Annual report 2017

1 January – 31 December 2017

Tryg Forsikring A/S

(CVR-no. 24260666)
Klausdalsbrovej 601
2750 Ballerup

The Annual report is presented and approved
at the company's ordinary annual general meeting
16 March 2018

Chairman of the annual general meeting

Contents

Company details

Supervisory Board
Jørgen Huno Rasmussen, chairman
Torben Nielsen, deputy chairman
Jukka Pertola, deputy chairman
Elias Bakk
Tom Eileng
Lone Hansen
Anders Hjulmand
Ida Sofie Jensen
Lene Skole
Tina Snejbjerg
Mari Thjømøe
Jesper Hjulmand
Carl-Viggo Östlund

Executive Board
Morten Hübbe
Christian Baltzer
Lars Bonde
Johan Kirstein Brammer

Internal audit
Jens Galsgaard

Independent auditors
Deloitte, Statsautoriseret Revisionspartnerselskab

Ownership
Tryg Forsikring A/S is part of the Tryg Forsikring Group. The company has a share capital of DKK 1,100m and is wholly-owned by Tryg A/S, Ballerup, Denmark.

The annual report is included in the consolidated financial statements of TryghedsGruppen smba, Hummeltoftevej 49, 2830 Virum and Tryg A/S, Ballerup (www.Tryghedsgruppen.dk and www. Tryg.com)

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Management's review

Income overview Tryg Forsikring Group

DKKm	2017	2016
Gross premium income	**17,963**	**17,707**
Gross claims	-11,865	-11,619
Total insurance operating costs	-2,516	-2,737
Profit/loss on gross business	3,582	3,351
Profit/loss on ceded business	-779	-951
Insurance technical interest, net of reinsurance	-14	-10
Technical result	**2,789**	**2,390**
Investment return after insurance technical interest	532	992
Other income and costs	-7	-93
Profit/loss before tax	**3,314**	**3,289**
Tax	-736	-763
Profit/loss on continuing business	**2,578**	**2,526**
Profit/loss on discontinued and divested business after tax	-2	-1
Profit/loss	**2,576**	**2,525**
Run-off gains/losses, net of reinsurance	972	1,239
Key figures		
Total equity	9,066	10,127
Return on equity after tax (%)	29.3	25.9
Premium growth in local currencies	1.7	0.1
Gross claims ratio	66.1	65.6
Net reinsurance ratio	4.3	5.4
Claims ratio, net of ceded business	70.4	71.0
Gross expense ratio	14.0	15.7
Combined ratio	**84.4**	**86.7**
Run-off, net of reinsurance (%)	-5.4	-7.0
Large claims, net of reinsurance (%)	1.4	2.2
Weather claims, net of reinsurance (%)	1.7	2.0
Combined ratio on business areas		
Private	82.1	83.8
Commercial	82.6	82.1
Corporate	90.0	88.8
Sweden	88.1	90.7

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 Forsikring Plus benefits.

Tryg Forsikring acquired FDM

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

February
Tryg Forsikring acquired OBOS

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

March
Jukka Pertola joined Tryg Forsikring's Supervisory Board

Chairman of the Supervisory Board Jorgen Huno Rasmussen announced at Tryg Forsikring'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.

Q3

August
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.

Q4

December
Tryg Forsikring acquired Alka

On 4 December, Tryg Forsikring 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.

Financial targets and outlook

Tryg Forsikring 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 Forsikring's reserves position remains strong. It was revealed that run-off gains are expected to be between 3% and 5% in 2020. Tryg Forsikring's systematic claimsreserving 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 Forsikring's technical provisions is historically low. An interest rate increase will have a positive effect on Tryg Forsikring'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 in Tryg Forsikring Group, but as part of Technical result in Tryg Forsikring Parent. More details will be released after closing.

Tryg Forsikring's results

Tryg Forsikring reported a profit before tax of DKK 3,314m (DKK 3,289m), driven primarily by a technical result of DKK 2,789m (DKK 2,390m) and an investment return of DKK 532m (DKK 992m).

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

Results 2017

A profit before tax of DKK 3,314m (DKK 3,289m) was reported, driven primarily by a technical result of DKK 2,789m (DKK 2,390m) and an investment return of DKK 532m (DKK 992m). 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 29.3% (25.9%). 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 Forsikring 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 Forsikring 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%, emergingmarket debt (a small asset class for Tryg Forsikring) returned approximately 9%, while investment-grade bonds returned 4%. Total investment income was more than three times higher than the expected normalised level.

Tryg Forsikring disclosed customer targets linked to the financial targets. The customer targets were to be reached by 2017. Tryg Forsikring disclosed customer targets linked to the financial targets. Tryg

Forsikring 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 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 (the parent-company Tryg's 60% majority shareholder). The 8% bonus has been welcomed by customers, and Tryg Forsikring 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 Forsikring 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.

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 Forsikring 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).

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 3,345 against 3,248 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 532m (DKK 992m, or DKK 492m adjusted for the capital gain on the sale of properties).

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 Forsikring) 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 -7m (DKK -93m). The correspondent figure for 2016 was impacted by write-down of goodwill of DKK 100m related to the acquisition of Securator.

Tax

The overall tax item was DKK 736m (DKK 763m), or 22% of the profit before tax. In 2017, Tryg Forsikring paid DKK 859m in income tax as well as various payroll taxes totalling DKK 400m, resulting in total tax payments of DKK 1,259m.

The company's business model

Tryg Forsikring A/S is part of the Tryg Group, one of the largest non-life insurance providers in Scandinavia. We work closely together with our branches in Scandinavia and share certain resources, services, knowledge and best practice within all parts of the insurance business to ensure and optimal and efficient administration. We conduct a non-life insurance business in Norway through our Norwegian branch and in Sweden via our Swedish branch.

Capital position

At the end of 2017, Tryg Forsikring'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 11,095m (DKK 9,857m). During the year, own funds were mostly impacted positively by net profits, and negatively by dividends. At year-end 2017, the solvency ratio was 237.

Tryg Forsikring'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 Forsikring'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 Forsikring 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 Forsikring'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. This include assessing the company's capital plan, in which the SCR is projected on the basis of Tryg Forsikring'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 Forsikring's strategic targets, including return on equity and dividend policy.

Dividend policy
For 2017, a dividend of DKK 904m (DKK 3,800m) is proposed and paid as interim dividend during 2017.

Moody's rating upgraded
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 Forsikring'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 Forsikring'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 Forsikring will decline. More negatively, the acquisition will generate very large goodwill and will meaningfully reduce Tryg Forsikring's solvency ratio albeit from a relatively high level."

Private

Financial highlights 2017

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

Combined ratio
82.1
(83.8)

Premium growth (local currency)
1.1%
(0.8%)

Expense ratio
13.7
(14.2)

Private encompasses the sale of insurance products to private individuals in Denmark and Norway. Sales are effected via call centres, the Internet, Tryg Forsikring'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.

Key figures - Private

DKKm	2017	2016
Gross premium income	**8,798**	**8,710**
Gross claims	-5,807	-5,904
Gross expenses	-1,208	-1,240
Profit/loss on gross business	1,783	1,566
Profit/loss on ceded business	-211	-158
Insurance technical interest, net of reinsurance	-7	-4
Technical result	**1,565**	**1,404**
Run-off gains/losses, net of reinsurance	306	312
Key ratios		
Premium growth in local currencies	1.1	0.8
Gross claims ratio	66.0	67.8
Net reinsurance ratio	2.4	1.8
Claims ratio, net of ceded business	68.4	69.6
Gross expense ratio	13.7	14.2
Combined ratio	**82.1**	**83.8**
Combined ratio exclusive of run-off	85.6	87.4
Run-off, net of reinsurance (%)	-3.5	-3.6
Large claims, net of reinsurance (%)	0.0	0.0
Weather claims, net of reinsurance (%)	1.9	2.8

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 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%.

Commercial

Financial highlights 2017
Technical result **DKK 667m** (DKK 695m)
Combined ratio **82.6** (82.1)
Premium growth (local currency) **-0.7%** (-1.3%)
Expense ratio **17.2** (17.0)

Commercial encompasses the sale of insurance products to small and mediumsized businesses in Denmark and Norway. Sales are effected via Tryg Forsikring'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.

Key figures – Commercial

DKKm	2017	2016
Gross premium income	**3,862**	**3,893**
Gross claims	-2,423	-2,380
Gross expenses	-665	-663
Profit/loss on gross business	774	850
Profit/loss on ceded business	-106	-154
Insurance technical interest, net of reinsurance	-1	-1
Technical result	**667**	**695**
Run-off gains/losses, net of reinsurance	329	304
Key ratios		
Premium growth in local currencies	-0.7	-1.3
Gross claims ratio	62.7	61.1
Net reinsurance ratio	2.7	4.0
Claims ratio, net of ceded business	65.4	65.1
Gross expense ratio	17.2	17.0
Combined ratio	**82.6**	**82.1**
Combined ratio exclusive of run-off	91.1	89.9
Run-off, net of reinsurance (%)	-8.5	-7.8
Large claims, net of reinsurance (%)	3.1	2.2
Weather claims, net of reinsurance (%)	1.8	1.6

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.

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.

Corporate

Financial highlights 2017
Technical result **DKK 386m** (DKK 421m)
Combined ratio **90.0** (88.8)
Gross premiums in local currencies **2.1%** (-1.2%)
Expense ratio **10.2** (11.0)

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 Forsikring's own sales force and via insurance brokers. Moreover, customers with international insurance needs are served by Corporate through its co-operation with the AXA Group. The business area accounts for 21% of the Group's total premium income.

Key figures - Corporate

DKKm	2017	2016
Gross premium income	**3,852**	**3,775**
Gross claims	-2,606	-2,295
Gross expenses	-392	-416
Profit/loss on gross business	854	1,064
Profit/loss on ceded business	-467	-643
Insurance technical interest, net of reinsurance	-1	0
Technical result	**386**	**421**
Run-off gains/losses, net of reinsurance	239	506
Key ratios		
Premium growth in local currencies	2.1	-1.2
Gross claims ratio	67.7	60.8
Net reinsurance ratio	12.1	17.0
Claims ratio, net of ceded business	79.8	77.8
Gross expense ratio	10.2	11.0
Combined ratio	**90.0**	**88.8**
Combined ratio exclusive of run-off	96.2	102.2
Run-off, net of reinsurance (%)	-6.2	-13.4
Large claims, net of reinsurance (%)	3.2	8.0
Weather claims, net of reinsurance (%)	1.2	1.0

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 Forsikring 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 Forsikring has a strong focus on profitability, initiatives have been implemented to improve profitability. In Norway, where profitability is most challenged, Tryg Forsikring has communicated to the brokers that Tryg Forsikring 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 Forsikring'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 insurance 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.

Sweden

Financial highlights 2017
Technical result **DKK 171m** (DKK 120m)
Combined ratio **88.1** (90.7)
Premium growth in local currencies **12.5%** (3.4%)
Expense ratio **16.9** (19.0)

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 Djurforsakringar. 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.

Key figures - Sweden

DKKm	2017	2016
Gross premium income	**1,487**	**1,348**
Gross claims	-1,055	-964
Gross expenses	-251	-256
Profit/loss on gross business	181	128
Profit/loss on ceded business	-5	-3
Insurance technical interest, net of reinsurance	-5	-5
Technical result	**171**	**120**
Run-off gains/losses, net of reinsurance	98	117
Key ratios		
Premium growth in local currencies	12.5	3.4
Gross claims ratio	70.9	71.5
Net reinsurance ratio	0.3	0.2
Claims ratio, net of ceded business	71.2	71.7
Gross expense ratio	16.9	19.0
Combined ratio	**88.1**	**90.7**
Combined ratio exclusive of run-off	94.7	99.4
Run-off, net of reinsurance (%)	-6.6	-8.7
Weather claims, net of reinsurance (%)	0.9	0.8

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 Forsikring'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.

Investment activities

Key figures - Investments

DKKm	2017	2016
Free portfolio, gross return	598	939
Match portfolio, regulatory deviation and performance	227	210
Other financial income and expenses	-293	-157
Total investment return	**532**	**992**

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 Forsikring's investment activities reported an overall result of DKK 532m (DKK 992m). 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 Forsikring 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 -293m (DKK -157m).

Free portfolio result

Return - free portfolio					Investment assets	
DKKm	2017	2017 (%)	2016	2016 (%)	31.12.2017	31.12.2016
Government bonds	5	1.3	1	0.4	327	322
Covered bonds	30	0.4	69	1.8	4,111	4,464
Inflation linked bonds	8	1.5	41	8.1	547	539
Investment grade credit	29	4.0	-14	-0.9	935	546
Emerging market bonds	47	9.1	41	9.5	595	447
High-yield bonds	22	2.8	81	10.6	791	730
Other*	12	0.0	-23	0.0	159	220
Interest rate and credit exposure	**153**	**1.8**	**196**	**2.8**	**7,465**	**7,268**
Equity exposure **	**353**	**15.9**	**194**	**8.4**	**2,185**	**2,187**
Investment property	**92**	**5.6**	**549**	**26.1**	**1,715**	**2,540**
Total gross return	**598**	**5.0**	**939**	**8.0**	**11,365**	**11,995**

*) Senior/Bank deposits less than 1 year and derivative financial instruments hedging interest rate risk and credit risk.

**) In addition to the equity portfolio exposure is futures contracts of DKK -135m.

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 Forsikring) 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 Forsikring 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

Return - match portfolio

DKKm	2017	2016
Return, match portfolio	289	547
Value adjustments, changed discount rate	122	-188
Transferred to insurance technical interest	-184	-149
Match, regulatory deviation and performance	**227**	**210**
Hereof:		
Match, regulatory deviation	98	47
Match, performance	129	163

The result of the match portfolio is the difference between the return on the match portfolio and the 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 Forsikring 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 -293m (-157m).

Capital and risk management

Risk management is based on Tryg Forsikring's targets and strategies and the risk exposure limits decided by the Supervisory Board. The assessment and management of Tryg Forsikring's aggregated risk and the associated capital requirements therefore constitute a central element in the management of the company. Tryg Forsikring'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 Forsikring's risk depends on the company's choice of exposure within different segments and industries in the insurance market. Tryg Forsikring 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 Forsikring 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 Forsikring's partial internal model was approved by the Danish FSA in November 2015. Read more about Tryg Forsikring's risk management in Note 1 on page 52.

SFCR – published as a part of Tryg Group

Tryg Forsikring 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 Forsikring'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 Forsikring’s partial internal capital model, which was approved by the Danish FSA in November 2015. Tryg Forsikring has modelled the insurance risk internally, while using the standard formula for all other risks. The capital model is based on Tryg Forsikring’s risk profile, and therefore takes into consideration the composition of Tryg Forsikring’s insurance portfolio, geographical diversification, its claims reserves profile, reinsurance programme, investment mix and Tryg Forsikring’s profitability in general. The Solvency Capital Requirement (SCR) is calculated in such a way that Tryg Forsikring would statistically be able to honour its obligations in 199 out of 200 years. In other words, Tryg Forsikring could have a negative result greater than DKK 4,684m (the SCR) in 1 out of 200 years. Tryg Forsikring’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 Forsikring’s own funds were DKK 11,095m against DKK 9,857m at the end of 2016.

Own funds during the year were mostly impacted positively by net profits and negatively by dividends. The solvency ratio was 237

The key components of Tryg Forsikring’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 Forsikring’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 Forsikring 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 Forsikring 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 Forsikring’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 Forsikring underwrites only non-life risks with low duration.

Ordinary dividend

At the annual general meeting to be held on the 16 March 2018, Tryg Forsikring´s Supervisory Board will propose a dividend of DKK 904m which was paid as an interim dividend during 2017. In 2016, the aggregated annual dividend was DKK 3,800m.

The Alka acquisition

Tryg Forsikring 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 Forsikring has disclosed a solvency ratio of approximately 170 when the Alka acquisition is finalised.

Upon closing of the Alka acquisition Tryg Forsikring's parent company Tryg A/S will inject approximately DKK 2 bn. of additional capital into Tryg Forsikring.

Moody's rating

Tryg Forsikring has an 'A1' (stable outlook) insurance financial strength (IFSR) rating from Moody's. The rating agency highlights Tryg Forsikring'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 Forsikring's subordinated debt. The rating was reaffirmed following the Alka acquisition.

Events after balance sheet date

Tryg Forsikring has appointed Johan Kirstein Brammer Chief Commercial Officer (CCO) and as of 23 January, he enters Tryg Forsikring's Executive Board.

Johan Kirstein Brammer is 41 years old and has a Master of Law degree from University of Copenhagen, a Graduate Diploma in Financing from the Copenhagen Business School and an MBA from the Australian Graduate School of Management. For the past two years, Johan Brammer has been responsible for Tryg Forsikring's Danish private business, where he has been driving an improved top line trend and better underlying profitability.

Besides the above no events has occurred.

Corporate governance

Tryg Forsikring 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 corporategovernance.dk. At tryg.com, Tryg Forsikring 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 Forsikring's statutory corporate governance report at tryg.com > Investor > Download.

Annual general meeting

Tryg Forsikring 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.dk subject to at least three weeks' notice.

Capital structure

The Supervisory Board ensures that Tryg Forsikring's capital structure is aligned with the needs of the Group that it complies with the requirements applicable to Tryg Forsikring as a financial undertaking. Tryg Forsikring 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 dividend.

Duties, responsibilities and composition of the Supervisory Board

The Supervisory Board is responsible for the central strategic management and financial control of Tryg Forsikring 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 Forsikring 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 Forsikring's parent company Tryg A/S' majority shareholder, TryghedsGruppen. See page 32 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 Forsikring's policy. The Supervisory Board has members from Denmark, Sweden and Norway.
See details about the independent board members in the section Supervisory Board on pages 31-32 and at tryg.com > Governance > Management > Supervisory Board.

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.
See CV's and descriptions of the skills in the section Supervisory Board on pages 31-32 and at tryg.com > Governance > Management > Supervisory Board.

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 Forsikring's activities to guarantee diversity at management levels. Tryg Forsikring attaches importance to diversity at all management levels. Tryg Forsikring 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 Forsikring 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 Forsikring 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 Forsikring'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.

Remuneration of Management

Tryg has adopted a remuneration policy for Tryg Forsikring in general which contains specific schemes for the Supervisory Board, the Executive Board and other employees in Tryg Forsikring, 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 Forsikring'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

Remuneration of Supervisory Board

Members of Tryg Forsikring'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.

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 [a)]	584,516				81,183	665,699
Elias Bakk [a)]	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 Snejbjerg	360,000		140,000			500,000
Mari Thjømøe	360,000	150,000	140,000			650,000
Carl-Viggo Östlund	360,000			140,000	100,000	600,000
Bill-Owe Johansson [b)]	67,742					67,742

a) Joined the Supervisory Board in March 2017
b) Resigned from the Supervisory Board in March 2017

Remuneration of 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

Tryg Forsikring 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 Forsikring 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 Forsikring's technical result and the year's fulfilment of Tryg Forsikring'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 Forsikring'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 > Governance > Remuneration.

Total remuneration of the Executive Board in 2017

DKK	Base salary	Pension	Car allowance	Other benefits	Total fixed salary	Share-based remuneration[b]	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

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

Financial reporting, risk management and auditing

Being an insurance business, Tryg Forsikring is subject to the risk management requirements of the Danish Financial Business Act and Solvency II. The Supervisory Board defines Tryg Forsikring'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 22-24 and in Note 1 Risk management on page 52.

Tryg Forsikring engages in ongoing risk identification, mapping insurance risks and other risks which may endanger the realisation of Tryg Forsikring's strategy or which may potentially have a substantial impact on Tryg Forsikring's financial position. The process involves identifying and continually monitoring the risks identified. As in previous years, Tryg Forsikring 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 Forsikring has established independent risk management, compliance and actuarial functions. The functions report to the Executive Board and the Supervisory Board's Risk Committee. Tryg Forsikring 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 Forsikring'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.

Read more about Tryg Forsikring's risk management in the section Capital and risk management on pages 22-24 and in Note 1 on page 52.

Whistleblower line

Tryg Forsikring 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 Forsikring's whistleblower line at tryg.com > Governance > Whistleblower line.

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 Forsikring'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 Forsikring 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 Forsikring complies partially, the number of independent members of the board committees, with which Tryg Forsikring complies partially and agreements on termination payments, with which Tryg Forsikring 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 Forsikring's statutory corporate governance report, which is available at tryg.com > Investor > Download.

Supervisory Board

Jørgen Huno Rasmussen[a]

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 FLSmidth 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. Thriges 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[b]

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 Land-brugs 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[b]

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[a]

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. Schiле's Fiskeeksport A/S, Conscius A/S, CPS A/S, Danish Label Coating A/S, Friis & Moltke A/S, Lastvogn & 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 Schile 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[a]

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: Trygheds Gruppen 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 Trygheds Gruppen smba and Representatives of Forenet Kredit.
Number of shares held: 8,750
Change in portfolio 2017: 0

Ida Sofie Jensen[a]

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: Trygheds Gruppen smba and Hans Knudsen Instituttet (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[b]

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 Snejbjerg

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[b]

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: Sellsport 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

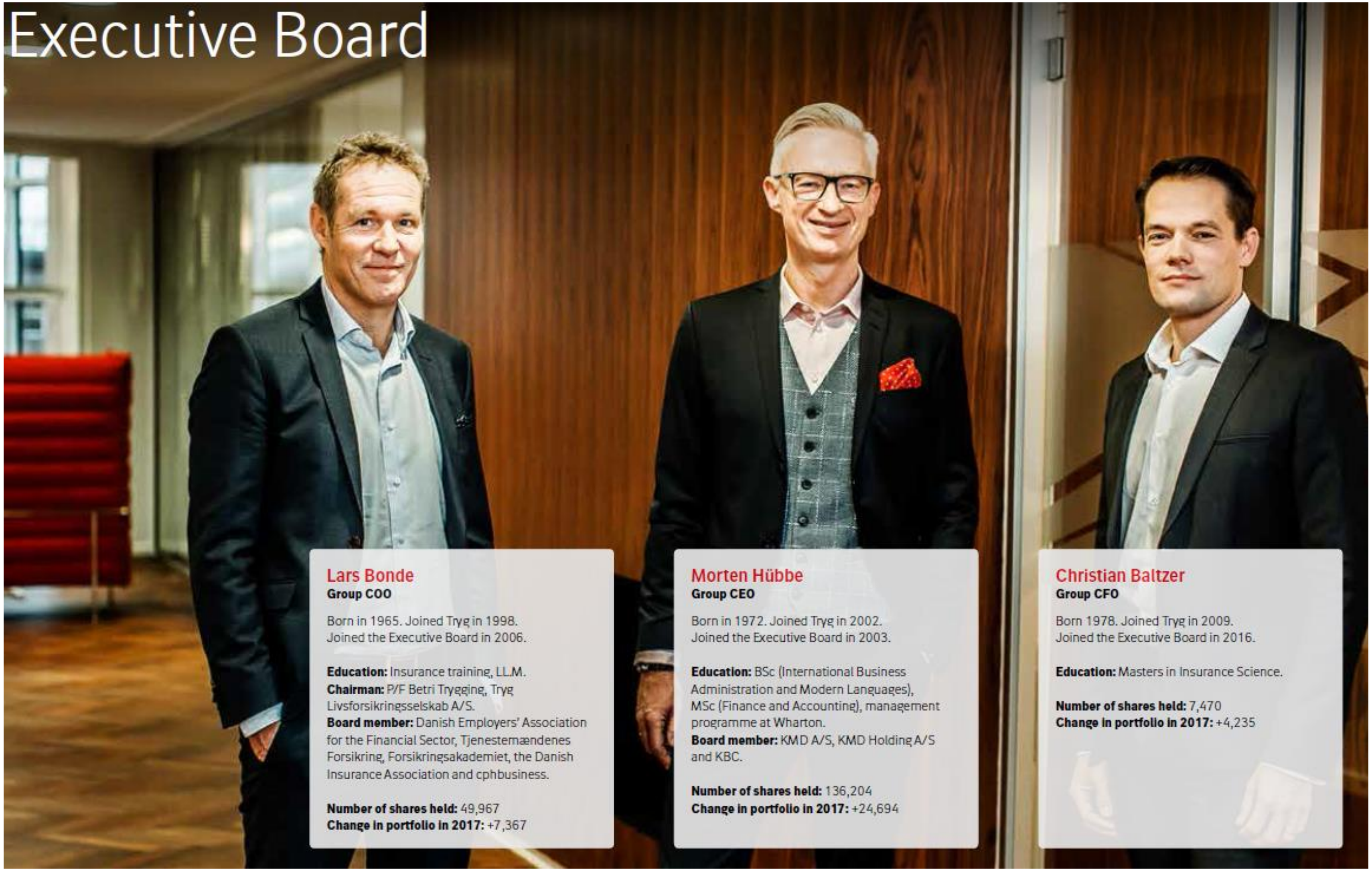
Carl-Viggo Östlund[b]

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



As of 23 January 2018, Johan Kirstein Brammer joined the Executive Board as Group CCO. See Events after the Balance sheet date on page 24 and Tryg.com/Governance.

Corporate Social Responsibility

Statutory corporate social responsibility report

In 2017, Tryg Forsikring 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 and our purpose – 'As the world changes, we make it easier to be tryg'.[a)] Our CSR strategy focuses on Tryg Forsikring's contribution to peace of mind in society, Tryg Forsikring as a responsible workplace with responsible management, and competent and responsible customer relations.

Peace of mind in society

The essence of Tryg Forsikring'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 Forsikring 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 Forsikring. 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 Forsikring'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 Forsikring 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

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.

Cooperation with the Norwegian Society for Sea Rescue

The Norwegian Society for Sea Rescue (Redningsselskapet) 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 September 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 Forsikring 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 Forsikring 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 Forsikring 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 Forsikring 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 Forsikring as a responsible workplace with responsible management. 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. 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 Forsikring 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.

Equal opportunities

In Tryg Forsikring, 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 Forsikring 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 Forsikring. 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 indepth 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 Forsikring'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.
See the composition of the Supervisory Board on page 26.

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 Forsikring'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 Forsikring'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 Forsikring'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 Forsikring violating human and labour rights. In Tryg Forsikring, 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 Forsikring'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 Forsikring's business is to a large degree affected by extreme weather events, which also represents a risk to Tryg Forsikring, 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 Forsikring, 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 Forsikring 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 (Miljofyrtarn) 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 climatefriendly 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 Forsikring's environmental initiatives

Tryg Forsikring is at risk of impacting the environment negatively if the right actions are not taken. In Tryg Forsikring, 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 Forsikring 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 Forsikring'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 Forsikring 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 Forsikring 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 Forsikring experience

In Tryg Forsikring, we focus on equal treatment of our customers and on their satisfaction with Tryg Forsikring. 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 customer 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

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 Forsikring A/S and the Tryg Forsikring Group.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds, and the financial statements of the parent company have been 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 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, 29 January 2018

Executive Board

Morten Hübbe Group CEO	*Christian Baltzer* Group CFO	*Lars Bonde* Group COO	*Johan Kirstein Brammer* Group CCO

Supervisory Board

Jørgen Huno Rasmussen Chairman	*Torben Henning Nielsen* Deputy Chairman	*Jukka Pertola*	
Jesper Hjulmand	*Carl-Viggo Östlund*	*Mari Thørmøe*	*Tom Eileng*
Elias Bakk	*Lene Skole*	*Anders Hjulmand*	*Ida Sofie Jensen*
Tina Snejbjerg	*Lone Hansen*		

Independent auditor's report

To the shareholders of Tryg Forsikring A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Tryg Forsikring A/S for the financial year 1 January to 31 December 2017, pages 46-111, 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 issuers of listed bonds, 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 issuers of listed bonds.

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.

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 for the first time on 29 December 1997 for the financial year 1997 as part of the formation of the Company. However, we have been the appointed auditors of the companies merged with Tryg Forsikring A/S since before 1995. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of more than 21 years up to and including the financial year 2017.

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	***How the matter was addressed in the audit***
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 53-54 and in "Accounting policies", note 29 on page 83. The principles of estimating the claims provisions have been specified in "Accounting policies", note 29 on pages 92-93, and further specified in note 1 on pages 57-58 and in note 17. 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	• 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.

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.	

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary 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 commentary provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management commentary 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 commentary.

Solvency ratio
Management is responsible for the solvency ratio evident from the statement of financial highlights and key figures on page 46 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 issuers of listed bonds, 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.

Copenhagen, 29 January 2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Jens Ringbæk	Kasper Bruhn Udam
State-Authorised Public Accountant	State-Authorised Public Accountant
MNE no 27735	MNE no 29421

Tryg Forsikring Group

Financial highlights

DKKm	2017	2016	2015	2014	2013
Gross premium income	**17,963**	**17,707**	**17,977**	**18,652**	**19,504**
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
Technical result	**2,789**	**2,390**	**2,423**	**3,032**	**2,496**
Investment return after insurance technical interest	532	992	-15	367	593
Other income and costs	-7	-93	-16	-39	-39
Profit/loss before tax	**3,314**	**3,289**	**2,392**	**3,360**	**3,050**
Tax	-736	-763	-409	-770	-634
Profit/loss on continuing business	**2,578**	**2,526**	**1,983**	**2,590**	**2,416**
Profit/loss on discontinued and divested business after tax a)	-2	-1	49	10	-4
Profit/loss	**2,576**	**2,525**	**2,032**	**2,600**	**2,412**
Run-off gains/losses, net of reinsurance	972	1,239	1,212	1,131	970
Statement of financial position					
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	9,066	10,127	10,120	11,828	11,725
Total assets	51,356	50,561	51,749	52,942	53,985
Key ratios					
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
Combined ratio	**84.4**	**86.7**	**86.8**	**84.2**	**87.7**
Gross expense ratio without adjustment b)		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 (%)	29.3	25.9	19.5	23.3	22.1
Solvency [c)]	237	194	2.8	2.9	2.8

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 Societys' 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 from 2016 is the ratio between own funds and the solvency capital requirement and is exempt from the requirement for auditing and thus not audited.

Income statement

Note	DKKm	2017	2016
	General insurance		
	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	**Premium income, net of reinsurance**	**16,974**	**16,796**
4	**Insurance technical interest, net of reinsurance**	**-14**	**-10**
	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	**Claims, net of reinsurance**	**-11,565**	**-11,523**
	Bonus and premium discounts	**-250**	**-286**
	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	**Insurance operating costs, net of reinsurance**	**-2,356**	**-2,587**
2	**Technical result**	**2,789**	**2,390**
	Investment activities		
	Income from associates	3	42
	Income from investment property	69	105
7	Interest income and dividends	624	671
8	Value adjustments	225	518
7	Interest expenses	-107	-113
	Administration expenses in connection with investment activities	-98	-82
	Total investment return	**716**	**1,141**
4	Return on insurance provisions	-184	-149
	Total investment return after insurance technical interest	**532**	**992**
	Other income	117	105
	Other costs	-124	-198
	Profit/loss before tax	**3,314**	**3,289**
9	Tax	-736	-763
	Profit/loss on continuing business	**2,578**	**2,526**
	Profit/loss on discontinued and divested business	-2	-1
	Profit/loss for the year	**2,576**	**2,525**

Statement of comprehensive income

	2017	2016
Profit/loss for the year	**2,576**	**2,525**
Other comprehensive income		
Other comprehensive income which cannot subsequently be reclassified as profit or loss		
Change in equalisation provision and other provisions	4	15
Change in taxrates on security provisions	0	0
Sale of owner-occupied property a)	0	215
Sale of owner-occupied property, revaluation from previous years a)	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
Other comprehensive income which can subsequently be reclassified as profit or loss		
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
Total other comprehensive income	**-33**	**32**
Comprehensive income	**2,543**	**2,557**

a) Please refer to note 24 Sale of properties

Statement of financial position

DKKm		2017	2016
Note			
	Assets		
10	**Intangible assets**	**1,105**	**884**
	Operating equipment	67	49
11	**Total property, plant and equipment**	**67**	**49**
12	**Investment property**	**1,324**	**2,323**
13	Equity investments in associates	225	218
	Total investments in associates	**225**	**218**
	Equity investments	179	48
	Unit trust units	4,852	3,950
	Bonds	37,151	35,254
	Deposits with credit institutions	250	0
	Derivative financial instruments	1,079	1,000
	Total other financial investment assets	**43,511**	**40,252**
14	**Total investment assets**	**45,060**	**42,793**
	Reinsurers' share of premium provisions	245	214
17	Reinsurers' share of claims provisions	1,121	1,820
15	**Total reinsurers' share of provisions for insurance contracts**	**1,366**	**2,034**
	Receivables from policyholders	1,471	1,108
	Total receivables in connection with direct insurance contracts	1,471	1,108
	Receivables from insurance enterprises	300	183
	Receivables from Group undertakings	4	701
	Other receivables	952	1,645
14	**Total receivables**	**2,727**	**3,637**
16	Current tax assets	0	1
	Cash at bank and in hand	499	475
	Total other assets	**499**	**476**
	Interest and rent receivable	197	224
	Other prepayments and accrued income	335	464
	Total prepayments and accrued income	**532**	**688**
	Total assets	**51,356**	**50,561**

Statement of financial position

Note	DKKm	2017	2016
	Equity and liabilities		
	Equity	**9.066**	**10.127**
1	**Subordinate loan capital**	**2.412**	**2.567**
17	Premium provisions	5.559	5.487
17	Claims provisions	23.925	25.452
	Provisions for bonuses and premium discounts	534	588
	Total provisions for insurance contracts	**30.018**	**31.527**
18	Pensions and similar obligations	290	345
19	Deferred tax liability	656	702
20	Other provisions	111	125
	Total provisions	**1.057**	**1.172**
	Debt relating to direct insurance	498	555
	Debt relating to reinsurance	454	426
21	Amounts owed to credit institutions	306	178
22	Debt relating to unsettled funds transactions and repos	1.711	1.732
14	Derivative financial instruments	746	702
	Debt to group undertakings	3.530	0
16	Current tax liabilities	211	333
	Other debt	1.304	1.197
	Total debt	**8.760**	**5.123**
	Accruals and deferred income	**43**	**45**
	Total equity and liabilities	**51.356**	**50.561**
1	**Risk and capital management**		
23	**Own funds**		
24	**Sale of properties**		
25	**Contractual obligations, collateral and contingent liabilities**		
26	**Acquisition of activities**		
27	**Related parties**		
28	**Financial highlights**		
29	**Accounting policies**		

Statement of changes in equity

DKKm	Share capital	Revaluation reserves	Reserve for exchange rate adjustment	Equalisation reserve	Other reserves*	Retained earnings	Proposed dividend	Total
Equity at 31 December 2016	**1,100**	**0**	**3**	**0**	**822**	**5,502**	**2,700**	**10,127**
2017								
Profit/loss for the year				0	-39	1,711	904	2,576
Other comprehensive income	0	0	-32	0	0	-1	0	-33
Total comprehensive income	0	0	-32	0	-39	1,710	904	2,543
Dividend paid							-3,604	-3,604
Total changes in equity in 2017	**0**	**0**	**-32**	**0**	**-39**	**1,710**	**-2,700**	**-1,061**
Equity at 31 December 2017	**1,100**	**0**	**-29**	**0**	**783**	**7,212**	**0**	**9,066**
Equity at 31 December 2015	**1,100**	**86**	**-9**	**127**	**766**	**6,600**	**1,450**	**10,120**
2016								
Adjustment 01.01.2016**				**-127**		**127**		**0**
Profit/loss for the year			0	0	56	-1,331	3,800	2,525
Other comprehensive income	0	-86	12	0	0	106	0	32
Total comprehensive income	0	-86	12	-127	56	-1,098	3,800	2,557
Dividend paid							-2,550	-2,550
Total changes in equity in 2016	**0**	**-86**	**12**	**-127**	**56**	**-1,098**	**1,250**	**7**
Equity at 31 December 2016	**1,100**	**0**	**3**	**0**	**822**	**5,502**	**2,700**	**10,127**

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.

*) Other reserves contains Norwegian Natural Perils Pool.

**) A new executive order from the Danish FSA from 1 January 2016 has abolished the requirements of equalisation reserves in credit and guarantee insurance.

Statement of cash flow

DKKm	2017	2016
Cash from operating activities		
Premiums	17,600	17,729
Claims paid	-13,205	-13,744
Ceded business	-139	340
Expenses	-2,642	-2,699
Change in other payables and other amounts receivable	497	-134
Cash flow from insurance activities	**2,111**	**1,492**
Interest income	626	729
Interest expenses	-107	-113
Dividend received	19	25
Taxes	-859	-548
Other items	-6	7
Cash from operating activities, continuing business	**1,784**	**1,592**
Cash from operating activities, discontinued and divested business	-1	-1
Total cash from operating activities	**1,783**	**1,591**
Investments		
Acquisition and refurbishment of real property	-10	-122
Sale of real property	2,307	6
Acquisition 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 intangble assets	-102	-135
Hedging of currency risk	135	-50
Investments, continuing business	**-2,514**	**258**
Investments, discontinued and divested business	**0**	**0**
Total investments	**-2,514**	**258**
Financing		
Subordinate loan capital	0	800
Debt and receivables, Group	4,227	-207
Dividend paid	-3,604	-2,550
Change in amounts owed to credit institutions	128	115
Financing, continuing business	**751**	**-1,842**
Financing, discontinued and divested business	0	0
Total financing	**751**	**-1,842**
Change in cash and cash equivalents, net	**20**	**7**
Additions relating to purchase of subsidiaries	13	0
Exchangerate adjustment of cash and cash equivalents, 1 January	-9	-2
Change in cash and cash equivalents, gross	**24**	**5**
Cash and cash equivalents, 1 January	475	470
Cash and cash equivalents, 31 December	**499**	**475**

2017	Subordinated loans	Amounts owed to credit institutions	Total
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
Carrying amount at 31 December	**2,412**	**306**	**2,718**
2016			
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
Carrying amount at 31 December	**2,567**	**178**	**2,745**

Notes

1 Risk- and capital management

Risk management in Tryg Forsikring

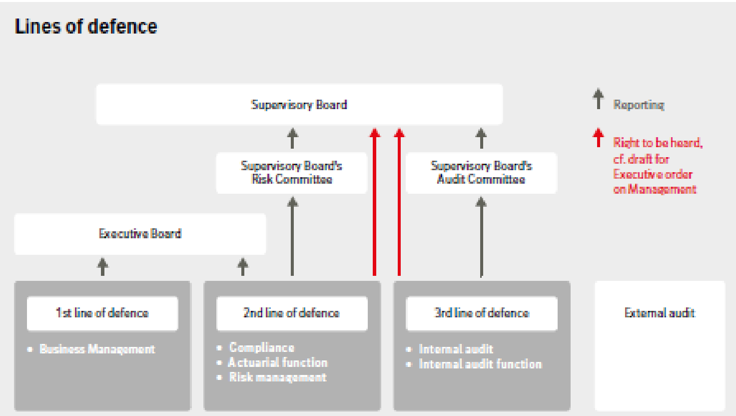
The Supervisory Board defines the company's risk appetite through its business model and strategy, and this is operationalised through the company's policies. The company's risk management forms the basis for the risk profile being in line with the specified risk appetite at all times.

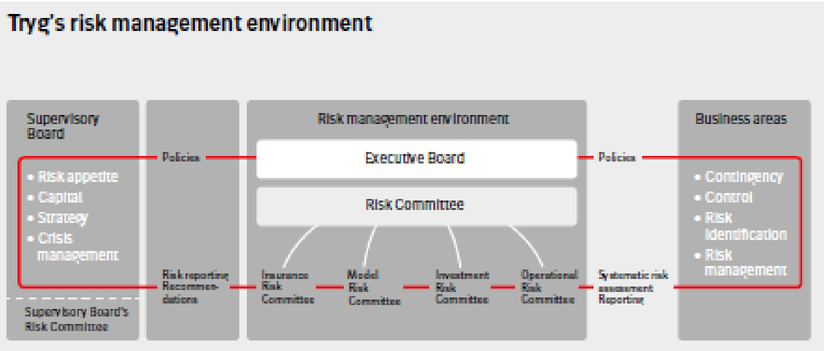
Tryg Forsikring's risk profile is continuously measured, quantified and reported to the management and the Supervisory Board. Given the extensive requirements for the Supervisory Board's involvement in capital and risk management, Tryg Forsikring's Supervisory Board has a special Supervisory Board Risk 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 Forsikring'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 Forsikring'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.





Notes

Capital management

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

The capital base is continuously measured against the capital requirement calculated on the basis of Tryg Forsikring'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 Forsikring's capital requirement with 99.5% solvency level with a 1-year horizon, which means that Tryg Forsikring 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 Forsikring 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 Forsikring's actual risk profile. Moreover, the projected capital requirement is also assessed over the company's strategic planning period. Tryg Forsikring'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 Forsikring's capital model, determining the capital impact from insurance products.

Notes

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 Forsikring'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 Forsikring is covered for up to DKK 600m, after total annual retention of DKK 300m. Tryg Forsikring has also taken out reinsurance for the risk of large claims occurring in sectors with very large sums insured. Tryg Forsikring'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 Forsikring 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 Forsikring's insurance provisions being inadequate. The Supervisory Board lays down the overall framework for the handling of reserving 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 Forsikring'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 Forsikring's match portfolio which corresponds to the discounted claims reserves. In order to manage the inflation risk of Danish workers' compensation claims reserves, Tryg Forsikring has bought zero coupon inflation swaps. Tryg Forsikring determines the claims reserves via statistical methods as well as individual assessments.
At the end of 2017, Tryg Forsikring'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 Forsikring's investment policy. In overall terms, Tryg Forsikring'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 Forsikring 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 Forsikring'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 Forsikring'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).

Notes

Tryg Forsikring does not wish to speculate in foreign currency, but since Tryg Forsikring invests and operates its insurance business in other currencies than Danish kroner, Tryg Forsikring is exposed to currency risk. Tryg Forsikring 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 Forsikring 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 Forsikring'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 Forsikring, liquidity risk is practically non-existent, as premium payments fall due before claims payments. The only significant assets on Tryg Forsikring'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 Forsikring focuses on an adequate control 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 Forsikring'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 Forsikring 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 Forsikring 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 Forsikring's chosen strategic position. The strategic position covers both business transactions, IT strategy, choice of business partners and changed market conditions. Tryg Forsikring's strategic position is determined by Tryg Forsikring'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 Forsikring'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 Forsikring 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 Forsikring's reinsurance cover is consistent with the new conditions.

DKKm		2017	2016
1	**Sensitivity analysis**		
	Insurance risk		
	DKKm		
	Effect of 1% change in:		
	Combined ratio (1 percentage point)	+/- 180	+/- 175
	Major events	- 100	- 100
	Catastrophe event up to DKK 5.75bn	- 160	- 150
	Reserving risk		
	1% change in inflation on person-related lines of business *)	+/- 408	+/- 436
	10% error in the assessment of long-tailed lines of business (workers' compensation, motor liability, liability, accident)	+/- 1,706	+/- 1,800
	Investment risk		
	Interest rate market		
	Effect of 1 % increase in interest curve:		
	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 **)	153	173
	Equity market		
	15 % decline in equity market	-285	-365
	Impact of derivatives and related thereto	20	-15
	Real estate market		
	15 % decline in real estate markets	-257	-229
	Currrency market		
	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
	*) Including the effect of the zero coupon inflation swap		
	**) additional sensitivity information in note 18 'Pensions and similar obligations'		

Notes

DKKm

Claims provisions - estimated accumulated claims

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											
	12,088	12,600	13,400	15,239	15,999	12,936	13,573	12,732	14,568	12,725	12,733	148,593
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

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											
	488	157	276	708	2,241	259	1,269	297	1,917	254	314	8,180
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

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											
	11,600	12,443	13,124	14,531	13,758	12,677	12,304	12,435	12,651	12,471	12,419	140,413
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

DKKm

Expected cash flow, not discounted

2017	0-1 year	1-2 years	2-3 years	> 3 years	Total
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
	12,260	**3,636**	**2,507**	**11,111**	**29,514**

2016					
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
	12,403	**3,808**	**2,570**	**11,415**	**30,196**

Investment risk

Bond portfolio including interest derivatives	2017	2016
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
Total	**39,647**	**36,192**
Duration	**2.8**	**2.9**

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.

Listed shares	2017	2016
Nordic countries	51	47
United Kingdom	90	95
Rest of Europe	274	259
United States	1,196	1,377
Asia etc.	435	368
Total	**2,046**	**2,146**
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.

Exposure to exchange rate risk	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
Total			**540**			**398**

Notes

DKKm

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

	2017	2016	Change	Currency effect	Change excl. currency effect
Gross premium income	**17,963**	**17,707**	**256**	**20**	**236**
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
Technical result	**2,789**	**2,390**	**399**	**3**	**396**

	2016	2015	Change	Currency effect	Change excl. currency effect
Gross premium income	**17,707**	**17,977**	**-270**	**-293**	**23**
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
Technical result	**2,390**	**2,423**	**-33**	**-43**	**10**

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

	2017	2016	Change	Currency effect	Change excl. currency effect
Assets					
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	2,727	3,637	-910	-81	-829
Other assets	499	476	23	-4	27
Prepayments and accrued income	532	688	-156	-9	-147
Total assets	**51,356**	**50,561**	**795**	**-1,423**	**2,218**
Equity and liabilities					
Equity	9,066	10,127	-1,061	0	-1,061
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	8,760	5,123	3,637	-369	4,006
Accruals and deferred income	43	45	-2	-1	-1
Total equity and liabilities	**51,356**	**50,561**	**795**	**-1,423**	**2,218**

Notes

DKKm

Credit risk

Bond portfolio by ratings	2017 DKKm	2017 %	2016 DKKm	2016 %
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
Total	**37,151**	**100.0**	**35,254**	**100.0**

Reinsurance balances	2017 DKKm	2017 %	2016 DKKm	2016 %
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
Total	**1,033**	**100.0**	**1,693**	**100.0**

Liquidity risk

Maturity of the Group's financial obligations including interest

2017	0-1 year	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
	5,143	**418**	**3,487**	**9,048**

2016	0-1 year	1-5 years	> 5 years	Total
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	2,511	0	0	2,511
	5,169	**504**	**3,494**	**9,167**

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

Subordinate loan capital

	Bond loan NOK 800m		Bond loan NOK 1,400m		Bond loan SEK 1,000m	
DKKm	2017	2016	2017	2016	2017	2016
Amortised cost value of the loan recognised in statement of financial position	603	651	1056	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%
Loan terms:						
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)
		4.75 % 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

2 Operating segments

2017	Private	Commercial	Corporate	Sweden	Other *	Group
Gross premium income	**8,798**	**3,862**	**3,852**	**1,487**	**-36**	**17,963**
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
Technical result	**1,565**	**667**	**386**	**171**	**0**	**2,789**
Other items						-213
Profit/loss						**2,576**
Run-off gains/losses, net of reinsurance	306	329	239	98	0	972
Intangible assets		106		575	424	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					48,660	48,660
Total assets						**51,356**
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					12,272	12,272
Total liabilities						**42,290**

2016	Private	Commercial	Corporate	Sweden	Other *	Group
Gross premium income	**8,710**	**3,893**	**3,775**	**1,348**	**-19**	**17,707**
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	-157	-155	-643	-3	7	-951
Insurance technical interest, net of reinsurance	-4	-1	0	-5	0	-10
Technical result	**1,405**	**694**	**421**	**120**	**-250**	**2,390**
Other items						135
Profit/loss						**2,525**
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					47,425	47,425
Total assets						**50,561**
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					8,907	8,907
Total liabilities						**40,434**

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.

* 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'.

2 Geographical segments

DKKm	2017	2016	2015	2014	2013
Danish general insurance *					
Gross premium income	**9,606**	**9,467**	**9,346**	**9,361**	**9,534**
Technical result	1,783	1,587	1,371	1,510	1,202
Run-off gains/losses, net of reinsurance	449	509	512	564	566
Key ratios					
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
Combined ratio	**81.3**	**83.1**	**85.2**	**84.1**	**87.5**
Run-off, net of reinsurance (%)	-4.7	-5.4	-5.5	-6.0	-5.9
Number of full-time employees 31 December	1,933	1,823	1,845	1,996	2,033
Norwegian general insurance					
NOK/DKK, average rate for the period	79.99	80.09	83.52	89.42	96.04
Gross premium income	**6,272**	**6,371**	**6,766**	**7,337**	**7,819**
Technical result	770	1,013	844	1,478	1,258
Run-off gains/losses, net of reinsurance	422	678	492	501	387
Key ratios					
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
Combined ratio	**87.9**	**84.2**	**87.9**	**80.4**	**84.5**
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
Swedish general insurance					
SEK/DKK, average rate for the period	77.24	78.93	79.69	82.16	86.35
Gross premium income	**2,121**	**1,888**	**1,894**	**1,975**	**2,169**
Technical result	236	40	328	44	36
Run-off gains/losses, net of reinsurance	101	52	208	66	17
Key ratios					
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
Combined ratio	**88.5**	**97.5**	**82.7**	**98.2**	**98.9**
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

Notes

2 Geographical segments

DKKm	2017	2016	2015	2014	2013
Other**					
Gross premium income	**-36**	**-19**	**-29**	**-21**	**-18**
Technical result	0	-250	-120	0	0
Tryg Forsikring					
Gross premium income	**17,963**	**17,707**	**17,977**	**18,652**	**19,504**
Technical result	2,789	2,390	2,423	3,032	2,496
Investment return	532	992	-15	367	593
Other income and costs	-7	-93	-16	-39	-39
Profit/loss before tax	3,314	3,289	2,392	3,360	3,050
Run-off gains/losses, net of reinsurance	972	1,239	1,212	1,131	970
Key ratios					
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
Combined ratio	**84.4**	**86.7**	**86.8**	**84.2**	**87.7**
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	3,345	3,248	3,345	3,588	3,690

* Includes Danish general insurance and Finnish guarantee insurance.

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

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

Notes

DKKm	Accident and health		Health care		Worker's compensation		Motor TPL		Motor comprehensive insurance		Marine, aviation and cargo insurance	
2 **Technical result, net of reinsurance, by line of business**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Gross premiums written	**1,918**	**1,741**	**359**	**338**	**846**	**860**	**1,778**	**1,779**	**3,691**	**3,545**	**283**	**275**
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
Technical result	**383**	**475**	**- 1**	**- 18**	**118**	**561**	**362**	**306**	**599**	**572**	**- 29**	**- 8**
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
Combined ratio	**79.2**	**71.4**	**100.3**	**105.4**	**86.1**	**34.6**	**79.3**	**83.3**	**83.1**	**83.8**	**110.3**	**102.9**
Claims frequency a)	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 b)	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

	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**
Gross premiums written	**4,342**	**4,266**	**2,427**	**2,426**	**66**	**55**	**1,032**	**1,025**	**445**	**398**	**692**	**655**
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
Technical result	**546**	**219**	**510**	**129**	**- 8**	**- 3**	**- 35**	**146**	**180**	**181**	**96**	**61**
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
Combined ratio	**86.8**	**94.7**	**79.1**	**94.6**	**111.3**	**103.3**	**103.3**	**85.3**	**58.8**	**53.6**	**85.9**	**90.6**
Claims frequency a)	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 b)	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

	Other insurance c)		Total exclusive of Norwegian Group Life		Norwegian Group Life, one-year policies		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Gross premiums written	**59**	**57**	**17,938**	**17,420**	**420**	**422**	**18,358**	**17,842**
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
Technical result	**2**	**- 240**	**2,723**	**2,381**	**66**	**9**	**2,789**	**2,390**
Gross claims ratio	17.5	172.7	65.9	65.1	74.2	87.0	66.1	65.6
Combined ratio	**100.0**	**540.0**	**84.4**	**86.2**	**84.4**	**98.1**	**84.4**	**86.7**
Average claims DKK b)	301,159	958,750						
Total claims	44	12						

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.
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
3	**Premium income, net of reinsurance**		
	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
		16,974	**16,796**

	2017		2016	
Direct insurance, by location of risk	**Gross**	**Ceded**	**Gross**	**Ceded**
Denmark	9,622	-537	9,533	-613
Other EU countries	2,161	-187	1,928	-110
Other countries a)	6,385	-505	6,489	-455
	18,168	**-1,229**	**17,950**	**-1,178**

a) Mainly Norway

		2017	2016
4	**Insurance technical interest, net of reinsurance**		
	Return on insurance provisions	184	149
	Discounting transferred from claims provisions	-198	-159
		-14	**-10**
5	**Claims, net of reinsurance**		
	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
		-11,565	**-11,523**
6	**Insurance operating costs, net of reinsurance**		
	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
		-2,356	**-2,587**
	Administative expenses include fee to the auditors appointed by the annual general meeting:		
	Deloitte	-5	-7
		-5	**-7**
	The fee is divided into:		
	Statutory audit	-3	-3
	Other audit assignments	-1	-1
	Tax advice	-1	-1
	Other services	0	-2
		-5	**-7**
	Expenses have been incurred for the Group´s Internal Audit Department.	-9	-9

Fees for non-audit services provide by Deloitte Statsautoriseret Revisionspartnerselskab to the Group amount to DKK 2m and consist of varius declaration tasks, including review of interim balances, tax advice in relation to the investment area, as well as other general accounting and tax advice

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.

Insurance operating costs, gross, classified by type	2017	2016
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
	-2,516	**-2,737**

Total lease expenses amount to DKK 26m (DKK 26m in 2016)

Insurance operating costs and claims include the following staff expenses:	2017	2016
Salaries and wages	-1,926	-2,037
Commision	-7	-8
Allocated share options and matching shares	-6	-2
Pension plans a)	-280	-286
Other social security costs	-5	-4
Payroll tax	-410	-354
	-2,634	**-2,691**

a) 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 27 'Related parties'.

	2017	2016
Average number of full-time employees during the year (continuing business)	**3,288**	**3,291**

Notes

Matching shares and conditional shares

Matching shares	Total Numbers				Fair Value			
2017	**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 December DKK**	**Total fair value at 31 December DKKm**
Allocated in 2017	27,060	33,815	18,896	79,771	127	10	155	**13**
Matching shares allocated in 2017 at 31.12.17	**27,060**	**33,815**	**18,896**	**79,771**	**127**	10	**155**	**13**
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	-3,164	-8,856	-21,380	98	-2	155	-3
Exercised	-74,275	0	-61,840	-136,115	98	-13	155	-21
Matching shares allocated in 2011-2016 at 31.12.17	**41,478**	**24,776**	**41,647**	**107,901**	**98**	11	**155**	**17**
Number of Matching shares exercisable 31 Dec. 2017	**0**	**0**	**0**	**0**				

2016	**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 December DKK**	**Total fair value at 31 December DKKm**
Allocated in 2016	17,233	15,562	0	32,795	128	4	127	4
Matching shares allocated in 2016 at 31.12.16	**17,233**	**15,562**	**0**	**32,795**	**128**	**4**	**127**	**4**
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
Matching shares allocated in 2011-2015 at 31.12.16	**37,890**	**67,425**	**0**	**105,315**	**94**	10	127	13
Number of Matching shares exercisable 31 Dec. 2016	**0**	**0**	**0**	**0**				

In 2011-2017, Tryg forsikring entered into an agreement on matching shares for the Executive Board, Risk-takers and Other emplyes 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 forsikring 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 the group is 25,910 shares in Tryg A/S.

Notes

DKKm		2017	2016
7	**Interest and dividends**		
	Interest income and dividends		
	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
	Interest expenses		
	Interest expenses subordinate loan capital and credit institutions	-89	-88
	Interest expenses, other	-18	-25
		-107	-113
		517	**558**
8	**Value adjustments**		
	Value adjustments concerning financial assets or liabilities at fair value with value adjustment in the income statement:		
	Equity investments	-35	78
	Unit trust units	460	190
	Share derivatives	-8	-19
	Bonds	-148	-83
	Interest derivatives	-96	81
		173	247
	Value adjustments concerning assets or liabilities that cannot be attributed to IAS 39:		
	Investment property	9	431
	Owner-occupied property a)	0	93
	Discounting	123	-188
	Other statement of financial position items	-80	-65
		52	271
		225	**518**
	Exchange rate adjustments concerning financial assets or liabilities which cannot be stated at fair value total DKK 127m (DKK 1m in 2016)		
	*) Please refer to note 24 Sale of properties		
9	**Tax**		
	Tax on accounting profit/loss	-729	-723
	Difference between Danish and foreign tax rates	-42	-40
	Tax adjustment, previous years	-46	8
	Adjustment of non-taxable income and costs	80	-23
	Change in valuation of tax assets	0	17
	Change in tax rate	1	0
	Other taxes	0	-2
		-736	**-763**
	Effective tax rate	%	%
	Tax on accounting profit/loss	22	22
	Difference between Danish and foreign tax rates	1	1
	Tax adjustment, previous years	1	0
	Adjustment of non-taxable income and costs	-2	1
	Change in valuation of tax assets	0	-1
		22	**23**

DKKm

10 **Intangible assets**

2017	Goodwill	Trademarks and customer relations	Software a)	Assets under construction a)	Total
Cost					
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
Amortisation and write-downs					
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
Carrying amount at 31 December	**552**	**129**	**164**	**260**	**1,105**

2016	Goodwill	Trademarks and customer relations	Software a)	Assets under construction a)	Total
Cost					
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
Amortisation and write-downs					
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
Carrying amount at 31 December	**515**	**110**	**166**	**93**	**884**

a) Hereof proprietary software DKK 336m (DKK 203m at 31 December 2016)

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 26.
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.

	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

DKKm

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, Bilsport & 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 Equity of DKK 0.8bn (0.7bn) including goodwill of DKK 0.5bn (0.5bn) and does not indicate any impairment in 2017.

	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%
Sensitivity information		
Impact on equity from the following changes:		
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

Notes

DKKm	2017	2016

11 Property, plant and equipment

2017	Operating equipment	Owner-occupied property	Assets under construction	Total
Cost				
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
Accumulated depreciation and value adjustments				
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
Carrying amount at 31 December	**67**	**0**	**0**	**67**

2016	Operating equipment	Owner-occupied property	Assets under construction	Total
Cost				
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
Accumulated depreciation and value adjustments				
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
Carrying amount at 31 December	**49**	**0**	**0**	**49**

The owner-occupied properties were sold in December 2016. Please refer to note 24 Sale of properties.

12 Investment property

	2017	2016
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
Fair value at 31 December	**1,324**	**2,323**

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		
Business property	6.4	6.9
Office property	7.9	6.9
Residential property	6.0	6.0
Total	**7.0**	**6.8**

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:		
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
13	**Equity investments in associates**		
	Cost		
	Cost at 1 January	201	201
	Additions for the year	14	0
	Cost at 31 December	215	201
	Revaluations at net asset value		
	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
	Carrying amount at 31 December	**225**	**218**

Shares in material associates according to the latest annual report:

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

		2017	2016
14	**Financial assets**		
	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	4,113
	Total financial assets	**46,748**	**44,365**

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	6,988
Total financial liabilities	**7,633**	**7,690**

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.

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.

Fair value hierarchy for financial instruments and investment property measured at fair value in the statement of financial position

2017	Quoted market prices	Observable input	Non-observable input	Total
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
	22,965	19,620	1,504	44,089
2016				
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
	20,554	18,938	2,381	41,873

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.

Notes

DKKm		2017	2016
14	**Financial assets (continued)**		
	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.

	2017	2016
Financial instruments measured at fair value in the statement of financial position on the basis of non-observable input:		
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
Carrying amount at 31 December	**1,504**	**2,381**
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

	2017	2016
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 counterparties 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.

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
Total derivative financial instruments	40,334	-53	44,374	-100
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.

Derivative financial instruments used in connection with hedging of foreign entities for accounting purposes		2017			2016	
income	**Gains**	**Losses**	**Net**	**Gains**	**Losses**	**Net**
Gains and losses at 1 January	2,652	-2,626	26	2,496	-2,420	76
Reversed hedges in profit/loss	0	0	0	0	-23	-23
Value adjustments for the year	251	-116	135	156	-183	-27
Gains and losses at 31 December	**2,903**	**-2,742**	**161**	**2,652**	**-2,626**	**26**

Value adjustments	2017	2016
Value adjustments of foreign entities recognised in other comprehensive income in the amount of:		
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
Value adjustments at 31 December	**-152**	**-15**

		2017	2016
14	**Financial assets (continued)**		
	Receivables		
	Total receivables in connection with direct insurance contracts	1,471	1,108
	Receivables from insurance enterprises	300	183
	Receivables from Group undertakings	4	701
	Reverse repos	602	0
	Other receivables	350	1,645
		2,727	**3,637**
	Specification of write-downs on receivables from insurance contracts:		
	Write-downs at 1 January	117	116
	Exchange rate adjustments	-5	3
	Write-downs and reversed write-downs for the year	3	-2
	Write-downs at 31 December	**115**	**117**

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).

Notes

DKKm		2017	2016
15	**Reinsurer's share**		
	Impairment test		
	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 counterparty risk. The Risk will be handled by applying a wide range of reinsurers with at least an 'A' rating.		
16	**Current tax**		
	Net current tax at 1 January	-332	-257
	Exchange rate adjustments	5	-10
	Current tax for the year	-683	-651
	Current tax on equity entries	-30	0
	Adjustment of current tax in respect of previous years	-31	38
	Tax paid for the year	860	548
	Net current tax at 31 December	**-211**	**-332**
	Current tax is recognised in the statement of finansiel position as follows:		
	Under assets, current tax	0	1
	Under liabilities, current tax	-211	-333
	Net current tax	**-211**	**-332**
17	**Premium provisions**		
	Premium provision at 1 January	5,487	5,571
	Addition on acquisition of Obos portfolio (2016 Skandia)	79	35
	Value adjustments of provisions, beginning of year	-132	32
	Paid in the financial year	17,991	17,967
	Change in premiums in the financial year	-17,868	-18,131
	Exchange rate adjustments	2	13
	Premium provisions at 31 December	5,559	5,487
		5,559	**5,487**
	a) Comprises premium provisions for guarantee insurance.		

17 Claims provisions

2017	Gross	Ceded	Net of reinsurance
Claims provisions at 1 January	25,452	-1,820	23,632
Addition, purchase of Obos portfolio	70	-21	49
Value adjustments of provisions , beginning of year	-726	44	-682
	24,796	-1,797	22,999
Paid in the financial year in respect of the current year	-6,283	80	-6,203
Paid in the financial year in respect of prior years	-6,259	959	-5,300
	-12,542	1,039	-11,503
Change in claims in the financial year in respect of the current year	12,550	-286	12,264
Change in claims in the financial year in respect of prior years	-913	-31	-944
	11,637	-317	11,320
Discounting and exchange rate adjustments	34	-46	-12
Claims provisions at 31 December	23,925	-1,121	22,804
	23,925	**-1,121**	**22,804**
2016			
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
	27,424	-3,038	24,386
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
	25,452	**-1,820**	**23,632**

Notes

DKKm		2017	2016
18	**Pensions and similar obligations**		
	Jubilees	42	37
	Recognised liability	**42**	**37**
	Defined-benefit pension plans:		
	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
	Pension obligation, net	**248**	**308**
	Specification of change in recognised pension obligations:		
	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
	Recognised pension obligation at 31 December	**1,133**	**1,268**
	Change in carrying amount of plan assets:		
	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
	Carrying amount of plan assets at 31 December	**885**	**960**
	Total pensions and similar obligations at 31 December	**248**	**308**
	Total recognised obligation at 31 December	**290**	**345**
	Specification of pension cost for the year:		
	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
	Total year's cost of defined-benefit plans	**49**	**33**
	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
	Estimated distribution of plan assets:	%	%
	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
	Assumptions used	%	%
	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
18	**Sensitivity information**		

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.

Impact on equity from the following changes:	2017	2016
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

Description of the Norwegian plan

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.

Description of the Swedish plan

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 years 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.

19 Deferred tax

	2017	2016
Tax asset		
Operating equipment	8	8
Debt and provisions	51	30
Capitalised tax loss	0	1
	59	**39**
Tax liability		
Intangible rights	25	33
Land and buildings	130	70
Bonds	15	38
Contingency funds	545	600
	715	**741**
Deferred tax	**656**	**702**
Development in deferred tax		
Deferred tax at 1 January	702	646
Exchange rate adjustments	-48	23
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
Deferred tax at 31 December	**656**	**702**

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 24m (DKK -30m at 31 December 2016).

Notes

DKKm		2017	2016
20	**Other provisions**		
	Other provisions at 1 January	125	132
	Exchange rate adjustment	-4	0
	Change in provisions	-10	-7
	Other provisions 31 December	**111**	**125**

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 reassesment of the beginning of year b
DKK 24m. The balance as at 31 December 2017 amounts to DKK 104m (DKK 123m at 31 December 2016).

		2017	2016
21	**Amounts owed to credit institutions**		
	Overdraft facilities	306	178
		306	**178**
22	**Debt relating to unsettled funds transactions and repos**		
	Unsettled fund transactions	1,611	258
	Repo debt	100	1,474
		1,711	**1,732**

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.

		2017	2016
23	**Solvency II - Own funds**		
	Equity according to annual report	9,066	10,127
	Proposed dividend	0	-2,700
	Intangible assets	-1,105	-884
	Profit margin, solvency purpose	970	970
	Taxes	0	-27
	Subordinate loan capital	2,164	2,371
	Solvency II - Own funds	**11,095**	**9,857**

24 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

		Recognised in		
	Carrying amount 1 January 2016	Other comprehen-sive income	Income statement, value adjustments	Carrying amount 31 December 2016
Investment property, sold	597	-	420	1,017
Owner-occupied property, sold *	1,144	100	93	-
Total property sold	**1,741**	**100**	**513**	**1,017**
Other estimated costs concerning the sales	-	-	-13	-
Total impact in 2016	-	**100**	**500**	-

*) Carrying amount is recognised in Other receivables

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

Notes

DKKm

25 Contractual obligations, collateral and contingent liabilities

Contractual obligations — **Obligations due by period**

2017	<1 year	1-3 years	3-5 years	> 5 years	Total
Operating leases	120	197	134	552	1.003
Other contractual obligations	867	40	6	0	913
	987	**237**	**140**	**552**	**1.916**

2016	<1 year	1-3 years	3-5 years	> 5 years	Total
Operating leases	140	246	299	260	945
Other contractual obligations	202	0	0	0	202
	342	**246**	**299**	**260**	**1.147**

2017

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

Tryg is comitted to Investments in some Propertyfunds. 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 24 Sale of properties.

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

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.

Tryg Forsikring A/S and Tryg Livsforsikring A/S have registered the following assets as having been held as security for the insurance provisions:	2017	2016
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
eliminated in the consolidated financial statements	2.529	3.172
Total	**40.749**	**40.916**

Offsetting and collateral in relation to financial assets and obligations

				Collateral which is not offset in the statement of financial position		
2017	Gross amount before offsetting	Offsetting	According to the statement of financial position	Bonds as collateral for repos/reverse repos	Collateral in cash	Net amount
Assets						
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
	1.700	**0**	**1.700**	**-602**	**-1.073**	**25**
Liabilities						
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
	1.251	**0**	**1.251**	**-100**	**-1.130**	**21**
2016						
Assets						
Derivative financial instruments	1.000	0	1.000	0	-1.004	-4
Inflation derivatives, recognised in claims provisions	16	0	16	0	-13	3
	1.016	**0**	**1.016**	**0**	**-1.017**	**-1**
Liabilities						
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
	2.590	**0**	**2.590**	**-1.474**	**-1.156**	**-40**

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 within 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

DKKm

26 Acquisition of activities

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 Norwegean 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.

Net assets acquired	OBOS	Skandia
Assets	**2017**	**2016**
Intangible assets	51	58
Financial assets	121	1.471
Total reinsurance of provisions	49	0
Receivables, other assets and accrued income	113	0
Liabilities		
Total provisions for insurance contracts	143	1.389
Debt and accruals and deferred income	74	0
Net assets acquired	**117**	**140**
hereof cash	13	0
Purchase price	**168**	**217**
Purchase price in cash	155	217
Goodwill	**51**	**77**

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 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 Försäkringar. 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.

27 Related parties
Tryg Forsikring A/S has no related parties with a decisive influence other than the parent company Tryg A/S, TryghedsGruppen smba and the subsidaries of TryghedsGruppen smba (Other related parties). Related parties with significant influence include the Supervisory board, Executive Board and their members' families.

	2017	**2016**
Premium income		
- Parent company (TryghedsGruppen smba)	0,4	0,5
- Key management	0,3	0,4
- Other related parties	2,2	3,7
Claims payments		
- Key management	0,1	0,1
- Other related parties	1,0	1,8

Notes

DKKm

27 Related parties (continued)

Specification of remuneration

2017	Number of persons	Base salary	Share-based Variable salary a)	Cash Variable salary	Pension	Total
Supervisory Board	14	8	0	0	0	8
Executive Board	3	20	3	0	5	28
Risk-takers investment functions	2	5	0	0	1	6
Risk-takers staff functions	15	23	1	2	4	30
Risk-takers independent control functions	3	4	0	0	1	5
Risk-takers other functions	19	41	4	7	6	58
	56	**101**	**8**	**9**	**17**	**135**

a) Total expenses in 2017 for matching shares progams 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
	2	**0**

2016	Number of persons	Base salary	Share-based Variable salary	Cash Variable salary	Pension	Total a)
Supervisory Board	14	7	0	0	0	7
Executive Board	4	19	2	0	5	26
Risk-takers	8	15	0	0	2	17
	26	**41**	**2**	**0**	**7**	**50**

a) Exclusive of severance pay

Of which retired	Number of persons	Severance pay
Supervisory Board	2	0
Executive Management	1	0
Risk-takers	1	0
	4	**0**

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 Forsikring 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.

Parent company
TryghedsGruppen smba
TryghedsGruppen smba controls 60% of the shares in Tryg A/S which is the parent company of Tryg Forsikring

Intra-group trading involved:	2017	2016
- Providing and receiving services	14	16

Transactions between TryghedsGruppen smba and the companies in Tryg Forsikring Group are 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 Forsikring 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.

28 Financial highlights
Please refer to next page

29 Accounting policies

Notes

28 DKKm	2017	2016	2015	2014	2013
Gross premium income	**17,963**	**17,707**	**17,977**	**18,652**	**19,504**
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
Technical result	**2,789**	**2,390**	**2,423**	**3,032**	**2,496**
Investment return after insurance technical interest	532	992	-15	367	593
Other income and costs	-7	-93	-16	-39	-39
Profit/loss before tax	**3,314**	**3,289**	**2,392**	**3,360**	**3,050**
Tax	-736	-763	-409	-770	-634
Profit/loss on continuing business	**2,578**	**2,526**	**1,983**	**2,590**	**2,416**
Profit/loss on discontinued and divested business after tax a)	-2	-1	49	10	-4
Profit/loss	**2,576**	**2,525**	**2,032**	**2,600**	**2,412**
Run-off gains/losses, net of reinsurance	972	1,239	1,212	1,131	970
Statement of financial position					
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	9,066	10,127	10,120	11,828	11,725
Total assets	51,356	50,561	51,749	52,942	53,985
Key ratios					
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
Combined ratio	**84.4**	**86.7**	**86.8**	**84.2**	**87.7**
Gross expense ratio without adjustment b)		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 (%)	29.3	25.9	19.5	23.3	22.1
Solvency [c]	237	194	2.8	2.9	2.8

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 Societys' 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 from 2016 is the ratio between own funds and the solvency capital requirement and is exempt from the requirement for auditing and thus not audited.

Note 29

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 following deviations are only relevant in related to presentation between the Group and parent:

- The Executive order on financial reports by insurance companies and lateral pension funds issued by the Danish FSA from 1 January 2016 implement elements form the Solvency II regime, which sets down the basic principles for calculation of insurance provisions:
    - Best estimate of the present value of expected future cash flows for incurred insurance
    - Risk margin is the amount a business will have to pay any acquirer of an insurance portfolio for taking over the risk that the actual expenses in connection with settlement of insurance provisions deviate from best estimate.
    - An interest rate curve laid down for Solvency II. Tryg Forsikring uses the interest rate curve without adjustment.
- Solvency II incorporates the expected profit in the capital base at the time when insurance is incurred.
- 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, in the reinsurers' share of the premium provisions, and the change in profit margin and risk margin.
- Technical interest, unwinding and discounting is presented as part of Return and value adjustment on insurance provisions
- Changes in risk margin related to claims provisions are deducted and presented in a separate line Change in risk margin.
- Premium provisions are stated at the present value of the best estimate of the expected payments for future insurance events covered by existing insurance policies. In Tryg Forsikring insurances are mainly signed for one year. Expected payments include claims and costs for claims handling, other costs as well as bonus and discounts.
- Profit margin is the expected profit of the remaining period of cover for written insurance. Profit margin is calculated as the difference between premiums for future periods of cover for written insurance, and the expected payments included in premium provision.
  The profit margin is deducted with the portion of the risk margin attributable to the settlement of premium provision.
  If expected present value of future payments and risk margin for a portfolio of insurance policies with similar risks exceeds the premium, the profit margin for this portfolio is recognised at zero.
  Changes in the present value of the expected payments as a result of the change in the yield curve, as well as unwinding of the profit margin are transferred to Return and value adjustment on insurance provisions.
- Claims provisions are calculated at present value of best estimate of incurred claims, covered by incurred insurance. Risk margin is the amount a business will have to pay any acquirer of an insurance portfolio for taking over the risk that the actual expenses in connection with settlement of insurance provisions deviate from best estimate.
  At Tryg Forsikring, the risk margin is calculated using a method equivalent to the Solvency II risk margin based on a Cost of Capital method.

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'[1]
- IFRS 9 'Financial Instruments'[2]
- IFRS 17 'Insurance Contracts'[3]

[1] enters into force for the accounting year commencing 1 January 2019, but will be applied from 1 January 2018.
[2] 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.
[3] 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. 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 observable market data are not subject to ma-

terial 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
Property is divided into owner-occupied property and investment property. The fair value is calculated based on a market-determined rental income, as well as operating expenses in proportion to the property's required rate of return in per cent. 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 11, 12 and 14**.

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

- i) exercises a controlling influence over the relevant activities in the enterprise in question,
- ii) is exposed to or has the right to a variable return on its investment, and
- iii) 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 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.

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. Administration 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 recognise 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.

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 is it 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 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 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. 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).

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.

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 Pensionskassa (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 18.**

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.

Tryg Forsikring A/S (parent company)

Income statement

Notes	DKKm	2017	2016
	General insurance		
	Gross premiums written	18,283	17,803
	Ceded insurance premiums	-1,254	-1,210
	Change in premium provisions	-237	17
	Change in profit margin and risk margin	105	150
	Change in reinsurers' share of premium provisions	16	13
2	**Premium income, net of reinsurance**	**16,913**	**16,773**
	Claims paid	-12,723	-13,894
	Reinsurance cover received	1,029	1,260
	Change in claims provisions	899	2,240
	Change in risk margin	39	41
	Change in the reinsurers' share of claims provisions	-729	-1,164
3	**Claims, net of reinsurance**	**-11,485**	**-11,517**
	Bonus and premium discounts	**-250**	**-286**
	Acquisition costs	-1,903	-2,106
	Administration expenses	-588	-703
	Acquisition costs and Administration expenses	-2,491	-2,809
	Reinsurance commissions and profit participation from reinsurers	160	150
4	**Insurance operating costs, net of reinsurance**	**-2,331**	**-2,659**
5	**Technical result**	**2,847**	**2,311**
	Investment activities		
6	Income from Group undertakings	-8	529
	Income from associates	-14	29
	Income from investment property	10	12
7	Interest income and dividends	611	667
8	Value adjustments	109	243
7	Interest expenses	-104	-113
	Administration expenses in connection with investment activities	-98	-82
	Total investment return	**506**	**1,285**
	Return and value adjustment on insurance provisions	-75	-360
	Total Investment return after insurance technical interest	**431**	**925**
	Other income	117	105
	Other costs	-124	-198
	Profit/loss before tax	**3,271**	**3,143**
9	Tax	-693	-617
	Profit/loss on continuing business	**2,578**	**2,526**
	Profit/loss on discontinued and divested business	-2	-1
	Profit/loss for the year	**2,576**	**2,525**
	Proposed distribution for the year:		
	Dividend proposed not paid	0	2,700
	Dividend proposed and paid during the year	904	1,100
	Transferred to Other reserves	-39	56
	Transferred to Net revaluation as per equity method	-114	-127
	Transferred to Retained earnings	1,825	-1,204
		2,576	**2,525**

Statement of comprehensive income

DKKm	2017	2016
Profit/loss for the year	**2,576**	**2,525**
Other comprehensive income which cannot subsequently be reclassified as profit or loss		
Change in equalisation provision and other provisions	4	0
Sale of owner-occupied property *	0	215
Sale of owner-occupied property, revaluation from previous years *	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
Other comprehensive income which can subsequently be reclassified as profit or loss		
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
Total other comprehensive income	**-33**	**17**
Comprehensive income	**2,543**	**2,542**

*Please refer to note 24 Sale of properties in the Tryg Forsikring Group

Statement of financial position

DKKm		2017	2016
Notes			
	Assets		
10	**Intangible assets**	**1.105**	**884**
11	Operating equipment	66	49
	Total property, plant and equipment	**66**	**49**
12	**Investment property**	**276**	**269**
13	Investments in Group undertakings	2.529	3.172
14	Equity investments in associates	0	0
	Total investments in Group undertakings and associates	**2.529**	**3.172**
	Equity investments	179	48
	Unit trust units	4.781	3.950
	Bonds	36.199	34.167
	Deposits with credit institutions	250	0
	Derivative financial instruments	1.056	971
15	**Total other financial investment assets**	**42.465**	**39.136**
	Total investment assets	**45.270**	**42.577**
	Reinsurers' share of premium provisions	245	214
	Reinsurers' share of claims provisions	1.121	1.820
16	**Total reinsurers' share of provisions for insurance contracts**	**1.366**	**2.034**
	Receivables from policyholders	1.459	1.108
	Total receivables in connection with direct insurance contracts	1.459	1.108
	Receivables from insurance enterprises	300	183
	Receivables from Group undertakings	45	742
	Other receivables	903	823
15	**Total receivables**	**2.707**	**2.856**
	Cash at bank and in hand	487	451
	Total other assets	**487**	**451**
	Interest and rent receivable	194	221
	Other prepayments and accrued income	336	455
	Total prepayments and accrued income	**530**	**676**
	Total assets	**51.531**	**49.527**

Statement of financial position

DKKm		2017	2016
Notes			
	Equity and liabilities		
	Equity	**9,066**	**10,127**
1	**Subordinate loan capital**	**2,412**	**2,567**
	Premium provisions	4,184	4,020
	Profit margin - Non-life contracts	1,086	1,176
	Claims provisions	22,116	23,564
	Risk margin - Non-life contracts	1,199	1,254
	Provisions for bonus and premium discounts	534	587
	Total provisions for insurance contracts	**29,119**	**30,601**
	Pensions and similar liabilities	290	345
18	Deferred tax liability	555	633
19	Other provisions	111	125
	Total provisions	**956**	**1,103**
	Debt relating to direct insurance	498	556
	Debt relating to reinsurance	455	426
20	Amounts owed to credit institutions	306	178
21	Debt relating to unsettled funds transactions and repos	1,710	1,732
15	Derivative financial instruments	707	658
	Debt to Group undertakings	4,746	145
17	Current tax liabilities	250	268
	Other debt	1,263	1,121
	Total debt	**9,935**	**5,084**
	Accruals and deferred income	**43**	**45**
	Total equity and liabilities	**51,531**	**49,527**

1 **Risk management and Capital management**
22 **Own funds**
23 **Contractual obligations, collateral and contingent liabilities**
24 **Acquisition of activities**
25 **Related parties**
26 **Financial highlights**
27 **Accounting policies**

Statement of changes in equity

DKKm	Share capital	Revalua-tion reserves	Revaluation equity method	Equali-sation reserve	Other reserves*	Retained earnings	Proposed dividend	Total
Equity at 31 December 2016	**1,100**	**0**	**192**	**0**	**822**	**5,313**	**2,700**	**10,127**
2017								
Adjustment 1.1.2017**								
Profit/loss for the year			-114		-39	1,825	904	2,576
Other comprehensive income	0	0	-32			-1	0	-33
Total comprehensive income	0	0	-146	0	-39	1,824	904	2,543
Dividend paid							-3,604	-3,604
Total changes in equity in 2017	**0**	**0**	**-146**	**0**	**-39**	**1,824**	**-2,700**	**-1,061**
Equity at 31 December 2017	**1,100**	**0**	**46**	**0**	**783**	**7,137**	**0**	**9,066**
Equity at 31 December 2015	**1,100**	**86**	**307**	**127**	**766**	**6,299**	**1,450**	**10,135**
2016								
Adjustment 1.1.2016**				-127		127		0
Profit/loss for the year			-127		56	-1,204	3,800	2,525
Other comprehensive income	0	-86	12			91	0	17
Total comprehensive income	0	-86	-115	-127	56	-986	3,800	2,542
Dividend paid							-2,550	-2,550
Total changes in equity in 2016	**0**	**-86**	**-115**	**-127**	**56**	**-986**	**1,250**	**-8**
Equity at 31 December 2016	**1,100**	**0**	**192**	**0**	**822**	**5,313**	**2,700**	**10,127**

*) Other reserves contains Norwegian Natural Perils Pool.
**)A new executive order from the Danish FSA from 1 January 2016 has abolished the requirements of equalisation reserves in credit and guarantee insurance.

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.

Notes

DKKm			2017	2016
1	**Risk management and Capital management**			
	Please refer to the note 1 in Tryg Forsikring Group			
2	**Premium income, net of reinsurance**			
	Direct insurance		18,108	17,928
	Indirect insurance		43	42
			18,151	17,970
	Ceded direct insurance		-1,228	-1,178
	Ceded indirect insurance		-10	-19
			16,913	**16,773**

Direct insurance, by location of risk	2017		2016	
	Gross	**Ceded**	**Gross**	**Ceded**
Denmark	9,623	-537	9,533	-613
Other EU countries	2,099	-187	1,906	-110
Other countries	6,386	-504	6,489	-455
	18,108	**-1,228**	**17,928**	**-1,178**

			2017	2016
3	**Claims, net of reinsurance**			
	Claims		-12,761	-13,030
	Run-off previous years, gross		976	1,417
			-11,785	-11,613
	Reinsurance cover received		267	286
	Run-off previous years, reinsurers' share		33	-190
			-11,485	**-11,517**
4	**Insurance operating costs, net of reinsurance**			
	Commission regarding direct insurance business		-259	-296
	Other acquisition costs		-1,644	-1,810
	Total acquisition costs		-1,903	-2,106
	Administration expenses		-588	-703
	Insurance operating costs, gross		-2,491	-2,809
	Commission from reinsurers		160	150
			-2,331	**-2,659**

For specification of audit costs please refer to the note 6 in Tryg Forsikring Group.

	2017	2016
Insurance operating costs and claims include the following staff expenses:		
Salaries and wages	-1,928	-2,006
Commision	-7	-8
Allocated share options and matching shares	-4	-3
Pension	-280	-281
Other social security costs	-5	-4
Payroll tax	-410	-350
	-2,634	**-2,652**

Remuneration for the Supervisory Board and Executive Board is disclosed in note 25 'Related parties'.

	2017	2016
Average number of full-time employees during the year (continuing business)	**3,288**	**3,291**

Matching shares and conditional shares
Please refer to the note 6 in Tryg Forsikring Group.

Notes

5 Technical result, net of reinsurance, by line of business

DKKm	Accident and health		Healthcare		Workmen's compensation		Motor TPL		Motor comprehensive		Marine, aviation and cargo	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Gross premiums written	**1,843**	**1,703**	**359**	**338**	**846**	**860**	**1,778**	**1,779**	**3,691**	**3,545**	**283**	**275**
Gross premium income	1,786	1,643	348	332	850	858	1,750	1,839	3,557	3,537	281	274
Bruttoerstatningsudgifter	- 1,119	- 954	- 307	- 308	- 612	- 191	- 1,063	- 1,167	- 2,413	- 2,407	- 261	- 113
Bruttodriftsomkostninger	- 247	- 231	- 41	- 43	- 99	- 102	- 289	- 334	- 512	- 553	- 34	- 41
Profit/loss on ceded business	- 7	- 7	- 1	- 1	- 21	- 8	- 35	- 44	- 30	- 24	- 15	- 130
Technical result	**413**	**451**	**- 1**	**- 20**	**118**	**557**	**363**	**294**	**602**	**553**	**- 29**	**- 10**
Gross claims ratio	62.7	58.1	88.2	92.8	72.0	22.3	60.7	63.5	67.8	68.1	92.9	41.2
Combined ratio	**76.9**	**72.6**	**100.3**	**106.0**	**86.1**	**35.1**	**79.3**	**84.0**	**83.1**	**84.4**	**110.3**	**103.6**
Claims frequency a)	5.3%	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 b)	24,683	28,543	4,797	4,558	75,265	72,474	17,513	17,913	9,537	9,837	82,852	57,384
Total claims	53,616	41,213	57,785	57,186	11,116	11,008	74,872	77,441	260,926	250,450	3,208	2,896

	Fire & contests (Private)		Fire and contests (commercial)		Change of ownership		Liability		Credit & guarantee insurance		Tourist assistance insurance	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Gross premiums written	**4,341**	**4,265**	**2,427**	**2,426**	**66**	**55**	**1,032**	**1,025**	**445**	**398**	**692**	**655**
Gross premium income	4,196	4,221	2,455	2,408	62	61	1,025	1,000	437	390	679	650
Gross claims	- 2,893	- 3,252	- 1,262	- 1,474	- 60	- 55	- 843	- 658	- 136	- 82	- 494	- 497
Gross operating expenses	- 572	- 640	- 363	- 380	- 9	- 9	- 148	- 154	- 44	- 33	- 88	- 94
Profit/loss on ceded business	- 158	- 128	- 318	- 439	0	0	- 68	- 47	- 77	- 96	- 1	- 2
Technical result	**573**	**201**	**512**	**115**	**- 7**	**- 3**	**- 34**	**141**	**180**	**179**	**96**	**57**
Gross claims ratio	68.9	77.0	51.4	61.2	96.8	90.2	82.2	65.8	31.1	21.0	72.8	76.5
Combined ratio	**86.3**	**95.2**	**79.1**	**95.2**	**111.3**	**104.9**	**103.3**	**85.9**	**58.8**	**54.1**	**85.9**	**91.2**
Claims frequency a)	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 b)	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

	Other insurance c)		Total		Norwegian Group Life, One-year policies		Total including Norwegian Group Life	
	2017	2016	2017	2016	2017	2016	2017	2016
Gross premiums written	**60**	**57**	**17,863**	**17,381**	**420**	**422**	**18,283**	**17,803**
Gross premium income	57	55	17,483	17,268	418	416	17,901	17,684
Gross claims	- 12	- 93	- 11,475	- 11,251	- 310	- 362	- 11,785	- 11,613
Gross operating expenses	- 2	- 150	- 2,448	- 2,764	- 43	- 45	- 2,491	- 2,809
Profit/loss on ceded business	- 46	- 24	- 777	- 950	- 1	- 1	- 778	- 951
Technical result	**- 3**	**- 212**	**2,783**	**2,303**	**64**	**8**	**2,847**	**2,311**
Gross claims ratio	21.1	169.1	65.6	65.2	74.2	87.0	65.8	65.7
Combined ratio	**105.3**	**485.5**	**84.1**	**86.7**	**84.7**	**98.1**	**84.1**	**86.9**
Average claims DKK b)	301,159	958,750						
Total claims	44	12						

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.
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
6	**Income from Group undertakings**		
	Vesta Ejendomme AS*	0	22
	Respons Inkasso AS	1	1
	Thunes Vei 2 AS	-4	7
	Avviklingsselskabet av 16. juni 2017 AS	0	0
	Tryg Ejendomme A/S	18	490
	Tryg Livsforsikring A/S	-23	9
		-8	**529**
	*Vesta Eiendomme AS was sold in 2016		
7	**Interest income and dividends**		
	Interest income and dividends		
	Dividends	19	25
	Interest income bonds	590	639
	Interest income other	2	3
		611	667
	Interest expenses		
	Interest expenses subordinate loan capital and credit institutions	-89	-88
	Interest expenses others	-15	-25
		-104	-113
		507	**554**
8	**Value adjustments**		
	Value adjustments concerning financial assets or liabilities at fair value with value adjustment in the income statement:		
	Equity investments	-35	79
	Unit trust units	460	190
	Share derivatives	-8	-19
	Bonds	-138	-75
	Interest derivatives	-98	99
		181	274
	Value adjustmentss concerning assets or liabilities that cannot be attributed to IAS 39:		
	Investment property	1	0
	Other statement of financial position items*	-73	-31
		-72	-31
		109	**243**
	Exchange rate adjustments concerning financial assets or liabilities which cannot be stated to fair value total DKK 148m (DKK 7m in 2016).		
	*) Please refer to note 24 Sale of properties in Tryg forsikring Group		
9	**Tax**		
	Tax on accounting profit/loss	-721	-573
	Difference between Danish and foreign tax rates	-42	-40
	Tax adjustment, previous years	-10	0
	Change in tax rate	0	13
	Change in valuation of tax loss carried forward	0	-15
	Adjustment non-taxable income and expenses	80	-2
		-693	**-617**
	Effective tax rate	%	%
	Tax on Profit/loss for the year	22	22
	Difference between Danish and foreign tax rate	1	2
	Change in valuation of tax loss carried forward	0	-1
	Change in tax rate	0	1
	Adjustment non-taxable income and costs	-2	0
		21	**24**
	Tax on the Profit/loss for the year in the parent company is calculated exclusive of profit/loss and tax in Group undertakings.		

Notes

DKKm

10 Intangible assets

2017	Goodwill	Trademarks and customer relations	Software	Assets under construction	Total
Cost					
Cost at 1 January	619	257	1,418	185	2,479
Exchange rate adjustments	-12	-6	-19	-1	-38
Transferred from asset 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
Amortisation and write-downs					
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
Carrying amount at 31 December	**552**	**129**	**164**	**260**	**1,105**

*Hereof proprietary software DKK 336m (DKK 203m at 31 December 2016)

2016	Goodwill	Trademarks and customer relations	Software	Assets under construction	Total
Cost					
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
Amortisation and write-downs					
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
Carrying amount at 31 December	**515**	**110**	**166**	**93**	**884**

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 26 in Tryg Forsikring Group.
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.

	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

Notes

DKKm

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, which consists of Moderna.
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, Bilsport & 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 Equity of DKK 0.8bn (0.7bn) including goodwill of DKK 0.5bn (0.5bn) and does not indicate any impairment in 2017.

	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%
Sensitivity information		
Impact on equity from the following changes:		
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.

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.

DKKm

11 Operating equipment

Cost	2017	2016
Cost at 1 January	238	234
Exchange rate adjustments	-4	3
Additions for the year	38	1
Disposals for the year	-2	0
Cost at 31 December	270	238
Amortisations and impairment write-downs		
Amortisation and write-downs at 1 January	-189	-172
Exchange rate adjustments	3	-2
Amortisation for the year	-18	-15
Amortisation and write-downs at 31 December	-204	-189
Carrying amount 31 December	**66**	**49**

The impairment test performed for operating equipment did not indicate any impairment.

12 Investment property

Fair value at 1 January	269	224
Exchange rate adjustments	-18	12
Additions for the year	2	33
Disposals for the year	-1	0
Value adjustments for the year	24	0
Fair value at 31 December	**276**	**269**

Total rental income for 2017 is DKK 15.0m (DKK 12.6m in 2016).

Total expenses for 2017 are DKK 2.3m (DKK 0.6m in 2016). Of this amount, not-hired property is DKK 0.4m (DKK 0.1m in 2016). The total expenses at the income leading investment property are DKK 1.9m (DKK 0.5m in 2016).

External experts were involved in valuing some of the investment property.

In determining the fair value of the properties, not only publicly available market data are included, corresponding to the 'non-observable input' in the fair-value hierarchy. No reclassifications have been made between this category and other categories in the fair-value hierarchy during the year.

The following return percentages were used for each property category:

Return percentages, weighted average		
Business property	5.5	6.4
Office property	5.7	6.4
Residential property	6.0	6.0
	5.6	**6.4**

13 Investments in Group undertakings

Cost		
Cost at 1 January	2,980	3,029
Exchange rate adjustments	-4	3
Additions for the year	161	125
Disposals for the year	0	-177
Cost at 31 December	3,137	2,980
Revaluations to equity value		
Revaluations at 1 January	192	307
Adjustment beginning of year	12	0
Exchange rate adjustments	-4	17
Revaluations during the year	-8	166
Dividend paid	-146	-30
Revaluations at 31 December	46	192
Write downs		
Write downs at 1 January	0	-73
Revaluations during the year	-654	-290
Reversel of write-downs made in the previous year (profit for the year)	0	363
Write downs at 31 December	-654	0
Carrying amount at 31 December	**2,529**	**3,172**

Name and registered office	**Ownership share in %**		**Profit/loss for the year**		**Shareholders equity**	
	2017	2016	2017	2016	2017	2016
Vesta Ejendomme AS, Bergen*	0	0	0	22	0	0
Respons Inkasso AS, Bergen	100	100	1	1	6	6
Thunes Vei 2 AS, Bergen	100	100	-4	7	89	101
Avviklingsselskabet av 16. juni 2016 AS	100	0	0	0	161	0
Tryg Ejendomme A/S, Ballerup	100	100	18	490	2,150	2,932
Tryg Livsforsikring A/S	100	100	-23	9	123	134

*Vesta Eiendomme AS, Bergen was sold in 2016

Notes

DKKm		2017	2016
14	**Equity investments in associates**		
	Cost		
	Cost at 1 January	0	0
	Additions for the year	14	0
	Cost at 31 December	14	0
	Revaluations at net asset value		
	Revaluations at 1 January	0	14
	Exchange rate adjustments	0	-1
	Revaluations during the year	-14	0
	Disposals for the year	0	-13
	Revaluations at 31 December	-14	0
	Carrying amount at 31 December	**0**	**0**
15	**Other financial investment assets**		
	Sensitivity information		
	Impact on equity from the following changes:		
	Interest rate increase of 0.7-1.0 percentage point	-170	-199
	Interest rate fall of 0.7-1.0 percentage point	170	-148
	Equity price fall of 12 %	-231	-275
	Fall in property prices of 8 %	-137	-104
	Exchange rate risk (VaR 99)	-11	-14
	Loss on counterparties of 8 %	-337	-458
	Risk on subsidaries	-6	-14

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.

Please refer to the Note 14 Financial Investment assets in Tryg Forsikring Group.

	2017	2016
Receivables		
Receivables from insurance enterprises	1.759	1.291
Receivables from Group undertakings	45	742
Reverse repos	602	0
Other receivables	301	823
	2.707	**2.856**
Specification of write-downs on receivables from insurance contracts		
Write-downs at 1 January	118	117
Exchange rate adjustments	-5	3
Reversed writedowns	4	-2
Write-downs at 31 December	**117**	**118**

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).

Notes

DKKm		2017	2016
16	**Reinsurer's share**		
	Impairment test		
	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 counterparty risk. The Risk will be handled by applying a wide range of reinsurers with at least an 'A' rating.		
	Profit margin related to Reinsurers' share of provisions for insurance is DKK 100m (DKK 81m i 2016)		
17	**Current tax**		
	Net current tax, 1 January	-268	-213
	Exchange rate adjustments	9	-12
	Current tax for the year	-683	-574
	Current tax on equity entries	-30	0
	Adjustment of current tax in respect of previous years	-20	43
	Tax paid for the year	742	488
	Net current tax at 31 December	**-250**	**-268**
	Current tax is recognised in the statement of financial position as follows:		
	Under assets, current tax	0	0
	Under liabilities, current tax	-250	-268
	Net current tax	**-250**	**-268**
18	**Deferred tax**		
	Tax asset		
	Operating equipment	8	8
	Debt and provisions	49	10
	Capitalised tax loss	0	1
		57	**19**
	Tax liability		
	Intangible rights	25	33
	Land and buildings	27	15
	Bonds and loans secured by mortgages	15	4
	Contingency funds	545	600
		612	**652**
	Deferred tax	**555**	**633**
	Development in deferred tax		
	Deferred tax at 1 January	633	618
	Exchange rate adjustments	-46	-15
	Change in deferred tax relating to change in tax rate	-12	31
	Change in deferred tax previous years	-20	40
	Change in deferred tax taken to the income statement	0	-41
	Deferred tax at 31 December	**555**	**633**
	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 24m. (DKK -30m in 2016).		
19	**Other provisions**		
	Other provisions 1 January	125	131
	Exchange rate adjustments	-4	0
	Change in provisions	-10	-6
	Other provisions 31 December	**111**	**125**
	Other provisions relate to provisions for the Tryg Forsikring's own insurance claims and restructuring costs. Additions to the provision for restructuring costs during the year amounts to DKK 30m and reassesment of the beginning of year balance amounts to DKK 24 m. The balance as at 31 December 2017 amounts to DKK 104m (DKK 123m at 31 December 2016).		

Notes

DKKm		2017	2016
20	**Amounts owed to credit institutions**		
	Overdraft facilities	306	178
		306	**178**
21	**Debt relating to unsettled funds transactions and repos**		
	Unsettled fund trading	1,610	258
	Repo debt	100	1,474
		1,710	**1,732**
	Unsettled fund transactions include debt for bonds purchased in 2016 and 2017; however, with settlement in 2017 and 2018 respectively.		
22	**Own funds**		
	Equity according to annual report	9,066	10,127
	Proposed dividend	0	-2,700
	Intangible assets	-1,105	-884
	Profit margin, solvency purpose	970	970
	Taxes	0	-27
	Subordinate loan capital	2,156	2,364
	Own funds	**11,087**	**9,850**

23 Contractual obligations, collateral and contingent liabilities

	Obligations due by period				
2017	**0-1 year**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
Operating leases	120	197	134	552	1,003
Other contractual obligations	853	40	6	0	899
	973	**237**	**140**	**552**	**1,902**

Contractual obligations	Obligations due by period				
2016	**0-1 year**	**1-3 years**	**3-5 years**	**> 5 years**	**Total**
Operating leases	140	246	299	260	945
Other contractual obligations	172	0	0	0	172
	312	**246**	**299**	**260**	**1,117**

2017

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

Tryg is comitted to Investments in some Propertyfunds. The commitment amount to DKK 674m and are expected called during 2018.

2016

In December 2016 Tryg Forsikring signed sales contracts about its two owner-occupied properties in Ballerup and Bergen and 3 investment properties. Please also refer to note 24 Sale of properties in Tryg Forsikring Group.
Outsourcing agreement with TCS for DKK 64m for a 4 year period, which expires in 2017.

Collateral

The Danish companies in the Tryg Forsikring Group are jointly taxed with TryghedsGruppen smba. As of 1. july 2012, the companies and the other jointly taxed companies are liable for any obligations to withhold taxes at source on interest, royalties and dividends in respect of the jointly taxed companies.

	2017	2016
Tryg Forsikring A/S has registered the following assets as having been held as security for the insurance provisions:		
Equity investments	14	36
Unit trust units	1,689	3,950
Bonds	35,093	32,447
Deposits with credit institutions	250	0
Interest and rent receivable	194	221
Equity investments in and receivables from Group undertakings	2,529	3,172
Total	**39,769**	**39,826**

Please find offsetting and collateral in relation to financial assets and obligations in Tryg Forsikring Group note 25.

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 within 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

DKKm		2017	2016
24	**Acquisition of activities**		
	Please refer to the Note 26 in Tryg Forsikring Group.		
25	**Related parties**		
	Tryg Forsikring A/S has no related parties with a decisive influence other than the parent company Tryg A/S, TryghedsGruppen smba and the subsidaries of TryghedsGruppen smba (Other related parties). Related parties with significant influence include the Supervisory board, Executive Board and their families.		
	Premium income		
	- TryghedsGruppen smba	0.5	0.5
	- Key management	0.4	0.4
	- Other related parties	3.7	3.7
	Claims paid		
	- TryghedsGruppen smba	0.0	0.0
	- Key management	0.1	0.1
	- Other related parties	1.8	1.8

Specification of remuneration please refer to note 27 in Tryg forsikring Group

Intra-group transactions

	Tryg A/S	Group undertakings
Providing and receiving services	14	17
Intra-group account	-3,530	-1,171

Transactions between Tryg Forsikring A/S, Tryg A/S and group undertakings are conducted on an arm's length basis.

Administration fee, ect. is fixed on a cost-recovery basis
Intra-group accounts are offset and carry interest on market terms.
The companies in the Tryg Forsikring group have entered into reinsurance contracts on market terms.

26 Financial highlights
Please refer to next page

27 Accounting policies
Please refer to the Note 29 Accounting policies in Tryg Forsikring Group.

Notes

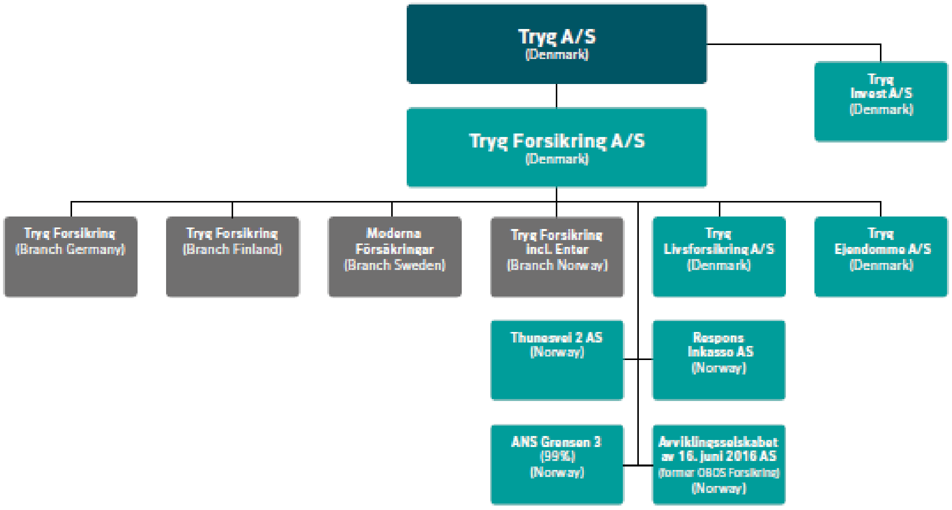
26 Financial highlights of Tryg Forsikring A/S (parent company)

DKKm	2017	2016	2015	2014	2013
Gross premium income	**17,901**	**17,684**	**17,977**	**18,652**	**19,504**
Gross claims	-11,785	-11,613	-13,561	-12,650	-14,411
Total insurance operating costs	-2,491	-2,809	-2,809	-2,772	-3,225
Profit/loss on gross business	3,625	3,262	1,607	3,230	1,869
Profit/loss on ceded business	-778	-951	710	-341	349
Technical result	**2,847**	**2,311**	**2,317**	**2,889**	**2,218**
Investment return after insurance technical interest	431	925	190	473	818
Other income	117	105	81	81	99
Other costs	-124	-198	-97	-120	-139
Profit/loss for the year before tax	**3,271**	**3,143**	**2,491**	**3,323**	**2,996**
Tax	-693	-617	-508	-733	-582
Profit/loss for the year, continuing business	**2,578**	**2,526**	**1,983**	**2,590**	**2,413**
Profit/loss on discontinued and divested business after tax *	-2	-1	49	10	-4
Profit/loss for the year	**2,576**	**2,525**	**2,032**	**2,600**	**2,409**
Run-off gains/losses, net of reinsurance	1,009	1,227	1,212	1,131	970
Relative run-off gains/losses	4.6	5.6	4.8	4.8	3.9
Statement of financial position					
Total provisions for insurance contracts	29,119	30,601	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	9,066	10,127	10,135	11,843	11,740
Total assets	51,531	49,527	52,008	53,584	54,742
Key ratios					
Gross claims ratio	65.8	65.7	75.4	67.8	73.9
Business ceded as a percentage of gross premiums	4.3	5.4	-3.9	1.8	-1.8
Claims ratio, net of ceded business	70.1	71.1	71.5	69.6	72.1
Gross expense ratio	13.9	15.9	15.6	14.9	16.5
Combined ratio	**84.0**	**87.0**	**87.1**	**84.5**	**88.6**
Operating ratio	84.0	87.0	87.1	84.5	88.6
Return on equity after tax and before discontinued and divested business (%)	26.9	24.9	18.0	22.0	21.3
Return on equity after tax and discontinued and divested business (%)	26.8	24.9	18.5	22.0	21.3
Solvency ratio**	238	194	2.8	2.9	2.9

*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.

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

Organisation 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 Forsikring 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.

Gross premium income
Calculated as gross premium income adjusted for change in gross premium provisions, less bonuses and premium discounts.

Gross claims ratio

$$\frac{\text{Gross claims x 100}}{\text{Gross premium income}}$$

Net reinsurance ratio

$$\frac{\text{Profit or loss from reinsurance x 100}}{\text{Gross premium income}}$$

Gross expense ratio

$$\frac{\text{Gross insurance operating costs x 100}}{\text{Gross premium income}}$$

Combined ratio
The sum of the gross claims ratio, the net reinsurance ratio and the gross expense ratio.

Operating ratio
Calculated as the combined ratio plus insurance technical interest in the denominator.

$$\frac{\text{Claims + insurance operating costs + profit or loss from reinsurance x 100}}{\text{Gross premium income + insurance technical interest}}$$

Relative run-off gains/losses
Run-off gains/losses net of reinsurance relative to claims provisions net of reinsurance, beginning of year.

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.

Claims ratio, net of ceded business
Gross claims ratio + net reinsurance ratio payment.

Tier 1
Equity less proposed dividend and share of capital claims in subsidiaries.

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.

Percentage return on equity after tax

$$\frac{\text{Profit for the year after tax x 100}}{\text{Average equity}}$$

Danish general insurance
Comprises the legal entities Tryg Forsikring A/S (including Finnish branch and Tryg Livsforsikring A/S, and excluding the Norwegian and Swedish branches).

Norwegian general insurance
Comprises Tryg Forsikring A/S, Norwegian branch.

Swedish general insurance
Comprises Tryg Forsikring Forsikring A/S, Swedish branch.

Solvency II
New solvency requirements for insurance companies issued by the EU Commission. The new rules came into force at 1 January 2016.

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.

Own funds
Equity plus share of subordinate loan capital and profit margin (solvency purpose), less intangible assets, tax asset and proposed dividend.

Solvency ratio
Ratio between own funds and the capital requirement

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 the management. Such statements may constitute forward-looking statements. These forward-looking statements (other than statements of historical fact) regarding our future results of operations, financial condition, cash flows, business strategy, plans and future objectives can generally be identified by terminology 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.

Tryg Forsikring urges readers to refer to the section on risk management available on the Group's website for a description of some of the factors that could affect the company's future performance and the industry in which it operates.

Should one or more of these risks or uncertainties materialise or should any underlying assumptions prove to be incorrect, the Tryg Forsikring Group's actual financial condition or results of operations could materially differ from that described herein as anticipated, believed, estimated or expected. Tryg Forsikring Group 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.