Annual report 2015

Tryg Garantiforsikring A/S

(CVR-no 10163714)

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Company information

Supervisory Board

Jesper Joensen, Chairman
Truls Holm Olsen
Tor Magne Lønnum

Executive Management

Mads Dalsgaard Løgstrup

Internal audit

Jens Galsgaard

Audit

Deloitte, Statsautoriseret Revisionspartnerselskab

Ownership

Tryg Garantiforsikring A/S is part of the Tryg Forsikring Group, and the share capital of DKK 45m is wholly owned by Tryg Forsikring A/S, Ballerup, Denmark.

Address

Tryg Garantiforsikring A/S
Klausdalsbrovej 601
2750 Ballerup
Denmark

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post@tryggaranti.dk
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Management's review

General information

The business model of Tryg Garanti centres on supplying insurance solutions for mitigation of counter-party risk in commercial transactions.

The areas of activity are surety insurance and trade credit insurance. In surety insurance, the main product line is bonds indemnifying a beneficiary against potential losses from lack of contract completion. The main client segment is construction companies. In trade credit insurance, the company offers insurance protection against losses from unpaid receivables in commercial transactions and related services.

The main geographical area of operation is the Nordic countries. The brand 'Tryg Garanti' is applied in all countries except Sweden, where the brand 'Moderna Garanti' is applied in accordance with Tryg Group's branding strategy.

The financial performance of the company depends to some extent on the general economic development in the countries of operation. In a positive economic environment the claims level is usually better than in a less favourable environment. Economic trends typically also impact the demand and pricing of the company's products.

The company uses reinsurance extensively to protect against fluctuations in its gross business.

Tryg Garanti is a fully owned subsidiary of Tryg Forsikring A/S.

Financial highlights

DKKm	2015	2014	2013	2012	2011
Income statement					
Gross premium income	340.3	318.2	317.1	297.5	250.7
Gross claims	247.0	18.0	-886.9	-200.5	-167.6
Total insurance operating costs	-44.0	-43.9	-45.6	-59.4	-64.6
Profit/loss gross business	543.3	292.3	-615.4	37.6	18.5
Profit/loss on ceded business	-391.0	-187.3	630.4	-26.2	-18.6
Insurance technical interest, net of reinsurance	0.2	0.8	1.8	2.8	1.7
Technical result	**152.5**	**105.8**	**16.8**	**14.2**	**1.6**
Investment return after insurance technical interest	7.2	0.8	2.8	12.3	19.5
Profit/loss before tax	**159.7**	**106.6**	**19.6**	**26.5**	**21.1**
Tax	-52.1	-22.9	-3.4	-5.9	-6.5
Profit/loss for the year	**107.6**	**83.7**	**16.2**	**20.6**	**14.6**
Run-off gains/losses, net of reinsurance	19.0	-2.0	0.1	5.4	1.9
Relative run-off gains/losses	8.5	-0.9	0.1	3.7	1.7
Statement of financial position					
Total provisions for insurance contracts	408.3	715.2	852.1	430.0	291.2
Total reinsurers' share of provisions for insurance contracts	178.1	469.7	620.8	201.7	130.0
Total equity	432.1	501.6	418.5	450.8	430.5
Total assets	986.4	1,405.4	1,590.4	1,018.4	803.6
Key ratios					
Gross claims ratio	-72.6	-5.7	279.7	67.4	66.8
Net insurance ratio	114.9	58.9	-198.8	8.8	7.4
Claims ratio, net of ceded business	42.3	53.2	80.9	76.2	74.2
Gross expense ratio	12.9	13.8	14.4	19.9	25.8
Combined ratio	55.2	67.0	95.3	96.1	100.0
Operating ratio	55.2	66.8	94.7	95.2	99.4
Other information					
Percentage return on equity	23.0	18.2	3.7	4.7	3.4
Solvency coverage ratio (Solvency I)	3.8	3.4	6.1	10.8	13.1

Technical result and profit before tax
The technical result for the year amounted to DKK 152.5m against DKK 105.8m the year before. The technical result is better than expected at the beginning of the year and is considered satisfactory. The result is positively affected by a high demand for the company's products and by a low claims ratio.

Substantial run-off gains were booked in the year, primarily to the benefit of reinsurers. Run-off gains/losses, net of reinsurance, totaled DKK 19m.

Profit before tax was DKK 159.7m against the prior-year profit of DKK 106.6m.

Result for the year and equity
Tryg Garanti's profit after tax totaled DKK 107.6m (DKK 83.7m in 2014), which corresponds to a return on equity of 23.0% (18.2% in 2014). The result is based on an increase in the technical result as well as in the investment return. The combined ratio amounted to 55.2% (67.0% in 2014).

Proposed dividend for the annual general meeting
Based on the net profit for the year, the Supervisory Board proposes that dividend of DKK 80m be distributed for the financial year.

Equalisation reserve
The equalisation reserve increased by DKK 21.5m to DKK 163.3m, see the Danish Executive Order on Equalisation Reserves within Trade Credit and Surety Insurance ("Bekendtgørelse om udjævningsreserver inden for kredit- og kautionsforsikring"). From the 2016 financial year, the compliance rules in relation to the equalisation reserve will no longer apply, and the value will be recognised as part of retained earnings under equity.

Premium
Total gross premium income for the year totaled DKK 340.3m (318.2m m in 2014), corresponding to a growth in premiums of 8.4% in local currencies relative to 2014. Premium income from branches outside Denmark amounted to approx. 34%, which is on a par with the year before.

Claims
Gross claims generated income of DKK 247m (DKK 18m in 2014). The income is attributable to substantial run-off gains from earlier years as well as a satisfactory underlying claims ratio. Due to the reinsurance cover, the net impact of run-off gains on the results for the period is moderate. Gross claims result for the year exclusive of run-off gains/losses was DKK -46m.

Ceded business
Claims received from reinsurers amounted to DKK -254.7m (DKK -58.1m in 2014). The expense primarily stems from run-off gains on the Danish surety business of which the reinsurers receive a share. For further information about the overall reinsurance programme, see Note 1 'Risk management'.

Insurance operating costs
The expense ratio was 12.9% in 2015 (13.8% in 2014).

Investment activities
Investment return before transfer of insurance technical interest was DKK 8.5m in 2015 (DKK 2.4m in 2014). Interest income amounted to DKK 12.3m (DKK 13.4m in 2014). Realised and unrealised value

adjustments were DKK -3.2m (DKK -10.3m in 2014). Interest rate sensitivity on the bond portfolio was DKK 4m (DKK 4.5m in 2014) in the event of an interest rate change of 1 percentage point. The duration of the company's bond portfolio is 1.2 years at the end of the year (1.1 years in 2014).

Capital and ownership

Tryg Garantiforsikring A/S is a company in the Tryg Forsikring Group, which forms part of the Tryg Group. The Tryg share is listed on Nasdaq OMX Copenhagen.

The company's share capital amounts to DKK 45m and is wholly owned by Tryg Forsikring A/S, Ballerup, Denmark. The company's equity totalled DKK 432.1m at 31 December 2015 (DKK 501.6m at 31 December 2014).

The company's capital base, which was DKK 185.7m (DKK 181.2m in 2014), exceeds the Statutory solvency requirement of DKK 48.5m by DKK 137.2m. Calculation is based on Solvency I compliance rules.

Tryg Garanti's capital management is based on the individual solvency capital requirement and the adequate capital base both calculated in accordance with the Danish Executive Order on Solvency and Operating Plans for Insurance Companies ("Bekendtgørelse om solvens og driftsplaner for forsikrings-elskaber"). The adequate capital base, which totals DKK 350.2m, exceeds the individual solvency capital requirement of DKK 231.0m (DKK 243.4m in 2014) by DKK 119.2m, corresponding to a capital buffer of 51.6%.

The Executive Order on Solvency and Operating Plans for Insurance Companies constitutes a Danish pre-implementation of the future Solvency II rules, which come into force on 1 January 2016. According to our estimates the solvency capital requirement will decrease after pre-implementation of the future Solvency II rules.

In addition to complying with Danish statutory requirements, Tryg Garanti is rated by Standard & Poors. Tryg Garanti's most recent rating is an 'A-' with a stable outlook.

The annual report is included in the consolidated financial statements of TryghedsGruppen smba, Tryg A/S and Tryg Forsikring A/S, Ballerup, Denmark (tryghedsgruppen.dk, tryg.com and tryg.dk).

Other information

The administration of the company is handled in part by Tryg Forsikring A/S, which charges a fee for its services based on resource consumption. No fees are paid to the Supervisory Board of Tryg Garantiforsikring.

Supervisory Board and Executive Management

The supervisory Board consists of Chairman Jesper Joensen, Tor Magne Lønnum and Truls Holm Olsen. Mads Dalsgaard Løgstrup is Chief Executive Officer in Tryg Garantiforsikring A/S. Please refer to Note 19 'Related parties' for information on the Executive Management's functions.

The underrepresented gender

The Supervisory Board has adopted a target for increasing the share of members of the underrepre-sented gender on the Supervisory Board to a minimum of 25%. The aim is to realise this target before the end of 2016. The continuous evaluation of the composition of the Supervisory Board has not given rise to changing the composition of the Supervisory Board; on 31 December 2015, the Supervisory Board therefore consisted only of men. The company's CSR strategy and action plans are described in more detail on the Tryg Group website: tryg.com/en > csr > csr-strategy > Plans of action:

http://www.tryg.com/en/csr/csr-strategy/handlingsplaner/index.html

The parent company (Tryg Group) has adopted the principles of the United Nations Global Compact and the United Nations Guiding Principles.

Events after the statement of financial position date

No events have occurred since the statement of financial position date, which are deemed to impact the assessment of the company's situation described in this annual report.

Danish Financial Supervisory Authority has issued a new executive order from 2016: "Danish Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds". Read more about the affect on recognition and measurement on page 19.

Activities abroad

The company has branches in Norway, Sweden and Finland. The branches are registered in the local company registers. Activities abroad may also take the form of cross-border services in accordance with licences granted by the Danish Financial Supervisory Authority within the framework of the Danish Financial Business Act (Lov om finansiel virksomhed). Information on licences granted appears from the Danish Financial Supervisory Authority's website.

Outlook

The company maintains its focus on developing its position as a provider of surety and trade credit insurance solutions to customers in the Nordic countries.

The company has a positive expectation to the financial performance in 2016. A result in line with recent years' results are expected.

The expectations of the company may be impacted by changes in the general economic trends in markets of operation and/or by changes to claims patterns.

Statement by the Supervisory Board and the Executive Management

The Supervisory Board and the Executive Management have today considered and adopted the annual report for 2015 of Tryg Garantiforsikring A/S.

The Financial statement is prepared in accordance with the Danish Financial Business Act.

In our opinion, the accounting policies applied are appropriate, and the annual report gives a true and fair view of the company's assets, liabilities and financial position at 31 December 2015 and of the results of the company's operations for the financial year 1 January - 31 December 2015.

Furthermore, in our opinion the management's review gives a true and fair view of developments in the activities and financial position of the company, the results for the year and of the company's financial position in general and describes significant risk and uncertainty factors that may affect the company.

We recommend that the shareholders at the annual general meeting adopt the annual report.

Ballerup, 10 February 2016

Executive Management

Mads Løgstrup
Chief Executive Officer

Supervisory Board

Jesper Joensen
Chairman

Tor Magne Lønnum

Truls Holm Olsen

Independent auditor's reports

To the shareholder of Tryg Garantiforsikring A/S

Report on the financial statements

We have audited the financial statements of Tryg Garantiforsikring A/S for the financial year 1 January - 31 December 2015, which comprise the accounting policies, income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and notes.

The financial statements are prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of 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 and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.

We believe that the audit evidence is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2015, and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Business Act.

Statement on the management's review

Pursuant to the Danish Financial Business Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management's review is consistent with the financial statements.

Copenhagen, 10 February 2016

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR-no. 33 96 35 56

Jens Ringbæk
State Authorised Public Accountant

Lone Møller Olsen
State Authorised Public Accountant

Income statement

DKKm		2015	2014
Notes			
	General insurance		
	Gross premiums written	350.6	329.6
	Ceded insurance premiums	-219.3	-206.1
	Change in premium provisions	-10.3	-11.4
	Change in reinsurers' share of premium provisions	5.5	6.1
2	**Premium income, net of reinsurance**	**126.5**	**118.2**
3	**Insurance technical interest, net of reinsurance**	**0.2**	**0.8**
	Claims paid	-71.3	-133.9
	Reinsurance cover received	44.1	104.3
	Change in claims provisions	318.3	151.9
	Change in the reinsurers' share of claims provisions	-298.8	-162.4
4	**Claims, net of reinsurance**	**-7.7**	**-40.1**
	Acquisition costs	-26.4	-26.3
	Administration expenses	-17.6	-17.6
	Acquisition costs and administration expenses	-44.0	-43.9
	Reinsurance commissions and profit participation from reinsurers	77.5	70.8
5	**Insurance operating costs, net of reinsurance**	**33.5**	**26.9**
6	**Technical result**	**152.5**	**105.8**
	Investment activities		
	Income from investment property	0.0	-0.2
7	Interest income	12.7	13.4
8	Value adjustment	-3.2	-10.3
	Administration expenses in connection with investment activities	-1.0	-0.5
	Total investment return	**8.5**	**2.4**
3	Return on insurance provisions	-1.3	-1.6
	Total investment return after insurance technical interest	**7.2**	**0.8**
	Profit/loss before tax	**159.7**	**106.6**
9	Tax	-52.1	-22.9
	Profit/loss for the year	**107.6**	**83.7**
	Proposed distribution for the year:		
	Dividend	80.0	175.0
	Transferred to Retained earnings	27.6	-91.3
		107.6	**83.7**

Statement of comprehensive income

DKKm	2015	2014
Profit/loss for the year	**107.6**	83.7
Other comprehensive income		
Exchange rate adjustments of foreign entities for the year	-2.1	-0.6
Tax on changes in deferred tax liability for the year	0.0	-14.8
Tax on changes in guilty tax for the year	0.0	14.8
Total other comprehensive income	**-2.1**	**-0.6**
Comprehensive income	**105.5**	**83.1**

Statement of financial positions

Notes	DKKm	2015	2014
	Assets		
	Intangible assets	**0.4**	**0.0**
10	**Investment property**	**0.0**	**0.5**
	Bonds	641.8	843.7
	Derivative financial instruments	0.3	0.6
11	**Total other financial investment assets**	**642.1**	**844.3**
	Total investment assets	**642.1**	**844.8**
12	Reinsurers' share of premium provisions	27.6	22.4
13	Reinsurers' share of claims provisions	150.5	447.3
	Total reinsurers' share of provisions for insurance contracts	**178.1**	**469.7**
	Receivables from policyholders	7.0	4.7
	Total receivables in connection with direct insurance contracts	7.0	4.7
14	Receivables from Group undertakings	67.2	52.6
	Other receivables	1.3	1.6
	Total receivables	**75.5**	**58.9**
	Current tax assets	0.0	8.6
15	Deferred tax assets	1.4	1.3
	Cash at bank and in hand	81.5	6.0
	Total other assets	**82.9**	**15.9**
	Interest and rent receivable	6.1	13.0
	Other prepayments and accrued income	1.3	3.1
	Total prepayments and accrued income	**7.4**	**16.1**
	Total assets	**986.4**	**1,405.4**
	Equity and liabilities		
	Total equity	**432.1**	**501.6**
	Premium provisions	53.6	43.9
13	Claims provisions	354.7	671.3
	Total Provisions for insurance contracts	**408.3**	**715.2**
	Pensions and similar liabilities	0.2	0.1
15	Deferred tax liabilities	51.2	31.2
	Total provisions	**51.4**	**31.3**
	Debt relating to direct insurance	0.0	1.3
	Debt relating to reinsurance	16.1	28.0
	Amounts owed to credit institutions	7.7	0.0
	Current tax liabilities	31.3	2.7
16	Other debt	39.5	125.3
	Total debt	**94.6**	**157.3**
	Total equity and liabilities	**986.4**	**1,405.4**

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Statement of changes in equity

DKKm	Share capital	Other reserves	Reserve for exchange rate adjustment	Equali-sation reserve	Retained earnings	Proposed dividend	Total
Equity at 31 December 2014	**45.0**	**139.0**	**-0.2**	**141.8**	**1.0**	**175.0**	**501.6**
2015							
Profit/loss for the year					**27.6**	**80.0**	**107.6**
Change in equalisation reserve for the year				**21.5**	**-21.5**		**0.0**
Exchange rate adjustment of foreign entities for the year			**-2.1**				**-2.1**
	0.0	**0.0**	**-2.1**	**21.5**	**6.1**	**80.0**	**105.5**
Distributed dividend						**-175.0**	**-175.0**
Total changes in equity in 2015	**0.0**	**0.0**	**-2.1**	**21.5**	**6.1**	**-95.0**	**-69.5**
Equity at 31 December 2015	**45.0**	**139.0**	**-2.3**	**163.3**	**7.1**	**80.0**	**432.1**
Equity at 31 December 2013	**45.0**	**139.0**	**0.4**	**81.7**	**152.4**	**0.0**	**418.5**
2014							
Profit/loss for the year					-91.3	175.0	83.7
Change in equalisation reserve for the year				60.1	-60.1		0.0
Exchange rate adjustment of foreign entities for the year			-0.6				-0.6
Tax on changes in equity					0.0		0.0
Total comprehensive income	0.0	0.0	-0.6	60.1	-151.4	175.0	83.1
Distributed dividend							0.0
Total changes in equity in 2014	**0.0**	**0.0**	**-0.6**	**60.1**	**-151.4**	**175.0**	**83.1**
Equity at 31 December 2014	**45.0**	**139.0**	**-0.2**	**141.8**	**1.0**	**175.0**	**501.6**

Tryg Garantiforsikring A/S has a contingency fund provision amounting to DKK 139.0m, which is included in the company's equity. The contingency fund can be used to cover loss in connection with the settlement of insurance provisions or otherwise for the benefit of the insured. The share capital is divided into shares of DKK 100 each or multiples thereof.

1 Risk management

Risk management in Tryg Garantiforsikring
As part of Tryg Forsikring, Tryg Garantiforsikring A/S is subject to the same risk management activities as Tryg Forsikring. Each year, Tryg Garanti's management group thus engages in a risk identification process aimed at identifying the most important risks for the area. These risks are monitored on an ongoing basis and are included in the biannual risk reporting by Tryg Garantiforsikring A/S and provides input for the overall risk reporting for Tryg Forsikring. Moreover, a number of internal controls are carried out by the company, among other things ensuring that the hedging and handling of insurance risks fall within the company's adopted guidelines.

In addition to following Tryg Forsikring's risk management methods, Tryg Garanti also monitors selected risk parameters. Particular focus is on the credit quality in the insurance portfolio. If a declining credit risk quality is observed, preventive measures are introduced, for example a reduction of the scope of the risk assumed.

Tryg Garantiforsikring A/S complies with the reinsurance policy applicable for Tryg Forsikring, which means, for example, that no more than 25% of a given risk is placed with an individual reinsurer or a consolidated group of reinsurers, and that all reinsurers must have a certain rating from an external rating agency. The reinsurance programme limits the probable loss per risk to a maximum of DKK 30m.

Tryg Garantiforsikring A/S's capital plan is part of the company's capital planning. The capital plan is based on assessments of Tryg Garantiforsikring A/S's capital position and a projection of the individual solvency requirement based on the company's budgets and stresses with scenarios in which the budgetary assumptions do not hold or the company is hit by major negative events. The capital plan supports decisions concerning the distribution of dividend.

In conjunction with the capital plan, a capital contingency plan has been prepared which describes specific measures which may be introduced in the short term, should the company's desired capital position be threatened.

The Supervisory Board assesses the relationship between the company's capital base and solvency requirement quarterly.

DKKm		2015	2014
2	**Premium income, net of reinsurance**		
	Gross premium income - direct insurance	340.3	318.2
	Direct ceded premium	-213.8	-200.0
		126.5	**118.2**

Direct insurance, by location of risk

	2015 Gross	2015 Ceded	2014 Gross	2014 Ceded
Denmark	213.0	-146.1	203.9	-139.2
Other EU countries	67.2	-29.9	60.0	-25.0
Other countries*	60.1	-37.8	54.3	-35.8
	340.3	**-213.8**	**318.2**	**-200.0**

* Mainly Norway

		2015	2014
3	**Insurance technical interest, net of reinsurance**		
	Return on insurance provisions	1.3	1.7
	Discounting transferred from claims provisions	-1.1	-0.9
		0.2	**0.8**
4	**Claims, net of reinsurance**		
	Gross claims	-46.0	-66.0
	Run-off previous years, gross	293.0	84.0
		247.0	18.0
	Reinsurance cover received	19.3	27.9
	Run-off previous years, reinsurers' share	-274.0	-86.0
		-7.7	**-40.1**
5	**Insurance operating costs, net of reinsurance**		
	Total acquisition costs	-26.4	-26.3
	Administration expenses	-17.6	-17.6
	Insurance operating costs, gross	-44.0	-43.9
	Commission from reinsurers	77.5	70.8
		33.5	**26.9**

For specification of audit costs please refer to the note 6 in annual report for Tryg Forsikring Group

Insurance operating costs, gross, classified by type		
Staff expenses	44.0	48.9
Other staff expenses	3.0	2.0
Office expenses, fees and headquarter expenses	5.0	5.0
IT operating and maintenance costs, software expenses	5.0	4.0
Depreciation, amortisation and impairment losses and write-downs	0.0	2.0
Other income	-13.0	-18.0
Total	**44.0**	**43.9**

Insurance operating costs and claims include the following staff expenses:

Salaries and wages	33.0	37.0
Pensions (defined contribution plans)	6.0	6.0
Payroll tax	6.0	4.0
	45.0	**47.0**

Remuneration for the Supervisory Board and Executive Management is disclosed in note 19 'Related parties'.

Average number of full-time employees during the year	**48**	**49**

DKKm

6 Technical result by line of business

	Credit and guarantee insurance 2015	2014
Gross premiums written	350.6	329.6
Gross premium income	340.3	318.2
Gross claims	247.0	18.0
Gross operating expenses	-44.0	-43.9
Profit/loss on ceded business	-391.0	-187.3
Insurance technical interest, net of reinsurance	0.2	0.8
Technical result	152.5	105.8
Gross claims ratio	-72.6	-5.7
Combined ratio	**55.2**	**67.0**
Claims frequency a)	0.1%	0.1%
Average claims DKK b)	776,018	1,063,432
Total claims	111	81

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 relative to the number of claims incurred.

	2015	2014
7 Interest income		
Interest income, bonds	12.7	13.4
	12.7	**13.4**
8 Value adjustments		
Investment property	0.0	-0.2
Bonds	-4.7	-9.1
Other statement of financial position items	2.0	2.1
Discounting	-0.5	-3.1
	-3.2	**-10.3**
9 Tax		
Tax on accounting profit/loss	-37.6	-26.1
Difference between Danish and foreign tax rates	-0.4	-0.8
Tax adjustment, previous years	0.0	0.3
Adjustment of non-taxable income and costs	0.0	-0.1
Change in valuation on contingency fund	-14.1	2.3
Change in tax rate	0.0	1.5
	-52.1	**-22.9**
Effective tax rate	%	%
Tax on accounting profit/loss	23.5	24.5
Difference between Danish and foreign tax rates	0.5	0.5
Change in valuation on contingency fund	8.5	-2.0
Change of tax percent	0.0	-1.5
	32.5	**21.5**

DKKm		2015	2014
10	**Investment property**		
	Fair value at 1 January	0.5	0.7
	Disposals for the year	-0.5	0.0
	Value adjustment for the year	0.0	-0.2
	Fair value at 31 December	**0.0**	**0.5**

Total rental income for 2015 is DKK 0.01m (DKK 0.05m in 2014)
Total expenses for 2015 were DKK 0.02m (DKK 0.02m in 2014)

		2015	2014
11	**Other financial investment assets**		
	Carrying amount		
	Bonds		
	Danish bonds	641.8	843.7
		641.8	**843.7**
	Adjusted duration of bond portfolio		
	Duration 1 year or less	268.1	472.2
	Duration 1 year-5 years	373.7	367.6
	Duration over 5 years	0.0	3.9
	Total duration	1.2	1.1

Derivative financial instruments

Fair value	Nominal	Fair value statement of financial position
2015		
Exchange rate derivatives	73.2	-1.1
Due after less than 1 year	73.2	-1.1
2014		
Exchange rate derivatives	98.0	-3.9
Due after less than 1 year	98.0	-3.9

Forward exchange contracts and currency swaps are used for currency hedging of bond portfolios and insurance statement of financial position items.

Sensitivity information	2015	2014
Impact on equity from the following changes:		
Interest rate increase of 0.7-1.0 percentage point	-4.0	-4.5
Interest rate fall of 0.7-1.0 percentage point	3.9	4.4
Equity price fall of 12 %	0.0	0.0
Fall in property prices of 8 %	0.0	0.0
Exchange rate risk (VaR 99)	-0.1	-0.9
Loss on counterparties of 8 %	-3.7	-4.1

		2015	2014
12	**Reinsurers' share of premium provisions**		
	Balance at 1. January	22.4	17.7
	Exchange rate adjustment	-0.3	-1.4
	Ceded insurance premiums	-213.8	-200.0
	Paid in the financial year	219.3	206.1
	Balance at 31 December	**27.6**	**22.4**

DKKm		2015	2014
13 **Claims provisions**			
The value of assets pledged in the company to set off against future claims provisions			
Bank guarantee		-13.1	-17.5
Cash at bank and in hand		-5.2	-8.1
Other		-0.4	-0.1
		-18.7	**-25.7**
in the company to set off against future Reinsurers'		9.4	12.8

2015	**Gross**	**Ceded**	**Net of reinsurance**
Claims provisions at 1 January	671.3	-447.3	224.0
Value adjustments of provisions , beginning of year	0.2	0.0	0.2
	671.5	-447.3	224.2
Paid in the financial year in respect of the current year	-19.0	9.4	-9.6
Paid in the financial year in respect of prior years	-52.3	34.7	-17.6
	-71.3	44.1	-27.2
Change in claims in the financial year (current year)	45.2	-18.0	27.2
Change in claims in the financial year (prior years)	-292.5	272.7	-19.8
	-247.3	254.7	7.4
Discounting and exchange rate adjustments	1.8	-2.0	-0.2
Claims provisions at 31 December	**354.7**	**-150.5**	**204.2**

2014	**Gross**	**Ceded**	**Net of reinsurance**
Claims provisions at 1 January	816.4	-603.2	213.2
Paid in the financial year in respect of the current year	8.4	-2.7	5.7
Paid in the financial year in respect of prior years	-142.3	106.9	-35.4
	-133.9	104.2	104.2
Change in claims in the financial year (current year)	65.2	-27.3	37.9
Change in claims in the financial year (prior years)	-83.2	85.4	2.2
	-18.0	58.1	58.1
Discounting and exchange rate adjustment	6.8	-6.4	0.4
Claims provisions at 31 December	**671.3**	**-447.3**	**224.0**

As at 31 December 2015, management performed a test of the carrying amount of total reinsurers' share of provisions for insurance contracts. The impairment test resulted in impairment charges totalling DKK 0m (DKK 4.5m in 2014). Write-downs for the year include reversed write-downs totalling DKK 4.5m (DKK 0m in 2014). There is no overdue reinsurers' share other than the share alredy provided for.

	2015	2014
14 **Receivables from Group undertakings**		
Receivables from Tryg Forsikring A/S	63.6	52.0
Receivables from other branch offices as part of Tryg Forsikring A/S	3.6	0.6
	67.2	**52.6**
15 **Deferred tax**		
Tax assets		
Capitalised tax loss	1.4	1.3
	1.4	**1.3**
Tax liability		
Contingency funds	51.2	31.2
	51.2	**31.2**
Deferred tax, end of year	**49.8**	**29.9**
Reconciliation of deferred tax		
Deferred tax, beginning of year	29.9	11.8
Exchange rate adjustments	0.0	0.2
Change in deferred tax relating to change in tax rate	0.0	-1.5
Change in deferred tax previous years	0.0	-0.3
Change in capitalised tax loss	0.0	6.5
Change in deferred tax taken to the income statement	4.6	0.9
Change in valuation on contingency fund	15.3	-2.4
Change in deferred tax taken to equity	0.0	14.7
	49.8	**29.9**

In addition to the deferred tax appearing from the statement of financial position, deferred tax relating to the contingency fund, which is not expected to trigger taxation within a foreseeable future, amounted to DKK 0m (DKK 15.3m in 2014).

DKKm		2015	2014
16	**Other debt**		
	Debt relating to unsettled funds transactions	25.1	108.4
	Derivative financial instruments	1.4	4.5
	Other debt	13.0	12.4
		39.5	**125.3**
	Of which debt falling due within 1 year.	39.5	125.3
	No debt falls due after 5 years.		
17	**Solvency margin and Capital base**		
	Equity according to annual report	432.1	501.6
	Tier 1 Capital	**432.1**	**501.6**
	Proposed dividend	-80.0	-175.0
	Value of intangible assets	-0.4	0.0
	Value of deferred tax asset	-1.4	-1.3
	Discounting of claims provisions	-1.3	-2.3
	Equalisation reserve	-163.3	-141.8
	Capital base	**185.7**	**181.2**
	Solvency margin	**48.5**	**53.3**
	Solvency coverage	**3.8**	**3.4**
18	**Contractual obligations and collateral**		
	Collateral		
	Tryg Garantiforsikring A/S has registered the following assets as having been held as security for the insurance provisions:		
	Bonds	616.7	735.3
	Interest receivable	6.1	13.0
	Receivables relating to reinsurance	0.0	438.7
	Total	**622.8**	**1,187.0**

Contractual obligations

Tryg Garantiforsikring A/S is jointly taxed with TryghedsGruppen smba. Tryg Garanti and the other companies in the Tryg Group 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.

DKKm

19 **Related parties**
The company has no related parties with a decisive influence other than the parent company, Tryg Forsikring A/S. Related parties with a significant influence include the Supervisory Board, the Executive Management and their members' family.

Tryg Garantiforsikring A/S is controlled by Tryg Forsikring A/S, which owns all the shares in Tryg Garantiforsikring A/S.

Administration fees are determined on a cost-recovery basis. The companies in the Tryg Forsikring Group have entered into reinsurance contracts and agreements for payment of interest on balances on market terms. Assets are transferred on market terms.

Guarantee agreements with related parties	**2015**	**2014**
Trygheds Gruppen		
- Commitment	1.0	1.0
- Use, end of year	0.0	0.0
- Premium	0.0	2.1
Tryg Forsikring A/S		
- Commitment	40.0	40.0
- Use, end of year	2.0	0.0
- Premium	0.0	0.0

The guarantees provided cover policyholders' financial obligations in accordance with contracts concluded. Following individual assessment, all guarantees are provided without additional security. There is full recourse to the individual companies.

No provisions have been made for non-performing guarantees, and no expenses were incurred in 2015. The guarantee agreements are concluded on market terms.

Specification of remuneration

2015	**Number of persons**	**Basis salary**	**Variable salary**	**Pension**	**Total**
Supervissory Board	4	0.0	0.0	0.0	0.0
Executive Management	1	2.4	0.0	0.5	2.9
	5	**2.4**	**0.0**	**0.5**	**2.9**

2014	**Number of persons**	**Basis salary**	**Variable salary**	**Pension**	**Total**
Supervissory Board	4	0.0	0.0	0.0	0.0
Executive Management	1	2.3	0.0	0.5	2.8
	5	**2.3**	**0.0**	**0.5**	**2.8**

Fees are charges incurred during the financial year. The charge corresponds to the payouts during the year.

Members of the Executive Management are paid a fixed salary and pension and are not covered by incentive schemes. Members of the Supervisory Board of Tryg Garantiforsikring are not paid any fees. Member of the Supervisory Board Tor Magne Lønnum's total remuneration as a member of the Executive Management in Tryg Forsikring A/S and Tryg A/S amounts to DKK 8.2m and is expensed in the parent company Tryg Forsikring A/S. The total remuneration consists of a fixed pay element (DKK 6.2m), pension (DKK 1.3m) and value of matching shares (DKK 0.7m).

A deviation has been made from the disclosure obligation regarding information on salaries paid to risk-takers in Tryg Garantiforsikring pursuant to Section 116(2), Item 3, of the Executive Order, as compliance with the disclosure requirement will entail the disclosure of information on salaries of individuals.

Information on salaries paid to risk-takers in the Tryg Forsikring Group handling functions on behalf of Tryg Garantiforsikring A/S is disclosed in the Tryg Forsikring Group's financial statements.

Executive Management functions
Pursuant to Section 80 of the Danish Financial Business Act, the Supervisory Board has approved that the Executive Management has the following executive functions:

Mads Løgstrup, CEO
CEO, Aps Malø I.

The members of the Supervisory Board have the following executive functions:
Tor Magne Lønnum is a member of the Executive Management of Tryg A/S and Tryg Forsikring A/S.
Truls Holm Olsen is manager in Tryg Forsikring A/S.
Jesper Joensen is director in Tryg Forsikring A/S and was elected to the board in 2015.
Ole Hesselager, withdrawn from the board in 2015.

20 **Financial highlight**
See page 2 of the management's review.

21 Accounting policies

General information

The annual report of Tryg Garantiforsikring A/S is prepared in accordance with the Danish Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds (Bekendtgørelse om finansielle rapporter for forsikringsselskaber og tværgående pensionskasser) issued by the Danish Financial Supervisory Authority.

The accounting policies have been applied consistently with 2014.

Recognition and measurement in financial year 2016

New executive order

The new executive order will affect recognition and measurement in the financial reporting in the following areas from 2016. Presentation under the new framework will be adopted in Tryg Garantiforsikring A/S's half year report report 2016.

Premium provisions, section 69 of the executive order

Under the general rules, a profit margin must be calculated showing the expected earnings on the company's insurance portfolio. The profit margin must be specified in the income statement and statement of financial position. Under the exemptions, premium provisions with a risk period of up to one year may be calculated applying the current principles. The premium provisions are not expected to change significantly.

Claims provisions, section 70 of the executive order

Claims provisions are calculated according to the same principle as is the case today; however, the provisions must be divided into claims provisions and risk margin. The risk margin equates to the amount which a third party would require to take over the obligation. The claims provisions are expected to change significantly following the transition to a new interest curve.

Discounting

The executive order prescribes a change from applying a yield curve issued by the Danish Financial Supervisory Authority to applying a new yield curve published by EIOPA – the new yield curve is expected to be at a lower level.

Balance sheet and income statement format – new line items including profit margin and risk margin. The presentation of the income statement and the statement of financial position will change slightly as the company's expected profit margin and risk margin must be stated – the changed presentation is not expected to affect the company's earnings or financial position.

Recognition and measurement in financial year 2015

Recognition and measurement

The annual report has been prepared under the historical cost convention, with the exception of the value adjustment of investment property, financial assets held for trading and financial assets and financial liabilities, which are all recognised at fair value.

Assets are recognised in the statement of financial position when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow from the company, 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 measured 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 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.

Intra-group transactions
Intra-group transactions are settled on a cost-recovery basis. Balances accrue interest on market terms.

Foreign currency translation
A functional currency is determined for each of the reporting entities in the company. 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 value adjustments.

On consolidation, the assets and liabilities of the company'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 differences arising on translation are classified as other comprehensive income and transferred to the company'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.

Ratios
Ratios are prepared in accordance with 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 using the pro rata method and, if necessary, adjusted to reflect any variation in the incidence of risk in the period covered by the contract.

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.

Insurance technical interest
According to the Danish Financial Supervisory Authority's executive order, insurance technical interest is presented as a calculated return on the year's average insurance liability provisions, net of reinsurance.

The calculated yield for grouped classes of risks is calculated based on the monthly average provision plus interest under the present yield curve for each individual group of risks taking into account the provisions' expected run-off pattern.

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 value adjustment.

Insurance operating costs
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. Administration expenses are all other expenses attributable to the administration of the insurance portfolio. Administration expenses are accrued to match the financial year.

Fee income in connection with the establishment and change of guarantees, case-related or non-recurring fees in connection with the conclusion of agreements are recognised under insurance operating costs.

Share option programme

The value of services received as consideration for options granted is measured at the fair value of the options.

Share options are measured at fair value at the time of allocation and recognised under staff costs over the period from the time of allocation until vesting. The balancing item is recognised as debt.

The share options allocated in previous years are issued by Tryg A/S and are settled between Tryg Garantiforsikring A/S and Tryg A/S. The share option scheme is classified as a debt scheme in Tryg Garantiforsikring.

No share options were allocated between 2012 and 2015, and there has been no recognition in 2015. The share option plan comprised 5,180 share options at 31.12.2015 from the 2011 share option program.

The options are issued at an exercise price that corresponds to the market price of the Group's shares at the time of allocation plus 10%. No other vesting conditions apply. Special provisions are in place concerning sickness and death and in case of change to the Group's capital position etc.

The share option agreement entitles the employee to the options unless the employee resigns his position or is dismissed due to breach of the contract of employment. In case of termination due to restructuring or retirement, the employee is still entitled to the options.

The share options are exercisable exclusively during a 13-day period starting the day after the publication of full-year, interim and quarterly reports in Tryg A/S and in accordance with Tryg A/S's internal rules on trading in Tryg A/S's shares. The options are settled in shares.

On initial recognition of the share options, the number of options expected to vest for employees and members of the Executive Management is estimated. Subsequently, adjustment is made for changes in the estimated number of vested options to the effect that the total amount recognised is based on the actual number of vested options. The value for retired employees who retain their right to options is reported for the remaining period of the financial year in which the employee retires.

The fair value of the options granted is estimated using the Black & Scholes option model. The calculation takes into account the terms and conditions of the share options granted.

Investment activities

Income from investment property before fair value adjustment represents the profit from property operations less property management expenses.

Interest represents interest earned during the financial year.

Realised and unrealised investment gains and losses, including gains and losses on derivative financial instruments, value adjustment of investment property, exchange rate 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.

Statement of financial position

Intangible assets

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 four years.

Costs for company-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 staff costs for software development and a proportion of directly attributable relevant fixed costs. All other costs connected with the development or maintenance of software are expensed on an ongoing basis.

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 four years. The amortisation basis is reduced by any impairment.

Investment property

Investment properties that are not occupied by the company are classified as investment property.

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 company uses alternative valuation methods such as discounted cash flow projections and recent prices in less active markets.

Impairment test

Changes in fair values are recorded in the income statement. Impairment of intangible assets and investment property are assessed at least once a year to ensure that the depreciation and amortisation methods and the depreciation and amortisation periods used are in line with the expected economic lifetimes. This also applies to the residual value. Impairment is performed if a decrease in value has been demonstrated.

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 the investments on initial recognition and re-evaluates this at every reporting date.

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 gains 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 company 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 company commits to purchase or sell the asset. Recognised at fair value at the date of transaction.

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 or using OTC prices.

Reinsurers' share of provisions for insurance contracts

Contracts entered into by the company with reinsurers under which the company is compensated for losses on one or more contracts issued by the company 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 company is entitled under its reinsurance contracts are recognised as assets and reported as reinsurers' share of provisions for insurance contracts.

Amounts payable by 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 value adjustments.

The company continuously tests its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount. The impairment loss is recognised in the income statement. Additional impairment losses are recognised according to a standardised impairment process, which depends on the debtor rating.

Receivables

Total receivables comprise receivables from policyholders and insurance companies as well as other receivables. Other receivables primarily include receivables in connection with financial assets and property.

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 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 and accrued income recognised under assets include expenses paid in respect of subsequent financial years and interest receivable.

Equity
Share capital
Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Other reserves
Other reserves consist of contingency funds which 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.

Other reserves also include equalisation reserves which have arisen in connection with the transfer of equalisation reserves in the opening statement of financial position for 2005 pursuant to Danish Executive Order no. 1405 of 14 December 2004. The executive order has been repealed, and Tryg Garanti is therefore not obligated to maintain the equalisation reserve after 1 January 2016.

Dividend
Proposed dividend is recognised as a liability at the time of adoption by the shareholders at the annual general meeting (date of declaration).

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 variation in the incidence of 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 at the part of the premium calculated using the pro rata temporis principle until the next payment date. Adjustments are made to reflect any variations in the incidence of risk. 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. They include direct and indirect claims handling costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the company. Claims provisions are estimated using the input of assessments for individual cases reported to the company 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 the duration applied to the expected future payments from the provision.

Provision 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. Any positive deviations are also recognised in the income statement.

Income tax and deferred tax

The company 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.

Debt

Other liabilities such as debt in connection with direct insurance, reinsurance, debt to Group undertakings and other debt are assessed at amortised cost.