions and repos	1,732	0	0	1,732
Derivative financial instruments	650	112	-53	709
Other debt	2,501	0	0	2,501
	<b>5,159</b>	<b>504</b>	<b>3,494</b>	<b>9,157</b>

Interest on loans for a perpetual term has been recognised for the first fifteen years.

# Notes

Subordinate loan capital	Bond loan NOK 800m		Bond loan NOK 1,400m		Bond loan SEK 1,000m	
	2017	2016	2017	2016	2017	2016
DKKm						
Amortised cost value of the loan recognised in statement of financial position	603	651	1,056	1,142	753	774
The fair value of the loan at the statement of financial position date	659	685	1,080	1,124	796	796
The fair value of the loan at the statement of financial position date is based on a price of	109	105	102	98	105	102
Total capital losses and costs at the statement of the financial position date	3	3	4	4	4	4
Interest expenses for the year	29	32	43	46	20	10
Effective interest rate	4.6%	4.9%	3.6%	3.8%	2.2%	2.2%
<b>Loan terms:</b>						
Lender	Listed bonds		Listed bonds		Listed bonds	
Principal	NOK 800m		NOK 1,400m		SEK 1,000m	
Issue price	100		100		100	
Issue date	March 2013		November 2015		May 2016	
Maturity year	Perpetual		2045		2046	
Loan may be called by lender as from	2023		2025		2021	
Repayment profile	Interest-only		Interest-only		Interest-only	
Interest structure	3.75 % above NIBOR 3M (until 2023)	2.75 % above NIBOR 3M (until 2025)	2.75 % above STIBOR 3M (until 2026)	3.75 % above NIBOR 3M (from 2023)	3.75 % above NIBOR 3M (from 2025)	3.75 % above STIBOR 3M (from 2026)

The share of capital included in the calculation of the capital base totals DKK 2,164m (DKK 2,371m in 2016)

The loans are initially recognised at fair value on the date on which a loan is entered and subsequently measured at amortised cost.

The loans are taken by Tryg Forsikring A/S. The creditors have no option to call the loans before maturity or otherwise terminate the loan agreements. The loans are automatically accelerated upon the liquidation or bankruptcy of Tryg Forsikring A/S.

Prices used for determination of fair value in respect of both loans are based on actual traded prices from Bloomberg.

# Notes

DKKm	Private	Commercial	Corporate	Sweden	Other <sup>a)</sup>	Group
<b>2 Operating segments</b>						
<b>2017</b>						
<b>Gross premium income</b>	<b>8,798</b>	<b>3,862</b>	<b>3,852</b>	<b>1,487</b>	<b>-36</b>	<b>17,963</b>
Gross claims	-5,807	-2,423	-2,606	-1,055	26	-11,865
Gross operating expenses	-1,208	-665	-392	-251	0	-2,516
Profit/loss on ceded business	-211	-106	-467	-5	10	-779
Insurance technical interest, net of reinsurance	-7	-1	-1	-5	0	-14
<b>Technical result</b>	<b>1,565</b>	<b>667</b>	<b>386</b>	<b>171</b>	<b>0</b>	<b>2,789</b>
Other items						-272
<b>Profit/loss</b>						<b>2,517</b>
Run-off gains/losses, net of reinsurance	306	329	239	98	0	972
Intangible assets	14	106	0	575	410	1,105
Equity investments in associates					225	225
Reinsurers' share of premium provisions	47	22	176	0	0	245
Reinsurers' share of claims provisions	53	172	867	29	0	1,121
Other assets					48,671	48,671
<b>Total assets</b>						<b>51,367</b>
Premium provisions	2,358	1,277	1,008	916	0	5,559
Claims provisions	5,197	6,527	9,317	2,884	0	23,925
Provisions for bonuses and premium discounts	432	60	35	7	0	534
Other liabilities					8,733	8,733
<b>Total liabilities</b>						<b>38,751</b>

## Description of segments

Please refer to the accounting principles for a description of operating segments.

Costs are allocated according to specific keys, which are believed to provide the best estimate of assessed resource consumption.

a) Amounts relating to eliminations and one-off items. Details of amounts in note 2 Geographical segments. Other assets and liabilities are managed at Group level and are not allocated to the individual segments but are included under 'Other'.

# Notes

DKKm	Private	Commercial	Corporate	Sweden	Other <sup>a)</sup>	Group
<b>2 Operating segments</b>						
<b>2016</b>						
<b>Gross premium income</b>	<b>8,710</b>	<b>3,893</b>	<b>3,775</b>	<b>1,348</b>	<b>-19</b>	<b>17,707</b>
Gross claims	-5,904	-2,380	-2,295	-964	-76	-11,619
Gross operating expenses	-1,240	-663	-416	-256	-162	-2,737
Profit/loss on ceded business	-158	-154	-643	-3	7	-951
Insurance technical interest, net of reinsurance	-4	-1	0	-5	0	-10
<b>Technical result</b>	<b>1,404</b>	<b>695</b>	<b>421</b>	<b>120</b>	<b>-250</b>	<b>2,390</b>
Other items						81
<b>Profit/loss</b>						<b>2,471</b>
Run-off gains/losses, net of reinsurance	312	304	506	117	0	1,239
Intangible assets		29		596	259	884
Equity investments in associates				218	218	
Reinsurers' share of premium provisions	16	24	174	0	0	214
Reinsurers' share of claims provisions	67	247	1,476	30	0	1,820
Other assets					46,725	46,725
<b>Total assets</b>						<b>49,861</b>
Premium provisions	2,236	1,292	1,092	867	0	5,487
Claims provisions	5,655	6,637	10,255	2,905	0	25,452
Provisions for bonuses and premium discounts	461	61	53	13	0	588
Other liabilities					8,897	8,897
<b>Total liabilities</b>						<b>40,424</b>

a) Amounts relating to eliminations and one-off items. Details of amounts in note 2 Geographical segments. Other assets and liabilities are managed at Group level and are not allocated to the individual segments but are included under 'Other'.

# Notes

DKKm	2017	2016	2015	2014	2013
<b>2 Geographical segments</b>					
<b>Danish general insurance<sup>a)</sup></b>					
<b>Gross premium income</b>	<b>9,606</b>	<b>9,467</b>	<b>9,346</b>	<b>9,361</b>	<b>9,534</b>
Technical result	1,783	1,587	1,371	1,510	1,202
Run-off gains/losses, net of reinsurance	449	509	512	564	566
<b>Key ratios</b>					
Gross claims ratio	64.2	63.7	80.5	66.9	79.5
Net reinsurance ratio	3.7	6.0	-9.2	2.1	-7.0
Claims ratio, net of ceded business	67.9	69.7	71.3	69.0	72.5
Gross expense ratio	13.4	13.4	13.9	15.1	15.0
<b>Combined ratio</b>	<b>81.3</b>	<b>83.1</b>	<b>85.2</b>	<b>84.1</b>	<b>87.5</b>
Run-off, net of reinsurance (%)	-4.7	-5.4	-5.5	-6.0	-5.9
Number of full-time employees 31 December	1,933	1,839	1,859	2,007	2,046
<b>Norwegian general insurance</b>					
<b>Gross premium income</b>	<b>6,272</b>	<b>6,371</b>	<b>6,766</b>	<b>7,337</b>	<b>7,819</b>
Technical result	770	1,013	844	1,478	1,258
Run-off gains/losses, net of reinsurance	422	678	492	501	387
<b>Key ratios</b>					
Gross claims ratio	67.9	63.9	70.9	66.5	65.1
Net reinsurance ratio	5.3	5.1	2.1	1.4	4.1
Claims ratio, net of ceded business	73.2	69.0	73.0	67.9	69.2
Gross expense ratio	14.7	15.2	14.9	12.5	15.3
<b>Combined ratio</b>	<b>87.9</b>	<b>84.2</b>	<b>87.9</b>	<b>80.4</b>	<b>84.5</b>
Run-off, net of reinsurance (%)	-6.7	-10.6	-7.3	-6.8	-4.9
Number of full-time employees 31 December	1,042	1,040	1,113	1,167	1,199

a) Includes Danish general insurance and Finnish guarantee insurance.

# Notes

DKKm	2017	2016	2015	2014	2013
<b>2 Geographical segments</b>					
<b>Swedish general insurance</b>					
<b>Gross premium income</b>	<b>2,121</b>	<b>1,888</b>	<b>1,894</b>	<b>1,975</b>	<b>2,169</b>
Technical result	236	40	328	44	36
Run-off gains/losses, net of reinsurance	101	52	208	66	17
<b>Key ratios</b>					
Gross claims ratio	69.0	76.4	63.5	77.6	80.6
Net reinsurance ratio	5.0	3.3	1.7	2.2	0.7
Claims ratio, net of ceded business	74.0	79.7	65.2	79.8	81.3
Gross expense ratio	14.5	17.8	17.5	18.4	17.6
<b>Combined ratio</b>	<b>88.5</b>	<b>97.5</b>	<b>82.7</b>	<b>98.2</b>	<b>98.9</b>
Run-off, net of reinsurance (%)	-4.8	-2.8	-11.0	-3.3	-0.8
Number of full-time employees 31 December	398	385	387	425	458
<b>Other<sup>b)</sup></b>					
Gross premium income	-36	-19	-29	-21	-18
Technical result	0	-250	-120	0	0
<b>Tryg</b>					
<b>Gross premium income</b>	<b>17,963</b>	<b>17,707</b>	<b>17,977</b>	<b>18,652</b>	<b>19,504</b>
Technical result	2,789	2,390	2,423	3,032	2,496
Investment return	527	987	-22	360	588
Other income and costs	-77	-157	-91	-90	-91
Profit/loss before tax	3,239	3,220	2,310	3,302	2,993
Run-off gains/losses, net of reinsurance	972	1,239	1,212	1,131	970
<b>Key ratios</b>					
Gross claims ratio	66.1	65.6	75.4	67.8	73.9
Net reinsurance ratio	4.3	5.4	-3.9	1.8	-1.8
Claims ratio, net of ceded business	70.4	71.0	71.5	69.6	72.1
Gross expense ratio <sup>c)</sup>	14.0	15.7	15.3	14.6	15.6
<b>Combined ratio</b>	<b>84.4</b>	<b>86.7</b>	<b>86.8</b>	<b>84.2</b>	<b>87.7</b>
Run-off, net of reinsurance (%)	-5.4	-7.0	-6.7	-6.1	-5.0
Number of full-time employees, continuing business at 31 December	3,373	3,264	3,359	3,599	3,703

b) Amounts relating to eliminations and one-off items. In 2015 costs and claims were negatively affected by DKK 80m and DKK 40m respectively due to provisioning for the efficiency programme. In 2016 costs and claims were negatively affected by DKK 162m and DKK 88m respectively, mainly due to impairment of software.

c) Adjustment of gross expense ratio included only in 'Tryg'. The adjustment is explained in a footnote to Financial highlights.

# Notes

## 2 Technical result, net of reinsurance, by line of business

DKKm	Accident and health		Health care		Workers' compensation		Motor TPL		Motor comprehensive insurance		Marine, aviation and cargo insurance	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Gross premiums written</b>	<b>1,918</b>	<b>1,741</b>	<b>359</b>	<b>338</b>	<b>846</b>	<b>860</b>	<b>1,778</b>	<b>1,779</b>	<b>3,691</b>	<b>3,545</b>	<b>283</b>	<b>275</b>
Gross premium income	1,848	1,666	348	332	850	858	1,750	1,839	3,557	3,537	281	274
Gross claims	- 1,199	- 960	- 307	- 308	- 612	- 191	- 1,063	- 1,167	- 2,413	- 2,407	- 261	- 113
Gross operating expenses	- 257	- 223	- 41	- 41	- 99	- 98	- 289	- 321	- 512	- 532	- 34	- 39
Profit/loss on ceded business	- 7	- 7	- 1	- 1	- 21	- 8	- 35	- 44	- 30	- 24	- 15	- 130
Insurance technical interest, net of reinsurance	- 2	- 1	0	0	0	0	- 1	- 1	- 3	- 2	0	0
<b>Technical result</b>	<b>383</b>	<b>475</b>	<b>- 1</b>	<b>- 18</b>	<b>118</b>	<b>561</b>	<b>362</b>	<b>306</b>	<b>599</b>	<b>572</b>	<b>- 29</b>	<b>- 8</b>
Gross claims ratio	64.9	57.6	88.2	92.8	72.0	22.3	60.7	63.5	67.8	68.1	92.9	41.2
<b>Combined ratio</b>	<b>79.2</b>	<b>71.4</b>	<b>100.3</b>	<b>105.4</b>	<b>86.1</b>	<b>34.6</b>	<b>79.3</b>	<b>83.3</b>	<b>83.1</b>	<b>83.8</b>	<b>110.3</b>	<b>102.9</b>
Claims frequency <sup>a)</sup>	5.2%	4.7%	113.4%	115.2%	19.8%	19.8%	5.9%	6.0%	21.2%	20.2%	27.8%	24.7%
Average claims DKK <sup>b)</sup>	23,874	25,091	4,797	4,558	75,265	72,474	17,513	17,913	9,537	9,837	82,852	57,384
Total claims	55,434	46,883	57,785	57,186	11,116	11,008	74,872	77,441	260,926	250,450	3,208	2,896

DKKm	Fire and contents (Private)		Fire and contents (Commercial)		Change of ownership		Liability insurance		Credit and guarantee insurance		Tourist assistance insurance	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Gross premiums written</b>	<b>4,342</b>	<b>4,266</b>	<b>2,427</b>	<b>2,426</b>	<b>66</b>	<b>55</b>	<b>1,032</b>	<b>1,025</b>	<b>445</b>	<b>398</b>	<b>692</b>	<b>655</b>
Gross premium income	4,196	4,221	2,455	2,408	62	61	1,025	1,000	437	390	679	650
Gross claims	- 2,895	- 3,250	- 1,262	- 1,474	- 60	- 55	- 843	- 658	- 136	- 82	- 494	- 497
Gross operating expenses	- 591	- 617	- 363	- 365	- 9	- 8	- 148	- 148	- 44	- 31	- 88	- 90
Profit/loss on ceded business	- 157	- 129	- 318	- 439	0	0	- 68	- 47	- 77	- 96	- 1	- 2
Insurance technical interest, net of reinsurance	- 7	- 6	- 2	- 1	- 1	- 1	- 1	- 1	0	0	0	0
<b>Technical result</b>	<b>546</b>	<b>219</b>	<b>510</b>	<b>129</b>	<b>- 8</b>	<b>- 3</b>	<b>- 35</b>	<b>146</b>	<b>180</b>	<b>181</b>	<b>96</b>	<b>61</b>
Gross claims ratio	69.0	77.0	51.4	61.2	96.8	90.2	82.2	65.8	31.1	21.0	72.8	76.5
<b>Combined ratio</b>	<b>86.8</b>	<b>94.7</b>	<b>79.1</b>	<b>94.6</b>	<b>111.3</b>	<b>103.3</b>	<b>103.3</b>	<b>85.3</b>	<b>58.8</b>	<b>53.6</b>	<b>85.9</b>	<b>90.6</b>
Claims frequency <sup>a)</sup>	9.1%	8.9%	15.9%	16.2%	13.1%	11.3%	11.2%	11.6%	0.2%	0.1%	17.2%	19.9%
Average claims DKK <sup>b)</sup>	8,911	9,036	43,226	53,344	20,475	21,846	74,485	64,807	367,332	765,692	6,174	5,716
Total claims	345,325	363,113	29,599	30,020	4,036	3,807	11,013	10,917	443	120	86,645	96,868

a) The claims frequency is calculated as the number of claims incurred in the year in proportion to the average number of insurance contracts in the year.

b) Average claims are total claims before run-off in the year relative to the number of claims in the year.

# Notes

## 2 Technical result, net of reinsurance, by line of business

DKKm	Other insurance <sup>c)</sup>		Total exclusive of Norwegian Group Life		Norwegian Group Life one-year policies		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Gross premiums written</b>	<b>59</b>	<b>57</b>	<b>17,938</b>	<b>17,420</b>	<b>420</b>	<b>422</b>	<b>18,358</b>	<b>17,842</b>
Gross premium income	57	55	17,545	17,291	418	416	17,963	17,707
Gross claims	- 10	- 95	- 11,555	- 11,257	- 310	- 362	- 11,865	- 11,619
Gross operating expenses	2	- 179	- 2,473	- 2,692	- 43	- 45	- 2,516	- 2,737
Profit/loss on ceded business	- 49	- 23	- 779	- 950	0	- 1	- 779	- 951
Insurance technical interest, net of reinsurance	2	2	- 15	- 11	1	1	- 14	- 10
<b>Technical result</b>	<b>2</b>	<b>- 240</b>	<b>2,723</b>	<b>2,381</b>	<b>66</b>	<b>9</b>	<b>2,789</b>	<b>2,390</b>
Gross claims ratio	17.5	172.7	65.9	65.1	74.2	87.0	66.1	65.6
<b>Combined ratio</b>	<b>100.0</b>	<b>540.0</b>	<b>84.4</b>	<b>86.2</b>	<b>84.4</b>	<b>98.1</b>	<b>84.4</b>	<b>86.7</b>
Average claims DKK <sup>b)</sup>	301,159	958,750						
Total claims	44	12						

b) Average claims are total claims before run-off in the year relative to the number of claims in the year.

c) Other insurance, gross claims and gross operating expenses are negatively affected by DKK 88m and DKK 162m, mainly by impairment of software, in 2016.

# Notes

DKKm	2017		2016	
<b>3 Premium income, net of reinsurance</b>				
Direct insurance	18,168		17,949	
Indirect insurance	45		43	
	18,213		17,992	
Unexpired risk provision	0		1	
	18,213		17,993	
Ceded direct insurance	-1,229		-1,178	
Ceded indirect insurance	-10		-19	
	<b>16,974</b>		<b>16,796</b>	
<b>Direct insurance, by location of risk</b>	<b>2017</b>		<b>2016</b>	
	<b>Gross</b>	<b>Ceded</b>	<b>Gross</b>	<b>Ceded</b>
Denmark	9,622	-537	9,533	-613
Other EU countries	2,161	-187	1,928	-110
Other countries <sup>a)</sup>	6,385	-505	6,489	-455
	<b>18,168</b>	<b>-1,229</b>	<b>17,950</b>	<b>-1,178</b>
<b>a)</b> Mainly Norway				
DKKm	2017		2016	
<b>4 Insurance technical interest, net of reinsurance</b>				
Return on insurance provisions		184		149
Discounting transferred from claims provisions		-198		-159
		<b>-14</b>		<b>-10</b>
<b>5 Claims, net of reinsurance</b>				
Claims	-12,804		-13,048	
Run-off previous years, gross	939		1,429	
	-11,865		-11,619	
Reinsurance cover received	267		286	
Run-off previous years, reinsurers' share	33		-190	
	<b>-11,565</b>		<b>-11,523</b>	

DKKm	2017		2016	
<b>6 Insurance operating costs, net of reinsurance</b>				
Commissions regarding direct insurance contracts	-259		-296	
Other acquisition costs	-1,643		-1,733	
Total acquisition costs	-1,902		-2,029	
Administration expenses	-614		-708	
Insurance operating costs, gross	-2,516		-2,737	
Commission from reinsurers	160		150	
	<b>-2,356</b>		<b>-2,587</b>	
In the calculation of the expense ratio, costs were in 2016 stated exclusive of depreciation and operating costs on the owner-occupied property but including a calculated rent concerning the owner-occupied property based on a calculated market rent of DKK 36m in 2016.				
<i>Administrative expenses include fee to the auditors appointed by the annual general meeting:</i>				
Deloitte	-6		-7	
	<b>-6</b>		<b>-7</b>	
<i>The fee is divided into:</i>				
Statutory audit	-3		-3	
Other audit assignments	-1		-1	
Tax advice	-1		-1	
Other services	-1		-2	
	<b>-6</b>		<b>-7</b>	
Expenses have been incurred for the Group's Internal Audit Department.	-9		-9	
Fees for non-audit services provided by Deloitte Statsautoriserede Revisionspartnerselskab to the Group amount to DKK 2m and consists of various declaration tasks, including review of interim balances, tax advice in relation to the investment area, as well as other general accounting and tax advice.				

# Notes

DKKm	2017	2016
<b>6 Insurance operating costs, gross, classified by type</b>		
Commissions	-249	-296
Staff expenses	-1,509	-1,615
Other staff expenses	-166	-164
Office expenses, fees and headquarter expenses	-500	-416
IT operating and maintenance costs, software expenses	-222	-249
Depreciation, amortisation and impairment losses and write-downs	-98	-223
Other income	228	226
	<b>-2,516</b>	<b>-2,737</b>
Total lease expenses amount to DKK 26m (DKK 26m in 2016)		
<i>Insurance operating costs and claims include the following staff expenses:</i>		
Salaries and wages	-1,926	-2,036
Commision	-7	-8
Allocated share options and matching shares	-6	-3
Pension plans <sup>a)</sup>	-280	-286
Other social security costs	-5	-4
Payroll tax	-410	-354
	<b>-2,634</b>	<b>-2,691</b>
<b>a)</b> In 2017 defined benefit plans were included with DKK 49m (DKK 33m in 2016).		
Remuneration for the Supervisory Board and Executive Board is disclosed in note 28 'Related parties'.		
<b>Average number of full-time employees during the year (continuing business)</b>	<b>3,315</b>	<b>3,306</b>

# Notes

DKKm								
6	Matching shares and conditional shares				Fair value			
	Total numbers				Fair value			
	Executive Board	Risk-takers	Other	Total	Average per matching share at grant date DKK	Total value at time of allocation DKKm	Average per matching share at 31 Dec. DKK	Total fair value at 31 Dec. DKKm
<b>2017</b>								
Allocated in 2017	27,060	39,747	18,896	85,703	127	11	155	13
<b>Matching shares allocated in 2017 at 31.12.17</b>	<b>27,060</b>	<b>39,747</b>	<b>18,896</b>	<b>85,703</b>	<b>127</b>	<b>11</b>	<b>155</b>	<b>13</b>
Allocated in 2011-2016	123,278	141,197	0	264,475	98	26	155	41
Category changes and addition	1,835	-113,257	112,343	921	98	0	155	0
Cancelled	-9,360	-3,045	-8,856	-21,261	98	-2	155	-3
Exercised	-74,275	0	-61,840	-136,115	98	-13	155	-21
<b>Matching shares allocated in 2011-2016 at 31.12.17</b>	<b>41,478</b>	<b>24,895</b>	<b>41,647</b>	<b>108,020</b>	<b>98</b>	<b>11</b>	<b>155</b>	<b>17</b>
<b>Number of Matching shares exercisable 31 Dec. 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>2016</b>								
Allocated in 2016	17,233	15,562	0	32,795	128	4	127	4
<b>Matching shares allocated in 2016 at 31.12.16</b>	<b>17,233</b>	<b>15,562</b>	<b>0</b>	<b>32,795</b>	<b>128</b>	<b>4</b>	<b>127</b>	<b>4</b>
Allocated in 2011-2015	106,045	125,635	0	231,680	94	22	127	29
Category changes	1,835	-1,835	0	0	94	0	127	0
Cancelled	-15,355	-17,130	0	-32,485	94	-3	127	-4
Exercised	-54,635	-39,245	0	-93,880	94	-9	127	-12
<b>Matching shares allocated in 2011-2015 at 31.12.16</b>	<b>37,890</b>	<b>67,425</b>	<b>0</b>	<b>105,315</b>	<b>94</b>	<b>10</b>	<b>127</b>	<b>13</b>
<b>Number of Matching shares exercisable 31 Dec. 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>				

In 2011-2017, Tryg entered into an agreement on matching shares for the Executive Board, Risk-takers and Other employees as a consequence of the Group's remuneration policy. Executive Board, Risk-takers and Other employees are allocated one share in Tryg A/S for each share they acquires in Tryg A/S at market rate for liquid cash at a contractually agreed sum over the 3- or 4-year maturation period.

In 2017, the reported fair value of matching shares for the Group amounted to DKK 5m (DKK 3m in 2016). At 31 December 2017, a total amount of DKK 21m was recognised for matching shares.

#### Conditional shares

In 2017, Tryg allocated conditional shares in accordance with the Group's remuneration policy. The beneficiaries will receive shares in Tryg A/S if certain conditions are fulfilled over a 2 to 3 year vesting period. In 2017, the fair value of Conditional shares is prorated relative to the vesting period and recognised in the income statement amounted to DKK 1m (DKK 0m in 2016). The maximum obligation for Tryg is 25,910 shares in Tryg A/S.

# Notes

DKKm	2017	2016
<b>7 Interest and dividends</b>		
<i>Interest income and dividends</i>		
Dividends	19	25
Interest income, cash at bank and in hand	0	1
Interest income, bonds	601	642
Interest income, other	4	3
	624	671
<i>Interest expenses</i>		
Interest expenses subordinate loan capital and credit institutions	-89	-88
Interest expenses, other	-18	-25
	-107	-113
	<b>517</b>	<b>558</b>
<b>8 Value adjustments</b>		
<i>Value adjustments concerning financial assets or liabilities at fair value with value adjustment in the income statement:</i>		
Equity investments	-35	78
Unit trust units	460	190
Share derivatives	-8	-19
Bonds	-148	-83
Interest derivatives	-96	81
	173	247
<i>Value adjustments concerning assets or liabilities that cannot be attributed to IAS 39:</i>		
Investment property	9	431
Owner-occupied property <sup>a)</sup>	0	93
Discounting	123	-188
Other statement of financial position items	-81	-65
	51	271
	<b>224</b>	<b>518</b>
Exchange rate adjustments concerning financial assets or liabilities which cannot be stated at fair value total DKK 127m (DKK 1m in 2016)		
<sup>a)</sup> Please refer to note 25 Sale of properties.		

DKKm	2017	2016
<b>9 Tax</b>		
Tax on accounting profit/loss	-712	-708
Difference between Danish and foreign tax rates	-42	-40
Tax adjustment, previous years	-47	8
Adjustment of non-taxable income and costs	80	-24
Change in valuation of tax assets	0	17
Change in tax rate	1	0
Other taxes	0	-1
	<b>-720</b>	<b>-748</b>
<b>Effective tax rate</b>	<b>%</b>	<b>%</b>
Tax on accounting profit/loss	22	22
Difference between Danish and foreign tax rates	1	1
Tax adjustment, previous years	2	0
Adjustment of non-taxable income and costs	-3	1
Change in valuation of tax assets	0	-1
	22	23

# Notes

DKKm						
10	Intangible assets				Total	
		Goodwill	Trademarks and customer relations	Software <sup>a)</sup>		Assets under construction <sup>a)</sup>
<b>2017</b>						
<b>Cost</b>						
	Cost at 1 January	619	257	1,418	185	2,479
	Exchange rate adjustments	-12	-6	-19	-1	-38
	Transferred from assets under construction	0	0	107	-107	0
	Additions for the year	49	49	24	275	397
	Disposals for the year	0	0	-2	0	-2
	Cost at 31 December	656	300	1,528	352	2,836
<b>Amortisation and write-downs</b>						
	Amortisation and write-downs at 1 January	-104	-147	-1,252	-92	-1,595
	Exchange rate adjustments	0	4	18	0	22
	Amortisation for the year	0	-28	-92	0	-120
	Impairment losses and write-downs for the year	0	0	-38	0	-38
	Amortisation and write-downs at 31 December	-104	-171	-1,364	-92	-1,731
	<b>Carrying amount at 31 December</b>	<b>552</b>	<b>129</b>	<b>164</b>	<b>260</b>	<b>1,105</b>

DKKm						
10	Intangible assets				Total	
		Goodwill	Trademarks and customer relations	Software <sup>a)</sup>		Assets under construction <sup>a)</sup>
<b>2016</b>						
<b>Cost</b>						
	Cost at 1 January	558	205	1,153	297	2,213
	Exchange rate adjustments	-16	-6	7	3	-12
	Transferred from asset under construction	0	0	246	-246	0
	Additions for the year	77	58	12	131	278
	Cost at 31 December	619	257	1,418	185	2,479
<b>Amortisation and write-downs</b>						
	Amortisation and write-downs at 1 January	-4	-129	-950	-92	-1,175
	Exchange rate adjustments	0	5	-8	0	-3
	Amortisation for the year	0	-23	-94	0	-117
	Impairment losses and write-downs for the year	-100	0	-200	0	-300
	Amortisation and write-downs at 31 December	-104	-147	-1,252	-92	-1,595
	<b>Carrying amount at 31 December</b>	<b>515</b>	<b>110</b>	<b>166</b>	<b>93</b>	<b>884</b>

<sup>a)</sup> Hereof proprietary software DKK 336m (DKK 203m at 31 December 2016)

# Notes

DKKm

## 10 Intangible assets (continued)

### Impairment test

#### Goodwill

The Value-in-use method is used when testing the Goodwill for impairment.

#### Primary assumptions for impairment test:

When assessing the cash flow, management has based its estimates of premiums earned on the insurance portfolio adjusted to reflect the expected effect of business decisions and market development from past experiences. The portfolio is indexed with the wage and salary index. Claims incurred are based on expected claims ratios, which corresponds to current levels. Moderna is adjusted for weather and large-scale claims as well. Reinsurance is taken into account when looking at the overall technical result together with the expected cost ratio. Required returns are based on management's own requirements for returns of the individual cash generation units and are not expected to change significantly in the near future.

### OBOS

In 2017, Tryg acquired OBOS' insurance portfolio. The insurance activities were incorporated into the Tryg Group's business structure from 1 June 2017.

Comprises the sale of insurance products to private and commercial customers under the 'Obos' brand.

The impairment test at year-end for the Obos portfolio is based on the valuation at the time of acquisition due to the short ownership period and the lack of indications of impairment since the acquisition. Goodwill recognised DKK 51m. Please refer to note 27. The assets and liabilities have not changed significantly since the acquisition and the recoverable amount calculated would exceed the carrying amount with the same margin or very close to that margin.

The impairment test shows a calculated value in use of approximately DKK 0.3bn relative to a recognised goodwill of DKK 51m and Equity of DKK 0.2bn and does not indicate any impairment in 2017.

DKKm

2017

- Earned premium assumed CAGR 0 - 10 years	10%
- Earned premium assumed CAGR > 10 years	2%
- Required return before tax	15%
- Expected level of Combined ratio	91%

### Sensitivity information

#### Impact on equity from the following changes:

CAGR +1.0 percentage point (0 - 10 years)	15
CAGR -1.0 percentage point (0 - 10 years)	-14
Required return +1.0 percentage point	-153
Required return -1.0 percentage point	193
Combined ratio +1.0 percentage point	-142
Combined ratio -1.0 percentage point	143

### Moderna

In 2016, Tryg acquired Skandia's child and adult accident insurance portfolio. The insurance activities were incorporated into the Tryg Group's business structure from 1 September 2016.

In 2014, Tryg acquired Securator A/S, Optimal Djurförsäkring i Norr AB. The insurance activities were incorporated into the Tryg Group's business structure and merged into Tryg in 2015.

At 31 December 2017, management performed an impairment test of the carrying amount of goodwill based on the allocation of the cost of goodwill to the cash-generating unit. Moderna portfolio consists from 1 January 2017 of Moderna, Securator and Skandia, which was prior to this date three separate cash-generating units. The reasons behind the merger of Securator and Skandia into Moderna, is that they are managed together as part of the Swedish business and reported under the segment 'Sweden'.

Comprises the sale of insurance products to private customers under the 'Moderna' brand. Moreover, insurance is sold under the brands Atlantica, Bilspport & MC and Moderna Djurförsäkringar. Sales take place through its own sales force, call centres and online.

The cash flows appearing from the latest prognosis approved by management for the next 6 quarters are used when calculating the value in use of Moderna. The cash flows in the latest budget period have been extrapolated for financial years after the budget periods (terminal period) and adjusted for expected growth rates determined on the basis of expectations for the general economic growth. The required return is based on an assessment of the risk profile of the tested business activities compared with the market's expectations for the Group.

The impairment test shows a calculated value in use of approximately DKK 1.2bn (1.2bn) relative to a recognised goodwill of DKK 0.5bn (0.5bn) and Equity of DKK 0.8bn (0.7bn) and does not indicate any impairment in 2017.

# Notes

DKKm	2017	2016
- Earned premium assumed CAGR 0 - 10 years	2%	2%
- Earned premium assumed CAGR > 10 years	1%	1%
- Required return before tax	13%	13%
- Expected level of Combined ratio	92%	93%
<b>Sensitivity information</b>		
<i>Impact on equity from the following changes:</i>		
CAGR +1.0 percentage point (0 - 10 years)	18	22
CAGR -1.0 percentage point (0 - 10 years)	-17	-21
Required return +1.0 percentage point	-147	-172
Required return -1.0 percentage point	185	219
Combined ratio +1.0 percentage point	-107	-157
Combined ratio -1.0 percentage point	107	157

#### Trademarks and customer relations

As at 31 December 2017 management performed a test of the carrying amounts of trademarks and customer relations as an integral part of the Moderna portfolio goodwill test and OBOS portfolio goodwill test.

The impairment test of the acquired agricultural portfolio is based on renewal and retention rates, which are on the expected level. The test did not indicate any impairment.

#### DKKm

#### Software and assets under construction

As at 31 December 2017 management performed a test of the carrying amounts of software and assets under construction.

The impairment test compares the carrying amount with the estimated present value of future cash flows. The test did indicate an impairment of DKK 38m due to revaluation of the groups it-systems. The write-down is due to specific outdated IT systems. The cost is recognised as write-downs under depreciations in the income statement.

Assets under construction are not depreciated but tested once a year for impairment or when there is any indication of a decrease in value.

Software with a limited useful lifetime is amortised over 4 years using the straight-line method. Amortised software is assessed for impairment at the balance sheet date or when there are indications that the future cash flow cannot justify the carrying amount.

In the event that the recoverable amount is lower than the carrying amount, the difference is recognised in the income statement. The recoverable amount is the higher of fair value less sales costs and value in use.

# Notes

## 11 Property, plant and equipment

DKKkm	Operating equipment	Owner-occupied property	Assets under construction	Total
<b>2017</b>				
<b>Cost</b>				
Cost at 1 January	239	0	0	239
Exchange rate adjustments	-4	0	0	-4
Additions for the year	40	0	0	40
Disposals for the year	-2	0	0	-2
Cost at 31 December	273	0	0	273
<b>Accumulated depreciation and value adjustments</b>				
Accumulated depreciation and value adjustments at 1 January	-190	0	0	-190
Exchange rate adjustments	2	0	0	2
Depreciation for the year	-18	0	0	-18
Accumulated depreciation and value adjustments at 31 December	-206	0	0	-206
<b>Carrying amount at 31 December</b>	<b>67</b>	<b>0</b>	<b>0</b>	<b>67</b>
<b>2016</b>				
<b>Cost</b>				
Cost at 1 January	235	1,715	83	2,033
Exchange rate adjustments	3	20	2	25
Additions for the year	1	75	12	88
Disposals for the year	0	-1,810	-97	-1,907
Cost at 31 December	239	0	0	239
<b>Accumulated depreciation and value adjustments</b>				
Accumulated depreciation and value adjustments at 1 January	-173	-571	-81	-825
Exchange rate adjustments	-2	3	-2	-1
Depreciation for the year	-15	-17	0	-32
Value adjustments for the year at revalued amount in income statement	0	53	0	53
Value adjustments for the year at revalued amount in other comprehensive income	0	100	0	100
Reversed depreciation	0	432	83	515
Accumulated depreciation and value adjustments at 31 December	-190	0	0	-190
<b>Carrying amount at 31 December</b>	<b>49</b>	<b>0</b>	<b>0</b>	<b>49</b>

The owner-occupied properties were sold in December 2016. Please refer to note 25 Sale of properties.

# Notes

DKKm	2017	2016
<b>12 Investment property</b>		
Fair value at 1 January	2,323	1,838
Exchange rate adjustments	-27	16
Additions for the year	10	47
Disposals for the year	-1,015	-6
Value adjustments for the year	33	431
Reversed on sale	0	-3
<b>Fair value at 31 December</b>	<b>1,324</b>	<b>2,323</b>

Total rental income for 2017 is DKK 88m (DKK 129m in 2016).

Total expenses for 2017 are DKK 20m (DKK 24m in 2016). Of this amount, expenses for non-let property total DKK 0m (DKK 0m in 2016), total expenses for the income-generating investment property are DKK 20m (DKK 24m in 2016).

Value adjustments of DKK 420m and a fair value as at 31 December 2016 of DKK 1,015m relates to sale of property based on sales contracts. External experts were involved in valuing the majority of the other investment properties.

Return percentages, weighted average	2017	2016
Business property	6.4	6.9
Office property	7.9	6.9
Residential property	6.0	6.0
<b>Total</b>	<b>7.0</b>	<b>6.8</b>

## Sensitivity

Tryg's property valuations are based on the market-based rental income and operating expenses of the individual property relative to the required rate of return. The most important factors impacting the valuations are the applied rates of return, annual net rental income and occupancy rates. The average rates of return applied are stated above. The sensitivity in 2016 is exclusive of the property sold.

Impacts on the fair value of properties:	2017	2016
Increase in applied rate of return of 0.25%	-58	-51
Decrease in applied rate of return of 0.25%	63	57
Decrease in net rental income of 3%	-41	-37
Decrease in occupancy rate of 3%	-8	-9

DKKm	2017	2016
<b>13 Equity investments in associates</b>		
<b>Cost</b>		
Cost at 1 January	201	201
Additions for the year	14	0
Cost at 31 December	215	201
<b>Revaluations at net asset value</b>		
Revaluations at 1 January	17	28
Dividend received, this year	-10	-10
Reversed on sale	0	-14
Value adjustments for the year	3	13
Revaluations at 31 December	10	17
<b>Carrying amount at 31 December</b>	<b>225</b>	<b>218</b>

# Notes

DKKm

## 13 Equity investments in associates (continued)

Shares in associates according to the latest annual report:

Name and registered office	Assets	Liabilities	Equity	Revenue	Profit/loss for the year	Ownership share in %
<b>2017</b>						
Ejendomsselskabet af 1. marts 2006 P/S, Denmark	1,121	222	899	67	68	25
<b>2016</b>						
Ejendomsselskabet af 1. marts 2006 P/S, Denmark	1,106	234	872	66	54	25

Individual estimates are made of the degree of influence under the contracts made.

# Notes

DKKm	2017	2016
<b>14 Financial assets</b>		
Financial assets at fair value with value adjustments in the income statement	43,434	40,252
Derivative financial instruments at fair value used for hedge accounting with value adjustment in other comprehensive income	77	0
Receivables measured at amortised cost with value adjustment in the income statement	3,237	3,412
<b>Total financial assets</b>	<b>46,748</b>	<b>43,664</b>

Financial assets at amortised cost only deviate to a minor extent from fair value.

#### Financial liabilities

Derivative financial instruments at fair value with value adjustments in the income statement	746	681
Derivative financial instruments at fair value with value adjustments in other comprehensive income	0	21
Financial liabilities at amortised cost with value adjustment in the income statement	6,887	6,978
<b>Total financial liabilities</b>	<b>7,633</b>	<b>7,680</b>

Information on valuation of subordinate loan capital at fair value is stated in note 1.

Other financial liabilities measured at amortised cost only deviate to a minor extent from fair value.

#### 14 Financial assets (Continued)

##### The Fair value hierarchy

Quoted market prices (level 1) consists of financial instruments that are quoted in an active market. Tryg uses the price quoted in the principal market.

Valuation based on observable input (level 2) consists of financial instruments that are valued substantially on the basis of observable input other than a quoted price for the instrument itself. If a financial instrument is quoted in a market that is not active, Tryg bases its measurement on the most recent transaction price. Adjustment is made for subsequent changes to market conditions, for instance, by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations. For a number of financial assets and liabilities, no market exists. In such cases, Tryg uses recent transactions in similar instruments and discounted cash flows or other generally accepted estimation and valuation techniques based on market conditions at the balance sheet date to calculate an estimated value. This category covers instruments such as derivatives valued on the basis of observable yield curves and exchange rates and illiquid mortgage bonds valued by reference to the value of similar liquid bonds.

Valuation based on significant non-observable input (level 3): The valuation of certain financial instruments is based substantially on non-observable input. Such instruments include unlisted shares, unit trust investments and some unlisted bonds. The fair value of Investment property is also based on non-observable input. Please refer to note 12 and accounting policies section Investment property.

If, at the balance sheet date, a financial instrument's classification differs from its classification at the beginning of the year, the classification of the instrument changes. Changes are considered to have taken place at the balance sheet date. Developments in the financial markets can result in reclassifications between the categories. Some bonds have become illiquid and have therefore been moved from the Quoted prices to the Observable input category, while other bonds have become liquid and have been moved from the Observable input to the Quoted prices category.

# Notes

DKKm				
<b>14 Financial assets (Continued)</b>				
<i>Fair value hierarchy for financial instruments and investment property measured at fair value in the statement of financial position</i>				
	Quoted market price	Observable input	Non-observable input	Total
<b>2017</b>				
Investment property	0	0	1,324	1,324
Equity investments	0	0	179	179
Unit trust units	4,622	229	1	4,852
Bonds	18,343	18,808	0	37,151
Deposits with credit institutions	0	250	0	250
Derivative financial instruments, assets	0	1,079	0	1,079
Derivative financial instruments, debt	0	-746	0	-746
	<b>22,965</b>	<b>19,620</b>	<b>1,504</b>	<b>44,089</b>

<b>2016</b>				
Investment property	0	0	2,323	2,323
Equity investments	0	0	48	48
Unit trust units	2,999	942	9	3,950
Bonds	17,555	17,698	1	35,254
Derivative financial instruments, assets	0	1,000	0	1,000
Derivative financial instruments, debt	0	-702	0	-702
	<b>20,554</b>	<b>18,938</b>	<b>2,381</b>	<b>41,873</b>

Bonds measured on the basis of observable inputs consist of Norwegian bonds issued by banks and to some extent Danish semi-liquid bonds, where no quoted prices based on actual trades are available.

DKKm	2017	2016
Financial instruments transferred from quoted market prices to observable input	950	837
Financial instruments transferred from observable input to quoted market prices	1,379	388

In 2017 no unit trust units was transferred to category Observable input.

DKKm	2017	2016
<b>14 Financial assets (Continued)</b>		
<i>Financial instruments measured at fair value in the statement of financial position on the basis of non-observable input:</i>		
Carrying amount at 1 January	2,381	1,977
Exchange rate adjustments	-31	19
Gains/losses in the income statement	-8	464
Purchases	178	79
Sales	-1,016	-158
<b>Carrying amount at 31 December</b>	<b>1,504</b>	<b>2,381</b>
Gains/losses in the income statement for assets held at the statement of financial position date recognised in value adjustments	-39	381

Inflation derivatives are measured at fair value on the basis of non-observable input and are included under claims provisions at a fair value of DKK -386m (DKK -398m in 2016).

#### Sensitivity information

##### Impact on equity from the following changes:

Interest rate increase of 0.7-1.0 percentage point	-169	-199
Interest rate fall of 0.7-1.0 percentage point	169	-150
Equity price fall of 12 %	-231	-275
Fall in property prices of 8 % (exclusive of property sold).	-137	-104
Exchange rate risk (VaR 99)	-12	-14
Loss on counter parties of 8 %	-343	-466

The impact on the income statement is similar to the impact on equity. The statement complies with the disclosure requirements set out in the Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds issued by the Danish FSA.

# Notes

DKKm

## 14 Financial assets (Continued)

### Derivative financial instruments

Derivatives with value adjustments in the income statement at fair value:

	2017		2016	
	Nominal	Fair value in statement of financial position	Nominal	Fair value in statement of financial position
Interest derivatives	28,037	184	32,889	347
Share derivatives	-135	10	607	7
Exchange rate derivatives	9,121	139	7,735	-56
Derivatives according to statement of financial position	37,023	333	41,231	298
Inflation derivatives, recognised in claims provisions	3,311	-386	3,143	-398
<b>Total derivative financial instruments</b>	<b>40,334</b>	<b>-53</b>	<b>44,374</b>	<b>-100</b>
Due after less than 1 year	13,455	134	18,508	-91
Due within 1 to 5 years	10,498	-26	10,754	-16
Due after more than 5 years	16,381	-161	15,112	7

Derivatives, repos and reverses are used continuously as part of the cash and risk management carried out by Tryg and its portfolio managers.

DKKm

## 14 Financial assets (Continued)

### Derivative financial instruments used in connection with hedging of foreign entities for accounting purposes

Gains and losses on hedges charged to other comprehensive income:

2017	Gains	Losses	Net
Gains and losses at 1 January	2,652	-2,626	26
Reversed hedges in profit/loss	0	0	0
Value adjustments for the year	251	-116	135
<b>Gains and losses at 31 December</b>	<b>2,903</b>	<b>-2,742</b>	<b>161</b>

2016	Gains	Losses	Net
Gains and losses at 1 January	2,496	-2,420	76
Reversed hedges in profit/loss	0	-23	-23
Value adjustments for the year	156	-183	-27
<b>Gains and losses at 31 December</b>	<b>2,652</b>	<b>-2,626</b>	<b>26</b>

### Value adjustments

Value adjustments of foreign entities recognised in other comprehensive income in the amount of:

	2017	2016
Value adjustments at 1 January	-15	-66
Value adjustment for the year	-137	26
Exchange rate adjustment for the year recognised in profit/loss	0	25
<b>Value adjustments at 31 December</b>	<b>-152</b>	<b>-15</b>

# Notes

DKKm	2017	2016
<b>14 Financial assets (Continued)</b>		
<b>Receivables</b>		
Total receivables in connection with direct insurance contracts	1,471	1,108
Receivables from insurance enterprises	300	183
Reverse repos	602	0
Other receivables	355	1,646
	<b>2,728</b>	<b>2,937</b>
<i>Specification of write-downs on receivables from insurance contracts:</i>		
Write-downs at 1 January	117	116
Exchange rate adjustments	-5	3
Write-downs and reversed write-downs for the year	3	-2
<b>Write-downs at 31 December</b>	<b>115</b>	<b>117</b>
<p>Receivables are written down in full when submitted for debt collection. The write-down is reversed if payment is subsequently received from debt collection and amounts to DKK 42m (DKK 50m in 2016).</p> <p>Other receivables do not contain overdue receivables</p>		

DKKm	2017	2016
<b>15 Reinsurer's share</b>		
<i>Impairment test</i>		
<p>As at 31 December 2017, management performed a test of the carrying amount of total reinsurers' share of provisions for insurance contracts and receivables. The impairment test resulted in impairment charges totalling DKK 0m (DKK 2m in 2016). The use of reinsurance creates a natural counter party risk. The Risk will be handled by applying a wide range of reinsurers with at least an 'A' rating.</p>		
<b>16 Current tax</b>		
Net current tax at 1 January	-317	-239
Exchange rate adjustments	6	-9
Current tax for the year	-666	-636
Current tax on equity entries	-30	0
Adjustment of current tax in respect of previous years	-32	38
Tax paid for the year	845	529
<b>Net current tax at 31 December</b>	<b>-194</b>	<b>-317</b>
<i>Current tax is recognised in the statement of financial position as follows:</i>		
Under assets, current tax	0	0
Under liabilities, current tax	-194	-317
<b>Net current tax</b>	<b>-194</b>	<b>-317</b>



# Notes

DKKm			
18	Claims provisions		Net of reinsurance
	Gross	Ceded	
<b>2016</b>			
Claims provisions at 1 January	25,670	-3,004	22,666
Addition, purchase of Skandia portfolio	1,362	0	1,362
Value adjustments of provisions, beginning of year	392	-34	358
	<b>27,424</b>	<b>-3,038</b>	<b>24,386</b>
Paid in the financial year in respect of the current year	-6,839	44	-6,795
Paid in the financial year in respect of prior years	-7,105	1,143	-5,962
	-13,944	1,187	-12,757
Change in claims in the financial year in respect of the current year	13,053	-210	12,843
Change in claims in the financial year in respect of prior years	-1,439	189	-1,250
	11,614	-21	11,593
Discounting and exchange rate adjustment	358	52	410
Claims provisions at 31 December	25,452	-1,820	23,632

DKKm		2017	2016
19	Pensions and similar obligations		
	Jubilees	42	37
	<b>Recognised liability</b>	<b>42</b>	<b>37</b>
	<i>Defined-benefit pension plans:</i>		
	Present value of pension obligations funded through operations	65	70
	Present value of pension obligations funded through establishment of funds	1,068	1,198
	Pension obligation, gross	1,133	1,268
	Fair value of plan assets	885	960
	<b>Pension obligation, net</b>	<b>248</b>	<b>308</b>
	<i>Specification of change in recognised pension obligations:</i>		
	Recognised pension obligation at 1 January	1,268	1,192
	Adjustment regarding plan changes not recognised in the income statement and expected estimate deviation	0	37
	Exchange rate adjustments	-95	64
	Present value of pensions earned during the year	33	18
	Capital cost of previously earned pensions	16	22
	Actuarial gains/losses	-39	-8
	Paid during the period	-50	-57
	<b>Recognised pension obligation at 31 December</b>	<b>1,133</b>	<b>1,268</b>
	<i>Change in carrying amount of plan assets:</i>		
	Carrying amount of plan assets at 1 January	960	978
	Exchange rate adjustments	-73	51
	Investments in the year	83	34
	Estimated return on pension funds	2	7
	Actuarial gains/losses	-50	-66
	Paid during the period	-37	-44
	<b>Carrying amount of plan assets at 31 December</b>	<b>885</b>	<b>960</b>
	<b>Total pensions and similar obligations at 31 December</b>	<b>248</b>	<b>308</b>
	<b>Total recognised obligation at 31 December</b>	<b>290</b>	<b>345</b>

# Notes

DKKm	2017	2016
<b>19 Pensions and similar obligations (continued)</b>		
<i>Specification of pension cost for the year:</i>		
Present value of pensions earned during the year	28	11
Interest expense on accrued pension obligation	17	22
Expected return on plan assets	-2	-6
Accrued employer contributions	6	6
<b>Total year's cost of defined-benefit plans</b>	<b>49</b>	<b>33</b>
The premium for the following financial years is estimated at	36	49
Number of active persons	450	517
Number of pensioners	605	637
Average expected remaining service time (years)	8.00	8.00
<b>Estimated distribution of plan assets:</b>	<b>%</b>	<b>%</b>
Shares	10	8
Bonds	79	76
Property	10	12
Other	1	3
Average return on plan assets	0.2	0.7
Weighted average duration of the defined benefit obligation (years)	13	13
<b>Assumptions used</b>	<b>%</b>	<b>%</b>
Discount rate	1.7	1.4
Estimated return on pension funds	1.7	1.4
Salary adjustments	2.5	2.3
Pension adjustments	0.4	0.0
G adjustments	2.3	2.0
Turnover	7.0	7.0
Employer contributions	19.1	14.0
Mortality table	K2013	K2013

DKKm	2017	2016
<b>19 Sensitivity information</b>		
The sensitivity analysis is based on a change in one of the assumptions, assuming that all other assumptions remain constant. In reality, this is rarely the case, and changes to some assumptions may be subject to covariance. The sensitivity analysis has been carried out using the same method as the actuarial calculation of the pension provisions in the statement of financial position.		
<i>Impact on equity from the following changes:</i>		
Interest rate increase of 0.3 percentage point	46	52
Interest rate decrease of 0.3 percentage point	-49	-55
Pay increase rate, increase of 1 percentage point	-92	-103
Pay increase rate, decrease of 1 percentage point	78	88
Turnover, increase of 2 percentage point	22	31
Turnover, decrease of 2 percentage point	-26	-33
<b>Description of the Norwegian plan</b>		
In the Norwegian part of the Group, about half of the employees have a defined-benefit pension plan. The plans are based on the employees' expected final pay, providing the members of the plan with a guaranteed level of pension benefits throughout their lives. The pension benefits are determined by the employees' term of employment and salary at the time of retiring. Employees having made contributions for a full period of contribution are guaranteed a pension corresponding to 66% of their final pay. As of 2014, pensions being disbursed are no longer regulated in step with the basic amount of old-age pension paid in Norway (G regulation), but are subject to a minimum regulation. The plan are closed for new business. Under the present defined-benefit plan, members earn a free policy entitlement comprising disability cover, spouse and cohabitant cover and children's pension.		
The pension funds are managed by Nordea Liv & Pension and regulated by local legislation and practice.		
<b>Description of the Swedish plan</b>		
Moderna Försäkringar, a branch of Tryg Forsikring A/S, complies with the Swedish industry pension agreement, the FTP plan, which is insured with Försäkringsbranschens Pensionskassa - FPK. Under the terms of the agreement, the Group's Swedish branch has undertaken, along with the other businesses in the collaboration, to pay the pensions of the individual employees in accordance with the applicable rules.		
The FTP plan is primarily a defined-benefit plan in terms of the future pension benefits. FPK is unable to provide sufficient information for the Group to use defined-benefit accounting. For this reason, the Group has accounted for the plan as if it were a defined-contribution plan in accordance with IAS 19.30. This year's premium paid to FPK amounted to DKK 14m, which is about 2,5 % of the annual premium in FPK (2016). FPK writes in its interim report for 2017 that it had a collective consolidation ratio of 140 at 30 June 2017 (consolidation ratio of 137 at 31 December 2016). The collective consolidation ratio is defined as the fair value of the plan assets relative to the total collective pension obligations.		

# Notes

DKKm	2017	2016
<b>20 Deferred tax</b>		
<b>Tax asset</b>		
Operating equipment	8	8
Debt and provisions	51	30
Capitalised tax loss	0	1
	<b>59</b>	<b>39</b>
<b>Tax liability</b>		
Intangible rights	25	33
Land and buildings	130	70
Bonds	15	38
Contingency funds	545	600
	<b>715</b>	<b>741</b>
<b>Deferred tax</b>	<b>656</b>	<b>702</b>
<b>Development in deferred tax</b>		
Deferred tax at 1 January	702	645
Exchange rate adjustments	-48	24
Change in deferred tax relating to change in tax rate	-1	0
Change in deferred tax previous years	13	31
Change in deferred tax recognised in income statement	-10	60
Change in valuation of tax asset	0	-17
Change in deferred tax taken to equity	0	-41
<b>Deferred tax at 31 December</b>	<b>656</b>	<b>702</b>
Tax value of non-capitalised tax loss		
Denmark	16	16
<p>The loss in Tryg A/S cannot be utilised in the Danish joint taxation scheme. The loss can be carried forward indefinitely. Loss determined according to Swedish rules can be carried forward indefinitely.</p> <p>The losses are not recognised as tax assets until it has been substantiated that the company can generate sufficient future taxable income to offset the tax loss. The total current and deferred tax relating to items recognised in equity is recognised in the statement of financial position in the amount of DKK 25m (DKK -30m at 31 December 2016).</p>		

DKKm	2017	2016
<b>21 Other provisions</b>		
Other provisions at 1 January	125	132
Exchange rate adjustment	-4	0
Change in provisions	-10	-7
<b>Other provisions 31 December</b>	<b>111</b>	<b>125</b>
<p>Other provisions relate to provisions for the Group's own insurance claims and restructuring costs. Additions to the provision for restructuring costs during the year amounts to DKK 30m and reassessment of the beginning of year balance amounts to DKK 24m. The balance as at 31 December 2017 amounts to DKK 104m (DKK 123m at 31 December 2016).</p>		
<b>22 Amounts owed to credit institutions</b>		
Overdraft facilities	306	178
	<b>306</b>	<b>178</b>
<b>23 Debt relating to unsettled funds transactions and repos</b>		
Unsettled fund transactions	1,611	258
Repo debt	100	1,474
	<b>1,711</b>	<b>1,732</b>
<p>Unsettled fund transactions include debt for bonds purchased in 2016 and 2017, however, with settlement in 2017 and 2018, respectively. Financial instruments comprised by repo agreements, meaning financial instruments sold before the balance sheet date and repurchased after the balancesheet date, remains recognised in the balance sheet, while the received amount is recognised as Repo debt.</p>		

# Notes

DKKm	2017	2016
<b>24 Earnings per share</b>		
Profit/loss from continuing business	2,519	2,472
Profit/loss on discontinued and divested business	-2	-1
Profit/loss for the year	2,517	2,471
Average number of shares (1,000)	276,080	279,399
Diluted average number of shares (1,000)	276,080	279,399
Earnings per share, continuing business	9.12	8.84
Diluted earnings per share, continuing business	9.12	8.84
Earnings per share	9.12	8.84
Diluted earnings per share	9.12	8.84

## 25 Sale of properties

In December 2016 Tryg signed sales contracts of its two owner-occupied properties in Ballerup and Bergen and 3 investment properties. The recognition in the accounts in 2016 is:

### Recognised in

	Carrying amount 1 Jan. 2016	Other compre- hensive income	Income statement value adjustments	Carrying amount 31 Dec. 2016
Investment property, sold	597		420	1,017
Owner-occupied property, sold *	1,144	100	93	0
<b>Total property sold</b>	<b>1,741</b>	<b>100</b>	<b>513</b>	<b>1,017</b>
Other estimated costs concerning the sales			-13	
<b>Total impact in 2016</b>		<b>100</b>	<b>500</b>	

a) Carrying amount is recognised in Other receivables

New lease contracts for the continued rental of both owner-occupied properties have been signed in 2016.

DKKm	Obligations due by period					Total
	<1 year	1-3 years	3-5 years	> 5 years		
<b>26 Contractual obligations, collateral and contingent liabilities</b>						
<b>Contractual obligations</b>						
<b>2017</b>						
Operating leases	120	197	134	552	1,003	
Other contractual obligations	867	40	6	0	913	
	<b>987</b>	<b>237</b>	<b>140</b>	<b>552</b>	<b>1,916</b>	
<b>2016</b>						
Operating leases	140	246	299	260	945	
Other contractual obligations	202	0	0	0	202	
	<b>342</b>	<b>246</b>	<b>299</b>	<b>260</b>	<b>1,147</b>	

## 2017

*Tryg has signed the following contracts with amounts above DKK 50m:*

Tryg is committed to Investments in some Property funds. The commitment amount to DKK 674m and are expected called during 2018.

## 2016

In December 2016 Tryg signed sales contracts about its two owner-occupied properties in Ballerup and Bergen and 3 investment properties. Please also refer to note 25 Sale of properties.

Outsourcing agreement with TCS for DKK 64m for a 4 year period, which expires in 2017.

# Notes

DKKm	2017	2016
<b>26 Contractual obligations, collateral and contingent liabilities (continued)</b>		
The Danish companies in the Tryg Group are jointly taxed with TryghedsGruppen smba. The companies and the other jointly taxed companies are liable for any obligations to withhold taxes at source on interest, royalties, dividends and income taxes etc. in respect of the jointly taxed companies.		
<i>Tryg Forsikring A/S and Tryg Livsforsikring A/S have registered the following assets as having been held as security for the insurance provisions:</i>		
Equity investments	14	36
Unit trust units	1,759	3,950
Bonds	36,000	33,534
Deposits with credit institutions	250	0
Interest and rent receivable	197	224
Equity investments in and receivables from Group undertakings which have been eliminated in the consolidated financial statements	2,529	3,172
<b>Total</b>	<b>40,749</b>	<b>40,916</b>

# Notes

DKKm						
26 Contractual obligations, collateral and contingent liabilities (continued)						
Offsetting and collateral in relation to financial assets and obligations						
			Collateral which is not offset in the statement of financial position			
	Gross amount before offsetting	Offsetting	According to the statement of financial position	Bonds as collateral for repos/ reverse repos	Collateral in cash	Net amount
<b>2017</b>						
<b>Assets</b>						
Reverse repos	602	0	602	-602	0	0
Derivative financial instruments	1,079	0	1,079	0	-1,058	21
Inflation derivatives, recognised in claims provisions	19	0	19	0	-15	4
	<b>1,700</b>	<b>0</b>	<b>1,700</b>	<b>-602</b>	<b>-1,073</b>	<b>25</b>
<b>Liabilities</b>						
Repo debt	100	0	100	-100	-1	-1
Derivative financial instruments	746	0	746	0	-718	28
Inflation derivatives, recognised in claims provisions	405	0	405	0	-411	-6
	<b>1,251</b>	<b>0</b>	<b>1,251</b>	<b>-100</b>	<b>-1,130</b>	<b>21</b>
<b>2016</b>						
<b>Assets</b>						
Derivative financial instruments	1,000	0	1,000	0	-1,004	-4
Inflation derivatives, recognised in claims provisions	16	0	16	0	-13	3
	<b>1,016</b>	<b>0</b>	<b>1,016</b>	<b>0</b>	<b>-1,017</b>	<b>-1</b>
<b>Liabilities</b>						
Repo debt	1,474	0	1,474	-1,474	-4	-4
Derivative financial instruments	702	0	702	0	-727	-25
Inflation derivatives, recognised in claims provisions	414	0	414	0	-425	-11
	<b>2,590</b>	<b>0</b>	<b>2,590</b>	<b>-1,474</b>	<b>-1,156</b>	<b>-40</b>

## Contingent liabilities

In May 2016, Tryg received notice of an action from Finansforbundet in Norway (the Finance Sector Union of Norway) on behalf of a group of pensioners. The action concerned the adjustment in the pension schemes of Norwegian employees made in 2014.

Tryg has now received the actual lawsuit. According to Tryg's preliminary calculations, the claim will not exceed a maximum of approximately DKK 300m after tax for the persons affected by the adjustment.

Tryg and its legal advisor do not agree that the adjustment was wrongful and consider the claim uncertain. Consequently, Tryg expects an action to be resolved in court and does not expect a ruling to be made for the next 2 years.

Therefore the claim is not recognised as a liability in the financial statement, but recognised as contingent liability.

Companies in the Tryg Group are party to a number of disputes. Management believes that the outcome of these disputes will not affect the Group's financial position significantly beyond the obligations recognized in the statement of financial position at 31 December 2017.

# Notes

DKK m

## 27 Acquisition of subsidiaries

**2017**

### OBOS

In February 2017 Tryg and OBOS BLL signed an agreement whereby Tryg acquired OBOS' insurance activities and shares in OBOS Forsikring AS and integrated them into its Norwegian business.

The acquisition affects the Financial statement from 1 June 2017:

If the activities were included with a full year, the premium income would amount to approx. DKK 140m and the technical result would be slightly negative. Management believes that through various actions, the earnings-level after the acquisition of the activities will be significantly increased, to a level more inline with other Tryg activities in Norway.

### FDM

Tryg acquired FDM's insurance portfolio at 1st January 2018. In October 2017, Tryg began selling insurance products to FDM's customers, and by 1 January 2018, all current customers had been transferred to Tryg. Please refer to management's review for further information.

### Alka

In December 2017 Tryg agreed to acquire Alka Forsikring A/S. The transaction is expected to close during H1 2018, following a period of regulatory approval. The acquisition did not have any impact on the financial statements 2017. Please refer to management's review for further information.

	<b>OBOS 2017</b>	<b>Skandia 2016</b>
<b>Net assets acquired</b>		
<b>Assets</b>		
Intangible assets	51	58
Financial assets	121	1,471
Total reinsurance of provisions	49	0
Receivables, other assets and accrued income	113	0
<b>Liabilities</b>		
Total provisions for insurance contracts	143	1,389
Debt and accruals and deferred income	74	0
<b>Net assets acquired</b>	<b>117</b>	<b>140</b>
Hereof cash	13	0
<b>Purchase price</b>	<b>168</b>	<b>217</b>
Purchase price in cash	155	217
<b>Goodwill</b>	<b>51</b>	<b>77</b>

## 27 Acquisition of subsidiaries

The Group has not incurred any significant acquisition costs in connection with the closed acquisitions. The purchase prices are final. In connection with the acquisitions, a sum was paid which exceeds the fair value of the identifiable acquired assets and total provisions for insurance contracts. This positive balance is mainly attributable to customer relations and to expected synergies between the portfolios in the acquired activities and the Group's existing activities, which are not separately identifiable.

The determination of the pro forma amounts for premium income and technical result for the period is based on the following significant assumptions:

- Premiums and claims have been calculated on the basis of the fair values determined in the acquisition balance sheets for premium and claims provisions, rather than the original carrying amounts.
- Other costs, including amortisation of intangible assets, have been calculated on the basis of the fair values determined in the acquisition balance sheets, rather than the original carrying amounts.

### 2016

In August 2015 Tryg and Skandia signed an agreement whereby Tryg acquired Skandia's activities within child and adult accident insurance and integrated them into its Swedish business, Moderna Forsäkringar. The transaction was approved by the Danish FSA and implemented 1 September 2016. The acquisition affects the Financial statement from 1 September 2016.

If the activities were included with a full year, the premium income would amount to approx. DKK 200m and the technical result would be approx. DKK 30-60m. Management believes that these pro forma figures reflect the Group's earnings level after the acquisition of the activities and that the amounts may form the basis for comparisons in subsequent financial years.

# Notes

DKKm	2017	2016				
<b>28 Related parties</b>						
The group has no related parties with a decisive influence other than the parent company, TryghedsGruppen smba and the subsidiaries of TryghedsGruppen smba (other related parties). Related parties with significant influence include the Supervisory Board, the Executive Board and their members' family.						
<b>Premium income</b>						
- Parent company (TryghedsGruppen smba)	0.4	0.5				
- Key management	0.3	0.4				
- Other related parties	2.2	3.7				
<b>Claims payments</b>						
- Key management	0.1	0.1				
- Other related parties	1.0	1.8				
<b>Specification of remuneration</b>						
<b>2017</b>	<b>Number of persons</b>	<b>Base salary</b>	<b>Share-based Variable salary<sup>a)</sup></b>	<b>Cash Variable salary</b>	<b>Pension</b>	<b>Total</b>
Supervisory Board	14	8	0	0	0	8
Executive Board	3	20	3	0	5	28
Risk-takers investment functions	6	9	1	2	1	13
Risk-takers staff functions	15	23	1	2	3	29
Risk-takers independent control functions	3	4	0	0	1	5
Risk-takers other functions	19	41	4	7	6	58
	<b>60</b>	<b>105</b>	<b>9</b>	<b>11</b>	<b>16</b>	<b>141</b>

a) Total expenses in 2017 for matching shares programs allocated in 2017 and previous year.

For matching shares allocated to Executive Board in 2018 for fiscal year 2017, see Section 'Corporate governance' in Management review.

Of which retired:	Number of persons	Severance pay
Supervisory Board	1	0
Executive Board	0	0
Risk-takers	1	0
	<b>2</b>	<b>0</b>

DKKm	2016	Number of persons	Base salary	Share-based Variable salary <sup>a)</sup>	Cash Variable salary	Pension	Total
<b>28 Related parties (continued)</b>							
Supervisory Board	14	7	0	0	0	7	
Executive Board	4	19	2	0	5	26	
Risk-takers	8	15	0	0	2	17	
	<b>26</b>	<b>41</b>	<b>2</b>	<b>0</b>	<b>7</b>	<b>50</b>	
a) Exclusive of severance pay							
<b>Of which retired:</b>	<b>Number of persons</b>	<b>Severance pay</b>					
Supervisory Board	2	0					
Executive Management	1	0					
Risk-takers	1	0					
	<b>4</b>	<b>0</b>					

Fees are charges incurred during the financial year. Variable salary includes the charges for matching shares, which are recognised over 3-4 years. Reference is made to section 'Corporate governance' of the management's review on the corresponding disbursements. The Executive Board and risk-takers are included in incentive programmes. Please refer to note 6 for information concerning this.

The members of the Supervisory Board in Tryg A/S are paid with a fixed remuneration and are not covered by the incentive schemes.

The Executive Board is paid a fixed remuneration and pension. The variable salary is awarded in the form of a matching share programme, see 'Corporate governance'. Besides this, the Executive Board have free car appropriate to their position as well as other market conformal employee benefits. Each member of the Executive Board is entitled to 12 months' notice and severance pay equal to 12 months' salary plus pension contribution (Group CEO is entitled to severance pay equal to 18 months' salary). If a change of control clause is actioned CEO and COO are instead entitled to Severance pay equal to 36 months' salary and CFO to 24 months' salary and a notice period of 6 months.

Risk-takers are defined as employees whose activities have a significant influence on the company's risk profile. The Supervisory Board decides which employees should be considered to be risk-takers.

# Notes

## DKKm

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### 28 Parent company

#### TryghedsGruppen smba

TryghedsGruppen smba controls 60% of the shares in Tryg A/S.

Tryg transferred DKK 40m to TryghedsGruppen regarding commitment fee related to capital increase in december 2017. The transactions between TryghedsGruppen smba and Tryg A/S is conducted on an arm's length basis.

#### Intra-group transactions

Administration fee, etc. is fixed on a cost-recovery basis. Intra-group accounts are offset and carry interest on market terms.

The companies in the Tryg Group have entered into reinsurance contracts on market terms.

Transactions with Group undertakings have been eliminated in the consolidated financial statements in accordance with the accounting policies.

### 29 Financial highlights

Please refer to page 49.

# Notes

## 30 Accounting policies

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as per adopted by the EU on 31 December 2017 and in accordance with the Danish Statutory Order on Adoption of IFRS.

The annual report of the parent company is prepared in accordance with the executive order on financial reports presented by insurance companies and lateral pension funds issued by the Danish FSA. The deviations from the recognition and measurement requirements of IFRS are:

- The Danish FSA's executive order does not allow provisions for deferred tax of contingency reserves allocated from untaxed funds. Deferred tax and the other comprehensive income of the parent company have been adjusted accordingly on the transition to IFRS.

The accounting policies have been applied consistently with last year.

## Accounting regulation

### Implementation of changes to accounting standards and interpretation in 2017

The International Accounting Standards Board (IASB) has issued a number of changes to the international accounting standards, and the International Financial Reporting Interpretations Committee (IFRIC) has also issued a number of interpretations.

No standards or interpretations have been implemented for the first time for the accounting year that began on 1st January 2017 that will have a significant impact on the group.

There has not been implemented any new or amended standards and interpretations that have affected the group significantly.

### Future orders, standards and interpretations that the group has not implemented and which have still not entered into force but could effect the group significantly:

- IFRS 16 'Leases' <sup>a)</sup>
- IFRS 9 'Financial Instruments' <sup>b)</sup>
- IFRS 17 'Insurance Contracts' <sup>c)</sup>

**a)** enters into force for the accounting year commencing 1 January 2019, but will be applied from 1 January 2018.

**b)** enters into force for the accounting year commencing 1 January 2018. But insurance companies are allowed to postpone the implementation to 1 January 2021 if certain criteria are met.

**c)** enters into force for the accounting year commencing 1 January 2021.

The implementation of IFRS 9 'financial instruments' and IFRS 16 'leases' is not expected to significantly change the group's financial position.

However, IFRS 16 will change the composition of the statement of financial position, but without adding new risks. Implementing IFRS 16 Tryg will recognise assets and liabilities in the balance sheet but it is not expected to have a significant impact on either profit or loss or equity. Earlier application of IFRS 16 is only possible because Tryg also applies IFRS 15 'Revenue from Contracts with Customers', however applying IFRS 15 have no significant impact on the statement of financial position or profit or loss due to our income is primarily related to premiums accounted for under IFRS 4.

Tryg will primarily be effected by lease agreements related to cars and premises. The total impact on the balance sheet 1 January 2018, using the modified retrospective approach is expected to be:

### Assets

Total property, plant and equipment	674
Total assets	674

### Equity and liabilities

Total debt	674
Total equity and liabilities	674

Regarding IFRS 9 the assessment of no significant impact on the statement of financial position or profit and loss is based on the assumption that Tryg already carry all financial instruments at fair value through profit and loss. The implementation of IFRS 9, will not effect Trygs recognition and measurement. Tryg expects to postpone the implementation of IFRS 9 to 1 January 2021 when IFRS 17 Insurance Contracts will be applicable. Tryg can postpone IFRS 9 due to our activities are predominantly connected with insurance and that our liabilities connected with insurance is relatively greater than 80 per cent of the total liabilities. The impact of IFRS 17 is currently being assessed and is expected to be concluded in due course in time of the implementation date.

The changes will be implemented going forward from the effective date.

### Changes to accounting estimates

There have been no changes to the accounting estimates in 2017.

### Significant accounting estimates and assessments

The preparation of financial statements under IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are:

- Liabilities under insurance contracts
- Valuation of defined benefit plans
- Fair value of financial assets and liabilities
- Valuation of property
- Measurement of goodwill, Trademarks and Customer relations
- Control of subsidiaries

### Liabilities under insurance contracts

Estimates of provisions for insurance contracts represent the Group's most critical accounting estimates, as these provisions involve a number of uncertainty factors.

Claims provisions are management's best estimate based on actuarial and statistical projections of claims and administration of claims including a margin incorporating the uncertainty related to the range of actuarial scenarios and other short and long-term risks not reflected in standard actuarial models. The projections are based on Tryg's knowledge of historical developments, payment patterns, reporting delays, duration of the claims settlement process and other factors that might influence future developments in the liabilities.

The Group makes claims provisions, in addition to provisions for known claims, which cover estimated compensation for losses that has incurred, but are not yet reported to the Group (known as IBNR reserves) and future developments in claims which are known to the Group but are not finally settled. Claims provisions also include direct and indirect claims settlement costs or loss adjustment expenses that arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to Tryg.

The calculation of the claims provisions is therefore inherently uncertain and, by necessity, relies upon the making of certain assumptions as regards factors such as court decisions, amendments to legislation, social inflation and other economic trends, including inflation.

# Notes

The Group's actual liability for losses may therefore be subject to material positive or negative deviations relative to the initially estimated claims provisions.

Claims provisions are discounted. As a result, initial changes in discount rates or changes in the duration of the claims provisions could have positive or negative effects on earnings. Discounting affects the motor third-party liability, general third-party liability, workers' compensation classes, including sickness and personal accident, in particular.

The Financial Supervisory Authority's discount curve, which is based on Eiopa's yield curves, is used to discount Danish, Norwegian and Swedish claims provisions in relation to the relevant functional currencies.

Several assumptions and estimates underlying the calculation of the claims provisions are mutually dependent. This has the greatest impact on assumptions regarding interest rates and inflation.

## **Defined benefit pension schemes**

The Group operates a defined-benefit plan in Norway. A defined-benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, depending on age, years of service and salary.

The net obligation with respect to the defined-benefit plan is based on actuarial calculations involving a number of assumptions. The assumptions include discount interest rate, expected future salary and pension adjustments, turnover, mortality and disability.

## **Fair value of financial assets and liabilities**

Measurements of financial assets and liabilities for which prices are quoted in an active market or which are based on generally accepted models with observ-

able market data are not subject to material estimates. For securities that are not listed on a stock exchange, or for which no stock exchange price is quoted that reflects the fair value of the instrument, the fair value is determined using a current OTC price of a similar financial instrument or using a model calculation. The valuation models include the discounting of the instrument cash flow using an appropriate market interest rate with due consideration for credit and liquidity premiums.

## **Valuation of property**

Investment property is recognised at fair value. The calculation of fair value is based on market prices, taking into consideration the type of property, location and maintenance standard, and based on a market-determined rental income as well as operating expenses in proportion to the property's required rate of return.

**Cf. note 12.**

## **Measurement of goodwill, Trademarks and Customer relations**

Goodwill, Trademarks and customer relations was acquired in connection with acquisition of businesses. Goodwill is allocated to the cash-generating units under which management manages the investment. The carrying amount is tested for impairment at least annually. Impairment testing involves estimates of future cash flows and is affected by a number of factors, including discount rates and other circumstances dependent on economic trends, such as customer behaviour and competition. **Cf. note 10.**

## **Control of subsidiaries**

Control of subsidiaries is assessed yearly. Hence whether a subsidiary should still be part of the consolidation on line by line basis or as a single line item in the balance sheet.

## **Description of accounting policies**

### **Recognition and measurement**

The annual report has been prepared under the historical cost convention, as modified by the revaluation of owner-occupied property, where increases are recognised in other comprehensive income, and revaluation of investment property, financial assets held for trading and financial assets and financial liabilities (including derivative instruments) at fair value in the income statement.

Assets are recognised in the statement of financial position when it is probable that future economic benefits will flow to the Group, and the value of such assets can be measured reliably. Liabilities are recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Group, and the value of such liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost, with the exception of financial assets, which are recognised at fair value. Measurement subsequent to initial recognition is effected as described below for each item. Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the statement of financial position date are considered at recognition and measurement.

Income is recognised in the income statement as earned, whereas costs are recognised by the amounts attributable to this financial year. Value adjustments of financial assets and liabilities are recognised in the income statement unless otherwise described below.

All amounts in the notes are shown in millions of DKK, unless otherwise stated.

## **Consolidation**

### **Consolidated financial statements**

The consolidated financial statements comprise the financial statements of Tryg A/S (the parent company) and the enterprises (subsidiaries) controlled by the parent company. The parent company is regarded as controlling an enterprise when it

- exercises a controlling influence over the relevant activities in the enterprise in question
- is exposed to or has the right to a variable return on its investment, and
- can exercise its controlling influence to affect the variable return.

Enterprises in which the Group directly or indirectly holds between 20% and 50% of the voting rights and exercises significant influence but no controlling influence are classified as associates.

### **Basis of consolidation**

The consolidated financial statements are prepared on the basis of the financial statements of Tryg A/S and its subsidiaries. The consolidated financial statements are prepared by combining items of a uniform nature. The financial statements used for the consolidation are prepared in accordance with the Group's accounting policies.

On consolidation, intra-group income and costs, intra-group accounts and dividends, and gains and losses arising on transactions between the consolidated enterprises are eliminated.

Items of subsidiaries are fully recognised in the consolidated financial statements.

### **Business combinations**

Newly acquired or newly established enterprises are recognised in the consolidated financial statements

# Notes

from the date of acquisition and the date of formation, respectively. The date of acquisition is the date on which control of the acquired enterprise actually passes to Tryg. Divested or discontinued enterprises are recognised in the consolidated statement of comprehensive income up to the date of disposal or the settlement date. The date of disposal is the date on which control of the divested enterprise actually passes to a third party.

The purchase method is applied for new acquisitions if the Group gains control of the acquired enterprise. Subsequently, identifiable assets, liabilities and contingent liabilities in the acquired enterprises are measured at fair value at the date of acquisition. Non-current assets which are acquired with the intention of selling them are, however, measured at fair value less expected selling costs. Restructuring costs are recognised in the pre-acquisition balance sheet only if they constitute an obligation for the acquired enterprise. The tax effect of revaluations is taken into account. The acquisition price of an enterprise consists of the fair value of the price paid for the acquired enterprise. If the final determination of the price is conditional upon one or more future events, such events are recognised at their fair values at the date of acquisition. Costs relating to the acquisition are recognised in the income statement as incurred.

Any positive balances (goodwill) between the acquisition price of the acquired enterprise, the value of minority interests in the acquired enterprise and the fair value of previously acquired equity investments, on the one hand, and the fair value of the acquired assets, liabilities and contingent liabilities, on the other hand, are recognised as an asset under intangible assets, and are tested for impairment at least once a year. If the carrying amount of the asset exceeds its recoverable amount, it is impaired to the lower recoverable amount.

In the event of negative balances (negative goodwill), the calculated fair values, the calculated acquisition price of the enterprise, the value of minority interests in

the acquired enterprise and the fair value of previously acquired equity investments are revalued. If the balance is still negative, the amount is recognised as income in the income statement.

If, at the date of acquisition, there is uncertainty as to the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the acquisition price, initial recognition is based on a preliminary determination of values. The preliminarily determined values may be adjusted or additional assets or liabilities may be recognised up to 12 months after the acquisition, provided that new information has come to light regarding matters existing at the date of acquisition which would have affected the determination of the values at the date of acquisition, had such information been known.

As a general rule, subsequent changes in estimates of conditional acquisition prices are recognised directly in the income statement.

## Currency translation

A functional currency is determined for each of the reporting entities in the Group. The functional currency is the currency used in the primary economic environment in which the reporting entity operates. Transactions in currencies other than the functional currency are transactions in foreign currencies.

On initial recognition, transactions in foreign currencies are translated into the functional currency using the exchange rate applicable at the transaction date. Assets and liabilities denominated in foreign currencies are translated using the exchange rates applicable at the statement of financial position date. Translation differences are recognised in the income statement under price adjustments.

On consolidation, the assets and liabilities of the Group's foreign operations are translated using the exchange rates applicable at the statement of financial position date. Income and expense items are translated using the

average exchange rates for the period. Exchange rate differences arising on translation are classified as other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the activities are divested. All other foreign currency translation gains and losses are recognised in the income statement.

The presentation currency in the annual report is DKK.

## Segment reporting

Segment information is based on the Group's management and internal financial reporting system and supports the management decisions on allocation of resources and assessment of the Group's results divided into segments.

The operational business segments in the Tryg are Private, Commercial, Corporate and Sweden. Private encompasses the sale of insurances to private individuals in Denmark and Norway. Commercial encompasses the sale of insurances to small and medium sized businesses, in Denmark and Norway. Corporate sells insurances to industrial clients primarily in Denmark, Norway and Sweden. In addition, Corporate handles all business involving brokers. Sweden encompasses the sale of insurance products to private individuals in Sweden as well as sale of Product insurances in the Nordic region.

Geographical information is presented on the basis of the economic environment in which the Tryg Group operates. The geographical areas are Denmark, Norway and Sweden.

Segment income and segment costs as well as segment assets and liabilities comprise those items that can be directly attributed to each individual segment and those items that can be allocated to the individual segments on a reliable basis. Unallocated items primarily comprise assets and liabilities concerning investment activity managed at Group level.

## Key ratios

Earnings per share (EPS) are calculated according to IAS 33. This and other key ratios are calculated in accordance with Recommendations and Ratios issued by the The Danish Finance Society and the Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds issued by the Danish Financial Supervisory Authority.

## Income statement

### Premiums

Premium income represents gross premiums written during the year, net of reinsurance premiums and adjusted for changes in premium provisions, corresponding to an accrual of premiums to the risk period of the policies, and in the reinsurers' share of the premium provisions.

Premiums are calculated as premium income in accordance with the risk exposure over the cover period, calculated separately for each individual insurance contract. The calculation is generally based on the pro rata method, although this is adjusted for an unevenly divided risk between lines of business with strong seasonal variations or for policies lasting many years.

The portion of premiums received on contracts that relate to unexpired risks at the statement of financial position date is reported under premium provisions.

The portion of premiums paid to reinsurers that relate to unexpired risks at the statement of financial position date is reported as the reinsurers' share of premium provisions.

### Technical interest

According to the Danish FSA's executive order, technical interest is presented as a calculated return on the year's average insurance liability provisions, net of reinsurance. The calculated interest return for grouped classes of risks is calculated as the monthly average provision plus an actual interest from the present yield curve for each individual group of risks. The interest is applied according to the expected run-off pattern of the provisions.

# Notes

Insurance technical interest is reduced by the portion of the increase in net provisions that relates to unwinding.

## Claims

Claims are claims paid during the year and adjusted for changes in claims provisions less the reinsurers' share. In addition, the item includes run-off gains/losses in respect of previous years. The portion of the increase in provisions which can be ascribed to unwinding is transferred to insurance technical interest.

Claims are shown inclusive of direct and indirect claims handling costs, including costs of inspecting and assessing claims, costs to combat and mitigate damage and other direct and indirect costs associated with the handling of claims incurred.

Changes in claims provisions due to changes in yield curve and exchange rates are recognised as a price adjustment.

Tryg hedges the risk of changes in future pay and price figures for provisions for workers' compensation. Tryg uses zero coupon inflation swaps acquired with a view to hedging the inflation risk. Value adjustments of these swaps are included in claims, thereby reducing the effect of changes to inflation expectations under claims.

## Bonus and premium discounts

Bonuses and premium discounts represent anticipated and refunded premiums to policyholders, where the amount refunded depends on the claims record, and for which the criteria for payment have been defined prior to the financial year or when the insurance was taken out.

## Insurance operating expenses

Insurance operating costs represent acquisition costs and administration expenses less reinsurance commissions received. Expenses relating to acquiring and renewing the insurance portfolio are recognised at the time of writing the business. Underwriting commission is recognised when a legal obligation occurs. Administra-

tion expenses are all other expenses attributable to the administration of the insurance portfolio. Administration expenses are accrued to match the financial year.

## Leasing

Leases are classified either as operating or finance leases. The assessment of the lease is based on criteria such as ownership, right of purchase when the lease term expires, considerations as to whether the asset is custom made, the lease term and the present value of the lease payments.

Assets held under operating leases are not recognised in the statement of financial position, but the lease payments are recognised in the income statement over the term of the lease, corresponding to the economic lifetime of the asset. The Group has no assets held under finance leases.

## Sale and lease back of owner-occupied property – operating lease

Sale and lease back transactions are carried out at fair value and any gains or losses are recognised immediately either in the income statement or other comprehensive income. Losses are recognised in the income statement unless it is a reversal of a write up previously recognised in other comprehensive income. Gains are recognised in other comprehensive income unless it is a reversal of write down previously recognised in the income statement.

## Share-based payment

The Tryg Group's incentive programmes comprise share option programmes, employee shares and matching shares.

## Employee shares

According to established rules, the Group's employees can be granted a bonus in the form of employee shares. When the bonus is granted, employees can choose between receiving shares or cash. The expected value of the shares will be expensed over the vesting period. The scheme will be treated as a complex financial instrument, consisting of the right to cash settlement and

the right to request delivery of shares. The difference between the value of shares and the cash payment is recognised in equity and is not remeasured. The remainder is treated as a liability and is remeasured until the time of exercise, such that the total recognition is based on the actual number of shares or the actual cash amount.

## Matching shares

Members of Executive Board and other senior employees have been allocated shares in accordance with the 'Matching shares' scheme. Under Matching shares, the individual Executive Board member or other senior employee is allocated one share in Tryg A/S for each share he or she acquires in Tryg A/S at the market rate for certain liquid cash at a contractually agreed sum in connection with the Matching share programme.

The holder acquires the shares in the open window following publication of the annual report for the previous year. The shares (matching shares) are provided free of charge, three or four years after the time of purchase of the investment Shares. The holder may not sell the shares until six months after the matching time.

The shares are recognised at market value and are accrued over the four and tree year maturation period, based on the market price at the time of acquisition. Recognition is from the end of the month of acquisition under staff expenses with a balancing entry directly in equity. If the holder retires during the maturation period but remains entitled to shares, the remaining expense is recognised in the current accounting year.

## Investment activities

Income from associates includes the Group's share of the associates' net profit. Income from investment properties before fair value adjustment represents the profit from property operations less property management expenses.

Interest and dividends represent interest earned and dividends received during the financial year. Realised and unrealised investment gains and losses, including gains

and losses on derivative financial instruments, value adjustment of investment property, foreign currency translation adjustments and the effect of movements in the yield curve used for discounting, are recognised as value adjustments.

Investment management charges represent expenses relating to the management of investments including salary and management fees on the investment area.

## Other income and expenses

Other income and expenses include income and expenses which cannot be ascribed to the Group's insurance portfolio or investment assets, including the sale of products for Nordea Liv & Pension.

## Discontinued and divested business

Discontinued and divested business is consolidated in one item in the income statement. Discontinued and divested business includes gross premiums, gross claims, gross costs, profit/loss on ceded business, insurance technical interest net of reinsurance, investment return after insurance technical interest, other income and costs and tax in respect of the discontinued business. Any reversal of earlier impairment is recognised under other income and costs.

The statement of financial position items concerning discontinued activities are reported unchanged under the respective entries whereas assets and liabilities concerning divested activities are consolidated under one item as assets held for sale and liabilities held for sale.

The comparative figures, including five-year financial highlights and key ratios, have been restated to reflect discontinued business. Discontinued and divested business in the income statement includes the profit/loss after tax of the run-off for the marine hull business and the divested activities in the Finnish branch.

Discontinued business also comprises the Tryg Forsikring A/S run-off business.

# Notes

## Statement of financial position

### Intangible assets

#### Goodwill

Goodwill was acquired in connection with acquisition of business. Goodwill is calculated as the difference between the cost of the undertaking and the fair value of acquired identifiable assets, liabilities and contingent liabilities at the time of acquisition. Goodwill is allocated to the cash-generating units under which management manages the investment and is recognised under intangible assets. Goodwill is not amortised but is tested for impairment at least once per year.

#### Trademarks and customer relations

Trademarks and customer relations have been identified as intangible assets on acquisition. The intangible assets are recognised at fair value at the time of acquisition and amortised on a straight-line basis over the expected economic lifetime of 5-15 years.

#### Software

Acquired computer software licences are capitalised on the basis of the costs incidental to acquiring and bringing to use the specific software. The costs are amortised based on an estimated economic lifetime of up to 4 years.

Costs for group developed software that are directly connected with the production of identifiable and unique software products, where there is sufficient certainty that future earnings will exceed the costs in more than one year, are reported as intangible assets. Direct costs include personnel costs for software development and directly attributable relevant fixed costs. All other costs connected with the development or maintenance of software are continuously charged as expenses.

After completion of the development work, the asset is amortised according to the straight-line method over the assessed economic lifetime, though over a maximum of 4 years. The amortisation basis is reduced by any impairment and write-downs.

### Assets under construction

Group-developed intangibles are recorded under the entry 'Assets under construction' until they are put into use, whereupon they are reclassified as software and are amortized in accordance with the amortization periods stated above.

### Fixed assets

#### Operating equipment

Fixtures and operating equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost encompasses the purchase price and costs directly attributable to the acquisition of the relevant assets until the time when such assets are ready to be brought into use.

Depreciation of operating equipment is calculated using the straight-line method over its estimated economic lifetime as follows:

- IT, 4-8 years
- Vehicles, 5 years
- Furniture, fittings and equipment, 5-10 years

Leasehold improvements are depreciated over the expected economic lifetime, however maximally the term of the lease.

Gains and losses on disposals and retired assets are determined by comparing proceeds with carrying amounts. Gains and losses are recognised in the income statement. When revalued assets are sold, the amounts included in the revaluation reserves are transferred to retained earnings.

#### Investment property

Properties held for renting yields that are not occupied by the Group are classified as investment properties. Investment property is recognised at fair value. Fair value is based on market prices, adjusted for any differences in the nature, location or maintenance condition of specific

assets. If this information is not available, the Group uses alternative valuation methods such as discounted cash flow projections and recent prices in the market.

The fair value is calculated on the basis of market-specific rental income per property and typical operating expenses for the coming year. The resulting operating income is divided by the required return on the property in per cent, which is adjusted to reflect market interest rates and property characteristics, corresponding to the present value of a perpetual annuity. The value is subsequently adjusted with the value in use of the return on prepayments and deposits and adjustments for specific property issues such as vacant premises or special tenant terms and conditions. **Cf. note 12.**

Changes in fair values are recorded in the income statement.

#### Impairment test for intangible assets, property and operating equipment

Operating equipment and intangible assets are assessed at least once per year to ensure that the depreciation method and the depreciation period that is used are connected to the expected economic lifetime. This also applies to the salvage value. Write-down is performed if impairment has been demonstrated.

Goodwill is tested annually for impairment, or more often if there are indications of impairment, and impairment testing is performed for each cash-generating unit to which the asset belongs. The present value is normally established using budgeted cash flows based on business plans. The business plans are based on past experience and expected market developments.

#### Equity investments in Group undertakings

The parent company's equity investments in subsidiaries are recognised and measured using the equity method. The parent company's share of the enterprises' profits or losses after elimination of unrealised intra-group profits

and losses is recognised in the income statement. In the statement of financial position, equity investments are measured at the pro rata share of the enterprises' equity.

Subsidiaries with a negative net asset value are recognised at zero value. Any receivables from these enterprises are written down by the parent company's share of such negative net asset value where the receivables are deemed irrecoverable. If the negative net asset value exceeds the amount receivable, the remaining amount is recognised under provisions if the parent company has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Net revaluation of equity investments in subsidiaries is taken to reserve for net revaluation under equity if the carrying amount exceeds cost.

The results of foreign subsidiaries are based on translation of the items in the income statement using average exchange rates for the period unless they deviate significantly from the transaction day exchange rates. Income and costs in domestic enterprises denominated in foreign currencies are translated using the exchange rates applicable on the transaction date.

Statement of financial position items of foreign subsidiaries are translated using the exchange rates applicable at the statement of financial position date.

When it is assessed that the parent company no longer has control over the subsidiary, it will be transferred to either assets held for sale or unquoted shares and when sold, it will be derecognised.

#### Equity investments in associates

Associates are enterprises in which the Group has significant influence but not control, generally in the form of an ownership interest of between 20% and 50% of the voting rights. Equity investments in associates are measured using the equity method so that the carrying

# Notes

amount of the investment represents the Group's proportionate share of the enterprises' net assets.

Profit after tax from equity investments in associates is included as a separate line in the income statement. Income is made up after elimination of unrealised intra-group profits and losses.

Associates with a negative net asset value are measured at zero value. If the Group has a legal or constructive obligation to cover the associate's negative balance, such obligation is recognised under liabilities.

## Investments

Investments include financial assets at fair value which are recognised in the income statement. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this at every reporting date.

Financial assets measured at fair value with recognition of value adjustments in the income statement comprise assets that form part of a trading portfolio and financial assets designated at fair value with value adjustment via the income statement.

## Financial assets at fair value recognised in income statement

Financial assets are recognised at fair value on initial recognition if they are entered in a portfolio that is managed in accordance with fair value. Derivative financial instruments are similarly classified as financial assets held for sale, unless they are classified as security.

Realised and unrealised profits and losses that may arise as a result of changes in the fair value for the category financial assets at fair value are recognised in the income statement in the period in which they arise.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, or if they have been transferred, and the Group has also transferred substantially all risks and rewards of ownership. Financial assets are recognised and derecognised on a trade date basis, the date on which the Group commits to purchase or sell the asset.

The fair values of quoted securities are based on stock exchange prices at the statement of financial position date. For securities that are not listed on a stock exchange, or for which no stock exchange price is quoted that reflects the fair value of the instrument, the fair value is determined using valuation techniques. These include the use of similar recent arm's length transactions, reference to other similar instruments or discounted cash flow analysis.

## Derivative financial instruments and hedge accounting

The Group's activities expose it to financial risks, including changes in share prices, foreign exchange rates, interest rates and inflation. Forward exchange contracts and currency swaps are used for currency hedging of portfolios of shares, bonds, hedging of foreign entities and insurance statement of financial position items. Interest rate derivatives in the form of futures, forward contracts, repos, swaps and FRAs are used to manage cash flows and interest rate risks related to the portfolio of bonds and insurance provisions. Share derivatives in the form of futures and options are used from time to time to adjust share exposures.

Derivative financial instruments are reported from the trading date and are measured in the statement of financial position at fair value. Positive fair values of derivatives are recognised as derivative financial instruments under assets. Negative fair values of derivatives are recognised under derivative financial instruments under liabilities. Positive and negative values are only

offset when the company is entitled or intends to make net settlement of more financial instruments.

Calculation of value is generally performed on the basis of rates supplied by Danske Bank with relevant information providers and is checked by the Group's valuation technicians. Discounting on the basis of market interest rates is applied in the case of derivative financial instruments involving an expected future cash flow.

Recognition of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of investments in foreign entities. Changes in the fair value of derivatives that are designated and qualify as net investment hedges in foreign entities and which provide effective currency hedging of the net investment are recognised in other comprehensive income. The net asset value of the foreign entities estimated at the beginning of the financial year is hedged 90-100% by entering into short-term forward exchange contracts according to the requirements of hedge accounting. Changes in the fair value relating to the ineffective portion are recognised in the income statement. Gains and losses accumulated in equity are included in the income statement on disposal of the foreign entity.

## Reinsurers' share of provisions for insurance contracts

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurers' share of provisions for insurance contracts. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as assets and reported as reinsurers' share of provisions for insurance contracts.

Amounts receivable from reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Changes due to unwinding are recognised in insurance technical interest. Changes due to changes in the yield curve or foreign exchange rates are recognised as price adjustments.

The Group continuously assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount. Impairment losses are recognised in the income statement.

## Receivables

Total receivables comprise accounts receivable from policyholders and insurance companies as well as other accounts receivable. Other receivables primarily contain accounts receivable in connection with property.

Receivables that arise as a result of insurance contracts are classified in this category and are reviewed for impairment as a part of the impairment test of accounts receivable.

Receivables are recognised initially at fair value and are subsequently assessed at amortised cost. The income statement includes an estimated reservation for expected unobtainable sums when there is a clear indication of asset impairment. The reservation entered is assessed as the difference between the carrying amount of an asset and the present value of expected future cash flows.

## Other assets

Other assets include current tax assets and cash at bank and in hand. Current tax assets are receivables concerning tax for the year adjusted for on-account payments

# Notes

and any prior-year adjustments. Cash at bank and in hand is recognised at nominal value at the statement of financial position date.

## Prepayments and accrued income

Prepayments include expenses paid in respect of subsequent financial years and interest receivable. Accrued underwriting commission relating to the sale of insurance products is also included.

## Equity

### Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

### Foreign currency translation reserve

Assets and liabilities of foreign entities are recognised using the exchange rate applicable at the statement of financial position date. Income and expense items are recognised using the average monthly exchange rates for the period. Any resulting differences are recognised in Other comprehensive income. When an entity is wound up, the balance is transferred to the income statement. The hedging of the currency risk in respect of foreign entities is also offset in other comprehensive income in respect of the part that concerns the hedge.

### Contingency fund reserves

Contingency fund reserves are recognised as part of retained earnings under equity. The reserves may only be used when so permitted by the Danish Financial Supervisory Authority and when it is for the benefit of the policyholders. The Norwegian contingency fund reserves include provisions for the Norwegian Natural Perils Pool and security reserve. The Danish and Swedish provisions comprise contingency fund provisions. Deferred tax on the Norwegian and Swedish contingency fund reserves is allocated.

## Dividends

Proposed dividend is recognised as a liability at the time of adoption by the shareholders at the annual general meeting (date of declaration).

## Own shares

The purchase and sale sums of own shares and dividends thereon are taken directly to retained earnings under equity. Own shares include shares acquired for incentive programmes and share buyback programme.

Proceeds from the sale of own shares in connection with the exercise of share options or matching shares are taken directly to equity.

## Subordinate loan capital

Subordinate loan capital is recognised initially at fair value, net of transaction costs incurred. Subordinate loan capital is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the borrowing period using the effective interest method.

## Provisions for insurance contracts

Premiums written are recognised in the income statement (premium income) proportionally over the period of coverage and, where necessary, adjusted to reflect any time variation of the risk. The portion of premiums received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as premium provisions. Premium provisions are generally calculated according to a best estimate of expected payments throughout the agreed risk period; however, as a minimum as the part of the premium calculated using the pro rata temporis principle until the next payment date. Adjustments are made to reflect any risk variations. This applies to gross as well as ceded business.

Claims and claims handling costs are expensed in the income statement as incurred based on the estimated liability for compensation owed to policyholders or third

parties sustaining losses at the hands of the policyholders. They include direct and indirect claims handling costs that arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Group. Claims provisions are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported and the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The provisions include claims handling costs.

Claims provisions are discounted. Discounting is based on a yield curve reflecting duration applied to the expected future payments from the provision. Discounting affects the motor liability, professional liability, workers' compensation and personal accident and health insurance classes, in particular.

Provisions for bonuses and premium discounts etc. represent amounts expected to be paid to policyholders in view of the claims experience during the financial year.

Claims provisions are determined for each line of business based on actuarial methods. Where such business lines encompass more than one business area, short-tailed claims provisions are distributed based on number of claims reported while long-tailed claims provisions are distributed based on premiums earned. The models currently used are Chain-Ladder, Bornhuetter-Ferguson, the Loss Ratio method. Chain-Ladder techniques are used for lines of business with a stable run-off pattern. The Bornhuetter-Ferguson method, and sometimes the Loss Ratio method, are used for claims years in which the previous run-off provides insufficient information about the future run-off performance.

The provision for annuities under workers' compensation insurance is calculated on the basis of a mortality corresponding to the G82 calculation basis (official mortality table).

In some instances, the historic data used in the actuarial models is not necessarily predictive of the expected future development of claims. For example, this is the case with legislative changes where an a priori estimate is used for premium increases related to the expected increase in claims. In connection with legislative changes, the same estimate is used for determining the change in the level of claims. Subsequently, this estimate is maintained until new loss history materialises which can be used for re-estimation.

Several assumptions and estimates underlying the calculation of the claims provisions are mutually dependent. Most importantly, this can be expected to be the case for assumptions relating to interest rates and inflation.

Workers' compensation is an area in which explicit inflation assumptions are used, with annuities for the insured being indexed based on the workers' compensation index. An inflation curve that reflects the market's inflation expectations plus a real wage spread is used as an approximation to the workers' compensation index.

For other lines of business, the inflation assumptions, because present only implicitly in the actuarial models, will cause a certain lag in predicting the level of future losses when a change in inflation occurs. On the other hand, the effect of discounting will show immediately as a consequence of inflation changes to the extent that such changes affect the interest rate.

Other correlations are not deemed to be significant.

## Liability adequacy test

Tests are continuously performed to ensure the adequacy of the insurance provisions. In performing these tests, current best estimates of future cash flows of claims, gains and direct and indirect claims handling costs are used. Any deficiency results in an increase in the relevant provision, and the adjustment is recognised in the income statement.

# Notes

## Employee benefits

### Pension obligations

The Group operates various pension schemes. The schemes are funded through contributions to insurance companies or trustee-administered funds. In Norway, the Group operates a defined-benefit plan. In Denmark, the Group operates a defined-contribution plan. A defined-contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. In Sweden, the Group complies with the industry pension agreement, FTP-Planen. FTP-Planen is primarily a defined-benefit plan as regards the future pension benefits. Försäkringsbranschens Pensionsskassa (FPK) is unable to provide sufficient information for the Group to use defined-benefit accounting. The plan is therefore accounted for as a defined-contribution plan.

For the defined-benefit plan recognised in the statement of financial position, an annual actuarial calculation is made of the capital value of the future benefits to which employees are entitled as a result of their employment with the group so far and which must be disbursed according to the plan. The capital value is calculated using the Projected Unit Credit Method, which are based on input **Cf. note 20**.

The capital value of the pension obligations less the fair value of any plan assets is recognised in the statement of financial position under pension assets and pension obligations, respectively, depending on whether the net amount is an asset or a liability.

In case of changes to assumptions concerning the discounting factor, inflation, mortality and disability or in case of differences between expected and realised returns on pension assets, actuarial gains or losses ensue. These gains and losses are recognised under other comprehensive income.

In case of changes to the benefits stemming from the employees' employment with the group so far, a change is seen in the actuarially calculated capital value which is considered as pension costs for previous financial years. The change is recognised in the results immediately. Net finance costs for the year are recognised in the investment return. All other costs are recognised under insurance operating costs. The plan is closed for new business.

### Other employee benefits

Employees of the Group are entitled to a fixed payment when they reach retirement and when they have been employed with the Group for 25 and for 40 years. The Group recognises this liability at the time of signing the contract of employment.

In special instances, the employee can enter into a contract with the Group to receive compensation for loss of pension benefits caused by reduced working hours. The Group recognises this liability based on statistical models.

### Income tax and deferred tax

The Group expenses current tax according to the tax laws of the jurisdictions in which it operates. Current tax liabilities and current tax receivables are recognised in the statement of financial position as estimated tax on the taxable income for the year, adjusted for change in tax on prior years' taxable income and for tax paid under the on-account tax scheme.

Deferred tax is measured according to the statement of financial position liability method on all timing differences between the tax and accounting value of assets and liabilities. Deferred income tax is measured using the tax rules and tax rates that apply in the relevant countries on the statement of financial position date when the deferred tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets, including the tax value of tax losses carried forward, are recognised to the extent that it is probable that future taxable profit will be realised against which the temporary differences can be offset.

Deferred income tax is provided on temporary differences concerning investments, except where Tryg controls when the temporary difference will be realised, and it is probable that the temporary difference will not be realised in the foreseeable future.

### Other provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of an event prior to or at the statement of financial position date, and it is probable that future economic benefits will flow out of the Group. Provisions are measured at the best estimate by management of the expenditure required to settle the present obligation.

Provisions for restructurings are recognised as obligations when a detailed formal restructuring plan has been announced prior to or at the statement of financial position date at the latest to the persons affected by the plan.

Own insurance is included under other provisions. The provisions apply to the Group's own insurance claims and are reported when the damage occurs according to the same principle as the Group's other claims provisions.

### Debt

Debt comprises debt in connection with direct insurance and reinsurance, amounts owed to credit institutions, current tax obligations and other debt. Derivative financial instruments are assessed at fair value according to the same practice that applies to financial assets. Other liabilities are assessed at amortised cost based on the effective interest method.

## Cash flow statement

The consolidated cash flow statement is presented using the direct method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and end of the financial year. No separate cash flow statement has been prepared for the parent company because it is included in the consolidated cash flow statement.

Cash flows from operating activities are calculated whereby major classes of gross cash receipts and gross cash payments are disclosed.

Cash flows from investing activities comprise payments in connection with the purchase and sale of intangible assets, property, plant and equipment as well as financial assets and deposits with credit institutions.

Cash flows from financing activities comprise changes in the size or composition of Tryg's share capital and related costs as well as the raising of loans, repayments of interest-bearing debt and the payment of dividends.

Cash and cash equivalents comprise cash and demand deposits.

# Income statement for Tryg A/S

(parent company)

DKKm	2017	2016	
Note	<b>Investment activities</b>		
1	Income from Group undertakings	2,577	2,525
	Interest income	1	0
	Administration expenses in connection with investment activities	-6	-6
	<b>Total investment return</b>	<b>2,572</b>	<b>2,519</b>
2	Other expenses	-71	-63
	<b>Profit/loss before tax</b>	<b>2,501</b>	<b>2,456</b>
3	Tax	16	15
	<b>Profit/loss for the year</b>	<b>2,517</b>	<b>2,471</b>
	<b>Proposed distribution for the year:</b>		
	Dividend	2,827	2,770
	Transferred to reserve for net revaluation according to the equity method	-1,026	-25
	Transferred to retained earnings	716	-274
		<b>2,517</b>	<b>2,471</b>

DKKm	2017	2016	
Note	<b>Statement of comprehensive income</b>		
	Profit/loss for the year	2,517	2,471
	<b>Other comprehensive income</b>		
	<b>Other comprehensive income which cannot subsequently be reclassified as profit or loss</b>		
	Change in equalisation provision and other provisions	4	0
	Sale of owner-occupied property <sup>a)</sup>	0	215
	Sale of owner-occupied property, revaluation from previous years <sup>a)</sup>	0	-115
	Tax on sale of owner-occupied property	0	-53
	Tax on revaluation of owner-occupied property from previous years	0	29
	Actuarial gains/losses on defined-benefit pension plans	-7	-95
	Tax on actuarial gains/losses on defined-benefit pension plans	2	24
		-1	5
	<b>Other comprehensive income which can subsequently be reclassified as profit or loss</b>		
	Exchange rate adjustments of foreign entities for the year	-137	51
	Hedging of currency risk in foreign entities for the year	135	-50
	Tax on hedging of currency risk in foreign entities for the year	-30	11
		-32	12
	<b>Total other comprehensive income</b>	<b>-33</b>	<b>17</b>
	<b>Comprehensive income</b>	<b>2,484</b>	<b>2,488</b>

<sup>a)</sup> Please refer to note 25 Sale of properties in the Tryg Group.

# Statement of financial position for Tryg A/S

(parent company)

DKKm		2017	2016
Note	<b>Assets</b>		
4	Equity investments in Group undertakings	9,076	10,127
	<b>Total investments in Group undertakings</b>	<b>9,076</b>	<b>10,127</b>
	<b>Total investment assets</b>	<b>9,076</b>	<b>10,127</b>
	Receivables from Group undertakings	3,532	0
	Other receivables	0	1
	<b>Total receivables</b>	<b>3,532</b>	<b>1</b>
5	Current tax assets	17	15
	<b>Total other assets</b>	<b>17</b>	<b>15</b>
	<b>Total assets</b>	<b>12,625</b>	<b>10,143</b>

DKKm		2017	2016
	<b>Equity and liabilities</b>		
	<b>Equity</b>	<b>12,616</b>	<b>9,437</b>
	Debt to Group undertakings	0	701
	Other debt	9	5
	<b>Total debt</b>	<b>9</b>	<b>706</b>
	<b>Total equity and liabilities</b>	<b>12,625</b>	<b>10,143</b>
6	Deferred tax assets		
7	Own funds		
8	Contractual obligations, contingent liabilities and collateral		
9	Related parties		
10	Reconciliation of profit/loss and equity		
11	Accounting policies		

# Statement of changes in equity

(parent company)

DKKm	Share capital	Revaluation reserves	Retained earnings	Proposed dividend	Total
<b>Equity at 31 December 2016</b>	<b>1,413</b>	<b>3,140</b>	<b>2,867</b>	<b>2,017</b>	<b>9,437</b>
<b>2017</b>					
Profit/loss for the year		-1,026	716	2,827	2,517
Other comprehensive income		-33			-33
Total comprehensive income	0	-1,059	716	2,827	2,484
Nullification of own shares	-39		39		0
Dividend paid				-3,361	-3,361
Dividend own shares			82		82
Purchase and sale of own shares			-20		-20
Issue of new shares <sup>a)</sup>	137		3,841		3,978
Issue of employee shares			10		10
Issue of share options and matching shares			6		6
<b>Total changes in equity in 2017</b>	<b>98</b>	<b>-1,059</b>	<b>4,674</b>	<b>-534</b>	<b>3,179</b>
<b>Equity at 31 December 2017</b>	<b>1,511</b>	<b>2,081</b>	<b>7,541</b>	<b>1,483</b>	<b>12,616</b>
<b>Equity at 31 December 2015</b>	<b>1,448</b>	<b>3,148</b>	<b>4,050</b>	<b>1,013</b>	<b>9,659</b>
<b>2016</b>					
Profit/loss for the year		-25	-274	2,770	2,471
Other comprehensive income		17			17
Total comprehensive income	0	-8	-274	2,770	2,488
Nullification of own shares	-35		35		0
Dividend paid				-1,766	-1,766
Dividend, own shares			52		52
Purchase and sale of own shares			-1,000		-1,000
Exercise of share options			1		1
Issue of share options and matching shares			3		3
<b>Total changes in equity in 2016</b>	<b>-35</b>	<b>-8</b>	<b>-1,183</b>	<b>1,004</b>	<b>-222</b>
<b>Equity at 31 December 2016</b>	<b>1,413</b>	<b>3,140</b>	<b>2,867</b>	<b>2,017</b>	<b>9,437</b>

Dividend per share in 2017 includes ordinary dividend paid out in April, July and October of DKK 1.60, proposed ordinary dividend of DKK 1.60, totalling DKK 6.40 (DKK 6.20 in 2016) and proposed extraordinary dividend of DKK 3.31. (DKK 3.54 in 2016).

Proposed dividend per share is calculated as the total dividend proposed by the Supervisory Board after the end of the financial year divided by the total number of shares at the end of the year (302,147,991 shares). The dividend is not paid until approved by the shareholders at the annual general meeting.

a) Cost related to the issue of new shares are deducted in proceeds recognised in retained earnings with DKK 50.3m.

# Notes

DKKm	2017	2016
<b>1 Income from Group undertakings</b>		
Tryg Invest A/S	2	0
Tryg Forsikring A/S	2,575	2,525
	<b>2,577</b>	<b>2,525</b>
<b>2 Other expenses</b>		
Administration expenses	-71	-63
	<b>-71</b>	<b>-63</b>
<p>Remuneration for the Executive Board is paid partly by Tryg A/S and partly by Tryg Forsikring A/S and is charged to Tryg A/S via the cost allocation. Refer to Note 6 for the Tryg Group for a specification of the audit fee.</p>		
Average number of full-time employees for the year	17	15
<b>3 Tax</b>		
<b>Reconciliation of tax costs</b>		
Tax on profit/loss for the year	17	15
Tax adjustments, previous years	-1	0
	<b>16</b>	<b>15</b>
<b>Effective tax rate</b>	<b>%</b>	<b>%</b>
Tax on profit/loss for the year	22	22
Tax adjustment, previous years	-1	0
	<b>21</b>	<b>22</b>

DKKm	2017	2016	
<b>4 Equity investments in Group undertakings</b>			
<b>Cost</b>			
Cost at 1 January	6,987	6,987	
Additions for the year	8	0	
Cost at 31 December	6,995	6,987	
<b>Revaluation and impairment to net asset value</b>			
Revaluation and impairment at 1 January	3,140	3,148	
Revaluations for the year	2,545	2,542	
Dividend paid	-3,604	-2,550	
Revaluation and impairment at 31 December	2,081	3,140	
<b>Carrying amount at 31 December</b>	<b>9,076</b>	<b>10,127</b>	
<b>Name and registered office</b>	<b>Ownership share in %</b>	<b>Profit/loss</b>	<b>Equity</b>
<b>2017</b>			
Tryg Invest A/S, Ballerup (alternative investment fund management)	100	2	10
Tryg Forsikring A/S, Ballerup (non-life insurance)	100	2,575	9,066
<b>2016</b>			
Tryg Forsikring A/S, Ballerup (non-life insurance)	100	2,525	10,127
<b>DKKm</b>	<b>2017</b>	<b>2016</b>	
<b>5 Current tax assets</b>			
Tax receivable at 1 January	15	18	
Current tax for the year	17	15	
Adjustment of current tax in respect of previous years	-1	0	
Tax paid for the year	-14	-18	
<b>Tax receivable at 31 December</b>	<b>17</b>	<b>15</b>	

# Notes

DKKm	2017	2016
<b>6 Deferred tax assets</b>		
<b>Capitalised tax losses</b>		
Tryg A/S	0	0
<b>Tax on non-capitalised tax losses</b>		
Tryg A/S	16	16

The loss in Tryg A/S can only be utilised in Tryg A/S.  
The loss can be carried forward indefinitely.

The losses are not recognised as tax assets until it has been substantiated that the company can generate sufficient future taxable income to offset the tax losses.

## 7 Own funds

From 2016, Tryg A/S calculates solvency ratio and own funds on Group level according to Solvency II rules. Please refer to note 17 in the Tryg Group on Solvency II own funds.

## 8 Contractual obligations, contingent liabilities and collateral

The Danish companies in the Tryg Group are jointly taxed with TryghedsGruppen smba. The companies and the other jointly taxed companies are liable for any obligations to withhold taxes at source on interest, royalties, dividends and income taxes etc. in respect of the jointly taxed companies.

Companies in the Tryg Group are party to a number of disputes in Denmark, Norway and Sweden. Management believes that the outcome of these disputes will not affect the Group's financial position over and above the receivables and liabilities recognised in the statement of financial position at 31 December 2017.

## DKKm

## 9 Related parties

Tryg A/S has no related parties with a controlling influence other than the parent company, TryghedsGruppen smba. Related parties with a significant influence include the Supervisory Board, the Executive Board and their members' related family.

### Specification of remuneration

2017	Number of persons	Base salary	Share-based variable salary <sup>a)</sup>	Cash variable salary	Pension	Total
Supervisory Board	14	8	0	0	0	8
Executive Board	3	20	3	0	5	28
Risk-takers	4	6	0	0	1	7
	<b>21</b>	<b>34</b>	<b>3</b>	<b>0</b>	<b>6</b>	<b>43</b>

a) Total expenses in 2017 for matching shares programs allocated in 2017 and previous year.

For matching shares allocated to Executive Board in 2018 for fiscal year 2017, see Section 'Corporate governance' in Management review.

Of which retired	Number of persons	Severance pay
Supervisory Board	1	0
Executive Board	0	0
	<b>1</b>	<b>0</b>

# Notes

DKKm						
9	Related parties (continued)					
2016	Number of persons	Base salary	Share-based variable salary	Cash variable salary	Pension	Total <sup>a)</sup>
Total						
Supervisory Board	14	7	0	0	0	7
Executive Board	4	19	2	0	5	26
Risk-takers	4	6	0	0	1	7
	<b>22</b>	<b>32</b>	<b>2</b>	<b>0</b>	<b>6</b>	<b>40</b>
<b>a)</b> Exclusive of severance pay						
Of which retired	Number of persons	Severance pay				
Supervisory Board	2	0				
Executive Management	1	0				
Risk-takers	0	0				
	<b>3</b>	<b>0</b>				

Fees are charges incurred during the financial year. Variable salary includes the charges for matching shares, which are recognised over 3-4 years. Reference is made to section 'Corporate governance' of the management's review on the corresponding disbursements. The Executive Board and risk-takers are included in incentive programmes. Please refer to note 6 for information concerning this.

The members of the Supervisory Board in Tryg A/S are paid with a fixed remuneration and are not covered by the incentive schemes.

The Executive Board is paid a fixed remuneration and pension. The variable salary is awarded in the form of a matching share programme, see 'Corporate governance'. Besides this, the Executive Board have free car appropriate to their position as well as other market conformal employee benefits.

Each member of the Executive Board is entitled to 12 months' notice and severance pay equal to 12 months' salary plus pension contribution (Group CEO is entitled to severance pay equal to 18 months' salary). If a change of control clause is actioned CEO and COO are instead entitled to Severance pay equal to 36 months' salary and CFO to 24 months' salary and a notice period of 6 months.

Risk-takers are defined as employees whose activities have a significant influence on the company's risk profile. The Supervisory Board decides which employees should be considered to be risk-takers.

DKKm		2017	2016
9	<b>Parent company</b>		
	<b>TryghedsGruppen smba</b>		
	TryghedsGruppen smba controls 60% of the shares in Tryg A/S.		
	Tryg transferred DKK 40m to TryghedsGruppen regarding commitment fee related to capital increase in december 2017.		
	<b>Transactions with Group undertakings and associates</b>		
	Tryg A/S exercises full control over Tryg Forsikring A/S.		
	<b>Intra-group trading involved</b>		
	- Providing and receiving services	14	16
	- Intra-group accounts	3,530	-701
	Administration fee, etc. is settled on a cost-recovery basis.		
	Intra-group accounts are offset and carry interest on market terms.		
10	<b>Reconciliation of profit/loss and equity</b>		
	The executive order on application of International Financial Reporting Standards for companies subject to the Danish Financial Business Act issued by the Danish FSA requires disclosure of differences between the format of the annual report under International Financial Reporting Standards and the rules issued by the Danish FSA.		
	There is no difference in profit/loss or equity recognised after Danish FSA and IFRS.		
11	<b>Accounting policies</b>		
	Please refer to Tryg Group's accounting policies.		

# Q4 2017 - Quarterly outline

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DKKm	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
<b>Private</b>									
<b>Gross premium income</b>	<b>2,203</b>	<b>2,211</b>	<b>2,178</b>	<b>2,206</b>	<b>2,235</b>	<b>2,190</b>	<b>2,148</b>	<b>2,137</b>	<b>2,172</b>
Technical result	394	463	440	268	366	447	393	198	285
<b>Key ratios</b>									
Gross claims ratio	65.7	62.7	63.8	71.8	67.9	63.2	65.9	74.2	71.3
Net reinsurance ratio	2.6	3.1	2.0	1.9	1.8	2.1	1.2	2.2	2.3
Claims ratio, net of reinsurance	68.3	65.8	65.8	73.7	69.7	65.3	67.1	76.4	73.6
Gross expense ratio	13.7	13.2	13.9	14.2	13.9	14.3	14.5	14.3	13.4
<b>Combined ratio</b>	<b>82.0</b>	<b>79.0</b>	<b>79.7</b>	<b>87.9</b>	<b>83.6</b>	<b>79.6</b>	<b>81.6</b>	<b>90.7</b>	<b>87.0</b>
Combined ratio exclusive of run-off	84.2	82.6	83.3	92.4	86.3	84.5	84.9	94.1	89.3
<b>Commercial</b>									
<b>Gross premium income</b>	<b>977</b>	<b>971</b>	<b>949</b>	<b>965</b>	<b>972</b>	<b>977</b>	<b>977</b>	<b>967</b>	<b>970</b>
Technical result	138	175	171	183	166	142	172	215	147
<b>Key ratios</b>									
Gross claims ratio	66.3	61.1	62.9	60.6	58.3	65.5	64.1	56.6	62.3
Net reinsurance ratio	3.7	3.2	1.4	2.7	8.0	3.4	0.7	3.7	5.5
Claims ratio, net of reinsurance	70.0	64.3	64.3	63.3	66.3	68.9	64.8	60.3	67.8
Gross expense ratio	15.9	17.7	17.6	17.7	16.5	16.6	17.6	17.5	17.2
<b>Combined ratio</b>	<b>85.9</b>	<b>82.0</b>	<b>81.9</b>	<b>81.0</b>	<b>82.8</b>	<b>85.5</b>	<b>82.4</b>	<b>77.8</b>	<b>85.0</b>
Combined ratio exclusive of run-off	94.9	92.4	88.0	89.5	92.2	92.8	84.7	90.2	91.3
<b>Corporate</b>									
<b>Gross premium income</b>	<b>965</b>	<b>975</b>	<b>942</b>	<b>970</b>	<b>966</b>	<b>968</b>	<b>921</b>	<b>920</b>	<b>949</b>
Technical result	60	91	156	79	9	117	156	139	5
<b>Key ratios</b>									
Gross claims ratio	74.6	69.3	59.2	67.2	84.3	42.9	60.6	55.2	69.2
Net reinsurance ratio	9.1	11.1	13.9	14.4	4.2	34.0	11.6	18.0	20.5
Claims ratio, net of reinsurance	83.7	80.4	73.1	81.6	88.5	76.9	72.2	73.2	89.7
Gross expense ratio	10.1	10.1	10.5	10.1	10.6	11.1	10.9	11.6	9.7
<b>Combined ratio</b>	<b>93.8</b>	<b>90.5</b>	<b>83.6</b>	<b>91.7</b>	<b>99.1</b>	<b>88.0</b>	<b>83.1</b>	<b>84.8</b>	<b>99.4</b>
Combined ratio exclusive of run-off	100.2	94.1	91.5	98.7	111.6	98.3	98.0	100.9	106.2

# Q4 2017 - Quarterly outline

DKKm	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
<b>Sweden</b>									
<b>Gross premium income</b>	<b>355</b>	<b>420</b>	<b>383</b>	<b>329</b>	<b>337</b>	<b>384</b>	<b>338</b>	<b>289</b>	<b>313</b>
Technical result	30	60	43	38	23	38	49	10	85
<b>Key ratios</b>									
Gross claims ratio	73.0	70.7	70.5	69.6	72.7	72.9	65.7	75.1	51.8
Net reinsurance ratio	0.6	0.0	0.8	0.0	0.0	0.5	0.3	0.0	0.3
Claims ratio, net of reinsurance	73.6	70.7	71.3	69.6	72.7	73.4	66.0	75.1	52.1
Gross expense ratio	17.7	14.8	17.0	18.5	20.2	16.1	19.2	21.1	21.1
<b>Combined ratio</b>	<b>91.3</b>	<b>85.5</b>	<b>88.3</b>	<b>88.1</b>	<b>92.9</b>	<b>89.5</b>	<b>85.2</b>	<b>96.2</b>	<b>73.2</b>
Combined ratio exclusive of run-off	97.2	92.9	90.6	99.3	101.2	92.1	100.3	105.9	94.3
<b>Other <sup>a)</sup></b>									
<b>Gross premium income</b>	<b>-12</b>	<b>-1</b>	<b>-11</b>	<b>-12</b>	<b>-6</b>	<b>-5</b>	<b>-5</b>	<b>-3</b>	<b>-11</b>
Technical result	0	0	0	0	-250	0	0	0	0
<b>Tryg</b>									
<b>Gross premium income</b>	<b>4,488</b>	<b>4,576</b>	<b>4,441</b>	<b>4,458</b>	<b>4,504</b>	<b>4,514</b>	<b>4,379</b>	<b>4,310</b>	<b>4,393</b>
Technical result	622	789	810	568	314	744	770	562	522
Investment return	86	87	131	223	598	191	181	17	242
Other income and costs	-23	-16	-26	-12	-112	-12	-17	-16	-19
Profit/loss before tax	685	860	915	779	800	923	934	563	745
Profit/loss	527	671	714	605	560	732	734	445	754
<b>Key ratios</b>									
Gross claims ratio	68.5	64.4	63.4	67.9	72.0	59.7	64.5	66.3	68.0
Net reinsurance ratio	3.8	4.6	4.0	5.0	3.1	9.5	3.1	5.7	6.2
Claims ratio, net of reinsurance	72.3	69.0	67.4	72.9	75.1	69.2	67.6	72.0	74.2
Gross expense ratio	13.7	13.6	14.3	14.4	18.0	14.5	15.0	15.1	14.2
<b>Combined ratio</b>	<b>86.0</b>	<b>82.6</b>	<b>81.7</b>	<b>87.3</b>	<b>93.1</b>	<b>83.7</b>	<b>82.6</b>	<b>87.1</b>	<b>88.4</b>
Combined ratio exclusive of run-off	90.9	88.0	86.7	93.7	99.8	90.1	89.0	95.7	93.9

a) Amounts relating to eliminations and one-off items are included under 'Other'. Please refer to note 2 Geographical segments.

➤ **Download** a further detailed version of the presentation at [tryg.com/uk](http://tryg.com/uk) > investor > Downloads > tables

# Q4 2017 - Geographical segments

DKKm	Q4 2017	Q4 2016	2017	2016
<b>Danish general insurance <sup>a)</sup></b>				
<b>Gross premium income</b>	<b>2,448</b>	<b>2,407</b>	<b>9,606</b>	<b>9,467</b>
Technical result	495	441	1,783	1,587
Run-off gains/losses, net of reinsurance	134	144	449	509
<b>Key ratios</b>				
Gross claims ratio	64.3	66.4	64.2	63.7
Net reinsurance ratio	2.8	2.6	3.7	6.0
Claims ratio, net of ceded business	67.1	69.0	67.9	69.7
Gross expense ratio	12.5	12.5	13.4	13.4
<b>Combined ratio</b>	<b>79.6</b>	<b>81.5</b>	<b>81.3</b>	<b>83.1</b>
Run-off, net of reinsurance (%)	-5.5	-6.0	-4.7	-5.4
Number of full-time employees 31 December			1,933	1,839
<b>Norwegian general insurance</b>				
NOK/DKK, average rate for the period	77.65	82.67	79.99	80.09
<b>Gross premium income</b>	<b>1,535</b>	<b>1,640</b>	<b>6,272</b>	<b>6,371</b>
Technical result	140	149	770	1,013
Run-off gains/losses, net of reinsurance	123	164	422	678
<b>Key ratios</b>				
Gross claims ratio	72.2	70.0	67.9	63.9
Net reinsurance ratio	3.6	5.6	5.3	5.1
Claims ratio, net of ceded business	75.8	75.6	73.2	69.0
Gross expense ratio	15.2	15.5	14.7	15.2
<b>Combined ratio</b>	<b>91.0</b>	<b>91.1</b>	<b>87.9</b>	<b>84.2</b>
Run-off, net of reinsurance (%)	-8.0	-10.0	-6.7	-10.6
Number of full-time employees 31 December			1,042	1,040

DKKm	Q4 2017	Q4 2016	2017	2016
<b>Swedish general insurance</b>				
SEK/DKK, average rate for the period	76.17	76.40	77.24	78.93
<b>Gross premium income</b>	<b>517</b>	<b>463</b>	<b>2,121</b>	<b>1,888</b>
Technical result	-13	-26	236	40
Run-off gains/losses, net of reinsurance	-38	-7	101	52
<b>Key ratios</b>				
Gross claims ratio	76.0	85.7	69.0	76.4
Net reinsurance ratio	11.2	0.9	5.0	3.3
Claims ratio, net of ceded business	87.2	86.6	74.0	79.7
Gross expense ratio	15.1	18.6	14.5	17.8
<b>Combined ratio</b>	<b>102.3</b>	<b>105.2</b>	<b>88.5</b>	<b>97.5</b>
Run-off, net of reinsurance (%)	7.4	1.5	-4.8	-2.8
Number of full-time employees 31 December			398	385
<b>Other <sup>b)</sup></b>				
<b>Gross premium income</b>	<b>-12</b>	<b>-6</b>	<b>-36</b>	<b>-19</b>
Technical result	0	-250	0	-250
<b>Tryg</b>				
<b>Gross premium income</b>	<b>4,488</b>	<b>4,504</b>	<b>17,963</b>	<b>17,707</b>
Technical result	622	314	2,789	2,390
Investment return	86	598	527	987
Other income and costs	-23	-112	-77	-157
Profit/loss before tax	685	800	3,239	3,220
Run-off gains/losses, net of reinsurance	219	301	972	1,239
<b>Key ratios</b>				
Gross claims ratio	68.5	72.0	66.1	65.6
Net reinsurance ratio	3.8	3.1	4.3	5.4
Claims ratio, net of ceded business	72.3	75.1	70.4	71.0
Gross expense ratio <sup>c)</sup>	13.7	18.0	14.0	15.7
<b>Combined ratio</b>	<b>86.0</b>	<b>93.1</b>	<b>84.4</b>	<b>86.7</b>
Run-off, net of reinsurance (%)	-4.9	-6.7	-5.4	-7.0
Number of full-time employees, continuing business at 31 December			3,373	3,264

a) Includes Danish general insurance and Finnish guarantee insurance.

b) Amounts relating to eliminations and one-off items. Details of amounts in note 2 Geographical segments.

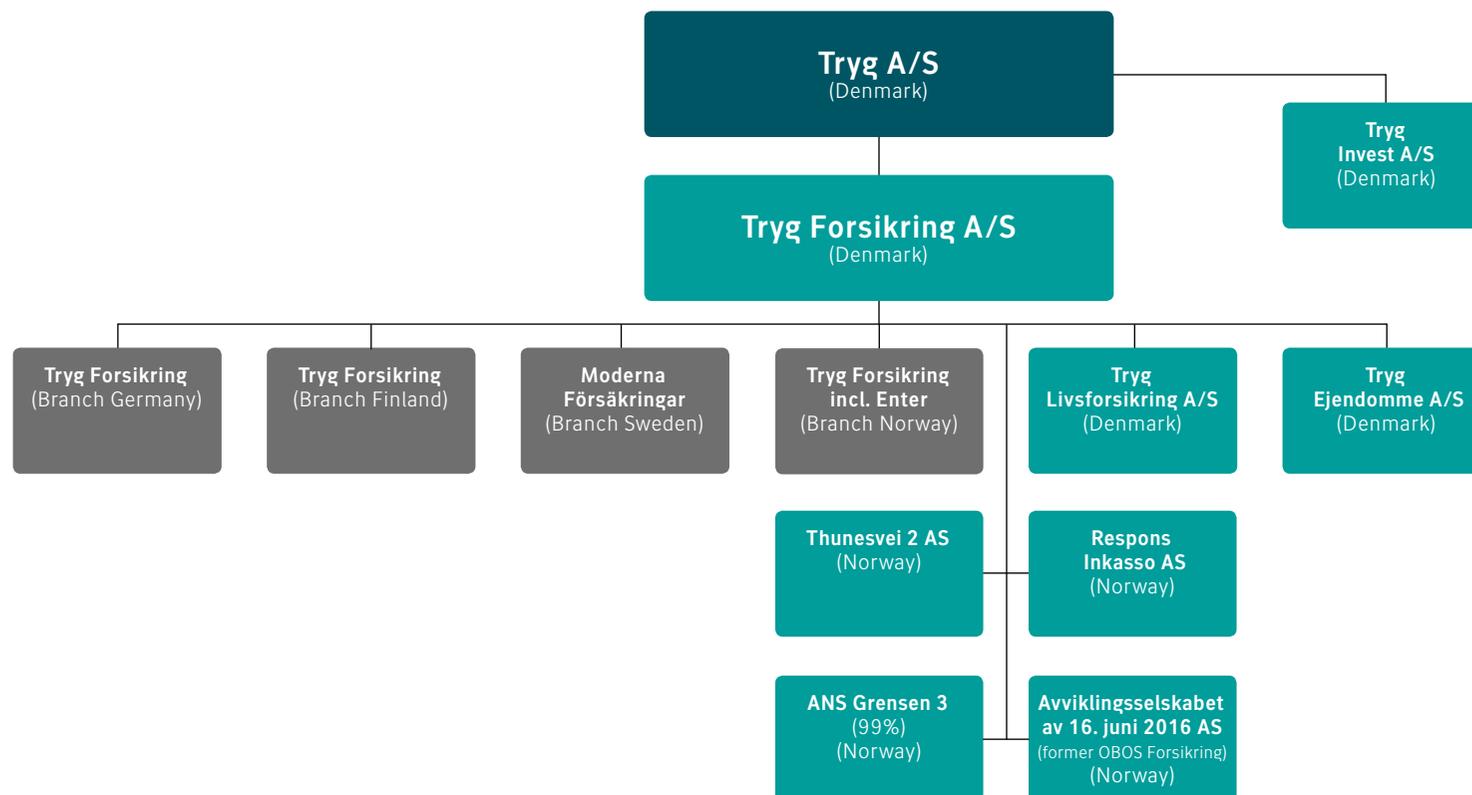
c) Adjustment of gross expense ratio included only in 'Tryg'. The adjustment is explained in a footnote to Financial highlights.

# Other key figures

	2017	2016	2015	2014	2013
<b>Share performance</b>					
Earnings per share (DKK)	9.12	8.84	6.91	8.74	7.88
Diluted earnings per share (DKK)	9.12	8.84	6.91	8.73	7.86
Earnings per share of continuing business (DKK)	9.12	8.84	6.74	8.70	7.89
Number of shares (1,000)	301,945	274,595	282,316	289,120	296,870
Average number of shares (1,000)	276,080	279,399	285,073	292,521	300,777
Diluted average number of shares (1,000)	276,080	279,399	285,101	292,788	301,295
Share price (DKK)	155.20	127.70	137.40	137.80	104.90
Net asset value per share (DKK)	41.78	34.37	34.16	38.46	37.41
Market price/net asset value	3.7	3.7	4.0	3.6	2.8
Ordinary dividend per share (DKK)	6.40	6.20	6.00	5.80	5.40
Extraordinary dividend per share (DKK)	3.31	3.54			
Price/Earnings	17.0	14.4	20.4	15.8	13.3
Number of full-time employess, continued business, at 31 December	3,373	3,264	3,359	3,599	3,703

Key ratios are calculated in accordance with 'Recommendations & Financial Ratios' issued by the Danish Society of Financial Analysts.

# Group chart



Group chart at 1 January 2018. Companies and branches are wholly owned by Danish owners and domiciled in Denmark, unless otherwise stated.

■ Company ■ Branch

# Glossary

The financial highlights and key ratios of Tryg have been prepared in accordance with the Executive Order issued by the Danish Financial Supervisory Authority on the Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds and also comply with 'Recommendations & Ratios' issued by the Danish Finance Society.

## Claims ratio, net of ceded business

Gross claims ratio + net reinsurance ratio

## Combined ratio

The sum of the gross claims ratio, the net reinsurance ratio and the gross expense ratio.

## Danish general insurance

Comprises the legal entities Tryg Forsikring A/S (including Finnish guarantee branch and Tryg Livsforsikring A/S and excluding the Norwegian and Swedish branches).

## Diluted average number of shares

Average number of shares adjusted for number of share options which may potentially dilute.

## Discounting

Expresses recognition in the financial statements of expected future payments at a value below the nominal amount, as the recognised amount carries interest until payment. The size of the discount depends on the market-based discount rate applied and the expected time to payment.

## Dividend per share

$$\frac{\text{Proposed dividend}}{\text{Number of shares at year-end}}$$

## Earnings per share

$$\frac{\text{Profit or loss for the year} \times 100}{\text{Average number of shares}}$$

## Earnings per share of continuing business

$$\frac{\text{Diluted earnings from continuing business after tax}}{\text{Diluted average number of shares}}$$

## Gross claims ratio

$$\frac{\text{Gross claims} \times 100}{\text{Gross premium income}}$$

## Gross expense ratio without adjustment

$$\frac{\text{Gross insurance operating costs} \times 100}{\text{Gross premium income}}$$

## Gross premium income

Calculated as gross premium income adjusted for change in gross premium provisions, less bonuses and premium discounts.

## Market price/net asset value

$$\frac{\text{Share price}}{\text{Net asset value per share}}$$

## Net asset value per share

$$\frac{\text{Year-end equity}}{\text{Number of shares at year-end}}$$

## Net reinsurance ratio

$$\frac{\text{Profit or loss from reinsurance} \times 100}{\text{Gross premium income}}$$

## Norwegian general insurance

Comprises Tryg Forsikring A/S, Norwegian branch.

## Operating ratio

Calculated as the combined ratio plus insurance technical interest in the denominator.

$$\frac{\text{Claims} + \text{insurance operating costs} + \text{profit or loss from reinsurance} \times 100}{\text{Gross premium income} + \text{insurance technical interest}}$$

## Own funds

Equity plus share of subordinate loan capital and profit margin (solvency purpose), less intangible assets, tax asset and proposed dividend.

## Price/Earnings

$$\frac{\text{Share price}}{\text{Earnings per share}}$$

## Relative run-off result

Run-off gains/losses net of reinsurance divided by premium income.

## Return on equity after tax (%)

$$\frac{\text{Profit for the year after tax} \times 100}{\text{Average equity}}$$

## Run-off gains/losses

The difference between the claims provisions at the beginning of the financial year (adjusted for foreign currency translation adjustments and discounting effects) and the sum of the claims paid during the financial year and that part of the claims provisions at the end of the financial year pertaining to injuries and damage occurring in earlier financial years.

## Solvency II

New solvency requirements for insurance companies issued by the EU Commission. The new rules came into force at 1 January 2016.

## Solvency ratio

Ratio between own funds and the capital requirement.

## Swedish general insurance

Comprises Tryg Forsikring A/S, Swedish branch.

## Tier 1 capital

Equity less proposed dividend and share of capital claims in subsidiaries.

## Total reserve ratio

Reserve ratio, claims provisions + premium provisions divided by premium income.

## Unwinding

Unwinding of discounting takes place with the passage of time as the expected time to payment is reduced. The closer the time of payment, the smaller the discount. This gradual increase of the provision is not recognised under claims, but under technical interest in the income statement.

# Product overview

Being one of the largest insurance companies in the Nordic region, Tryg offers a broad range of insurance products to both private individuals and businesses. Tryg continuously develops new products and adapts existing peace of mind solutions to customer requirements and developments in society. Also, Tryg focuses strongly at all times on striking a better balance between price and risk.

Tryg sells its products primarily via its own sales channels such as call centres, the Internet, tied agents, franchisees (Norway), interest organisations, car dealers, real estate agents, insurance brokers and Nordea branches. Moreover, Tryg engages in international cooperation with the AXA Group. It is an important element of Tryg's distribution strategy to be available in places where customers want it and that most distribution takes place via the company's own sales channels.



## Motor insurance

Motor insurance accounts for 27% of total premium income and comprises mandatory third-party liability insurance providing cover for injuries to a third party or damage to a third party's property, and a voluntary comprehensive insurance policy that provides cover for damage to the customer's own vehicle from collision, fire or theft.

In Denmark, motor insurance taken out by concept customers includes Tryg's roadside assistance, such as towing and battery jump-start.



## Fire and contents – Private

Fire and contents insurance for private customers represents 24% of total premium income and includes, for example, house and contents insurance.

House insurance covers damage to properties caused by, for example, fire, storm or water, legal assistance and the customer's liability as owner of the property. The contents insurance covers loss of or damage to private household contents and covers in and outside of the home. Moreover, the insurance includes liability and legal assistance, to which can be added a number of supplementary covers, for example cover of sudden damage and damage to electronic equipment.



## Personal accident insurance

Personal accident insurance accounts for 11% of total premium income and covers accidental bodily injury and death resulting from accidents.

Compensation takes the form of a lump sum intended to help the customer cope with the financial consequences of an accident, thereby making their daily lives easier. The insurance can include a number of supplementary covers, including treatment by a physiotherapist or chiropractor.



## Fire and contents – Commercial

Commercial fire and contents insurance, which includes building insurance, represents 13% of total premium income and covers the loss of or damage to the buildings, stock or equipment of commercial customers. Moreover, Tryg provides cover for operating losses in connection with covered claims.



## Workers' compensation insurance

Workers' compensation insurance accounts for 5% of total premium income and covers employees against bodily injury sustained at work (in Norway, also occupational diseases). Workers' compensation insurance is mandatory and covers a company's employees (except for public sector employees and persons working for sole proprietors).



## General third-party liability insurance

General third-party liability insurance represents 6% of total premium income and covers various types of liability, including claims incurred by a company arising from the conduct of its business or in connection with its products, and third-party liability for professionals.



## Transport insurance

Transport insurance represents 2% of total premium income and covers damage to goods in transit due to the collision, overturning or crashing of the means of transport.



## Health insurance

Health insurance represents 2% of total premium income. The insurance covers the costs of examinations, treatment, medicine, surgery and rehabilitation at a private health facility.

# Disclaimer

Certain statements in this annual report are based on the beliefs of our management as well as assumptions made by and information currently available to management. Statements regarding Tryg's future operating results, financial position, cash flows, business strategy, plans and future objectives other than statements of historical fact can generally be identified by the use of words such as 'targets', 'believes', 'expects', 'aims', 'intends', 'plans', 'seeks', 'will', 'may', 'anticipates', 'would', 'could', 'continues' or similar expressions. A number of different factors may cause the actual performance to deviate significantly from the forward-looking statements in this annual report, including but not limited to general economic developments, changes in the competitive environment, developments in the financial markets, extraordinary events such as natural disasters or terrorist attacks, changes in legislation or case law and reinsurance. Should one or more of these risks or uncertainties materialise, or should any under-

lying assumptions prove to be incorrect, Tryg's actual financial condition or results of operations could materially differ from that described herein as anticipated, believed, estimated or expected. Tryg is not under any duty to update any of the forward-looking statements or to conform such statements to actual results, except as may be required by law.

**i** [Read more in the chapter Capital and risk management on page 28-29, and in Note 1 on page 55, for a description of some of the factors which may affect the Group's performance or the insurance industry.](#)

