Annual report 2016

Tryg Forsikring A/S
(CVR-no. 24260666)

Contents

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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	2016	2015
Gross premium income	**17,707**	**17,977**
Gross claims	-11,619	-13,562
Total insurance operating costs	-2,737	-2,720
Profit/loss on gross business	3,351	1,695
Profit/loss on ceded business	-951	710
Insurance technical interest, net of reinsurance	-10	18
Technical result	**2,390**	**2,423**
Investment return after insurance technical interest	992	-15
Other income and costs	-93	-16
Profit/loss before tax	**3,289**	**2,392**
Tax	-763	-409
Profit/loss on continuing business	**2,526**	**1,983**
Profit/loss on discontinued and divested business after tax	-1	49
Profit/loss	**2,525**	**2,032**
Run-off gains/losses, net of reinsurance	1,239	1,212
Key figures		
Total equity	10,127	10,120
Return on equity after tax (%) a)	25.9	19.5
Premium growth in local currencies	0.1	-0.8
Gross claims ratio	65.6	75.4
Net reinsurance ratio	5.4	-3.9
Claims ratio, net of ceded business	71.0	71.5
Gross expense ratio	15.7	15.3
Combined ratio	**86.7**	**86.8**
Run-off, net of reinsurance (%)	-7.0	-6.7
Large claims, net of reinsurance (%)	2.2	3.4
Weather claims, net of reinsurance (%)	2.0	3.4
Combined ratio on business areas		
Private	83.8	85.4
Commercial	82.1	83.6
Corporate	88.8	90.7
Sweden	90.7	83.5

a) From 1 January 2016 Tryg Forsikring has implemented Executive order on financial reports presented by insurance companies and lateral pension funds issued by the Danish FSA, which prescribes applying a new yield curve and a new way of calculating Return on equity after tax (%). Comparative figures have been restated accordingly. Please refer to details of the new yield curve in note 30 Accounting policies.

Financial targets and outlook

The return on equity for 2016 was 25.9%, and the combined ratio was 86.7. Tryg Forsikring is well-positioned for meeting the targets for 2017.

Tryg Forsikring expects growth in gross premium income of 0-2% in local currencies in 2017.
Tryg Forsikring will continue to take an active approach to acquiring smaller portfolios and developing the market for products which are expected to see higher growth rates such as pet and child insurance.

In 2017, weather claims net of reinsurance and large claims are expected to be DKK 500m and DKK 550m, respectively, which is unchanged relative to 2016.

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

For the purpose of realising the financial targets, Tryg Forsikring has launched an efficiency programme aimed at realising savings of DKK 750m, with DKK 500m relating to the procurement of claims services and administration and DKK 250m relating to expenses. The target is DKK 375m in 2017 after targets for 2015 and 2016 of DKK 125m and DKK 250m. Some of the claims initiatives relate to previous claims years and will therefore impact the run-off.

At the end of 2016, a tax on salaries for financial companies was approved in Norway. The tax will have an impact of approximately NOK 40m for 2017, which will hit claims costs and expenses.

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.
From 2016, the curve used for discounting technical provisions changed due to the implementation of the Solvency II directive, and this might result in slightly more volatile match portfolio net results. The new curve increases the interest rate risk of the technical provisions, thereby introducing a larger difference between the match return and the changes in the technical provisions.

The return on bonds in the free portfolio will vary, but given current interest rate levels, a low return is expected. For shares, the expected return is around 7% with the MSCI World Index as the benchmark, while the expected return for property is around 6%. Investment activities also include other types of investment income and expenses, especially the cost of managing investments, the cost of currency hedges and interest paid on loans.

There has been a gradual lowering of tax rates in Denmark, Norway and Sweden in recent years. In Denmark, the tax rate was 22 in 2016, and this will also be the level for 2017. The Norwegian tax rate was 25 in 2016, while the Swedish rate was 22. When calculating the total tax payable, account should also be taken of the fact that gains and losses on shareholdings are not taxed in Norway. All in all, this causes the expected tax payable for an average year to be around 22-23% in 2017.

Tryg Forsikring's results

A result after tax of DKK 2,525m impacted by one-offs. Proposed H2 dividend of 2,700 m DKK equivalent to a full-year dividend of 3,800m DKK for 2016. Solvency ratio of 194 after H2 dividend.

Customer highlights 2016

- NPS unchanged at 22
- Retention rate dropped slightly from 88.1 to 88.0
- Number of customers with three or more products up from 56.7% to 57.2%
- First year with TryghedsGruppen's members' bonus for Danish customers
- The majority of customers now have Tryg's most updated products

Results

At the beginning of 2016, Tryg Forsikring announced a new country-based organisation. This has created a more agile organisation, as reflected in the many business initiatives launched in 2016 in Denmark, Norway and Sweden.

A profit after tax of DKK 2,525m (DKK 2,032m) was posted, together with a return on equity of 25.9% (19.5%) and a combined ratio of 86.7 (86.8). The results show that Tryg Forsikring is on the track to meet its financial targets for 2017 with a return on equity at or above 21% and a combined ratio at or below 87. The expense ratio was 14.8 (14.9) adjusted for one-offs, primarily related to write-downs on intangible assets in 2016 and one-off costs in 2015. Tryg Forsikring launched many new initiatives in 2016, which – in combination with further initiatives in 2017 – will support an expense ratio target at or below 14 in 2017. The technical result was DKK 2,390m (DKK 2,423m), positively affected by the ongoing efficiency programme, which contributed savings of DKK 210m in 2016 against a target of DKK 225m. The efficiency programme and price adjustments of around 3% had a positive impact on profitability as reflected in an improved trend through-out the year. The total effect of weather claims, large claims and run-off was much lower than in 2015.

In 2016, a slightly higher level of claims inflation was observed for the profitable motor insurance area. Tryg Forsikring believes that this is driven by an increase in accident numbers as well as the use of more expensive spare parts primarily in medium/highend models. For extended warranty insurance of electronic goods, a smaller product area, claims inflation was also observed. To improve the underlying claims level, and following on from the price adjustments made in 2016, Tryg Forsikring will be implementing further price adjustments corresponding to around 3% in 2017.

The investment result was impacted by the sale of investment properties and domiciles, which had a positive impact on the investment result of DKK 500m. Adjusted for gains on investment properties and domiciles, an investment result of DKK 492m was posted, boosted strongly by positive capital market developments.

Key figures – Tryg Forsikring Group adjusted for one-offs

DKKm	2016 adjusted	2015 adjusted
Technical result	2,640	2,543
Total investment return	492	-15
Other income/costs	7	-16
Profit/loss before tax	3,139	2,512
Claims ratio, net	70.5%	71.2%
Gross expense ratio	14.8%	14.9%
Combined ratio	85.3%	86.1%

2016 adjusted for DKK 250m, primarily related to write-downs on intangibles and DKK 500m extraordinary capital gain on the sale of properties. 2015 adjusted for the one-off charge of DKK120m related to the effeciency programme.

Tryg Forsikring has a strong focus on the customer targets for 2017. Our customer targets are generally strongly linked to our financial targets and have been perceived as very appealing by the organisation.

Customer targets

	2016	2015	Target 2017
Net Promoter Score (NPS)	22	22	22
Retention rate	88.0	88.1	88.9
Customers with ≥ 3 products (%)	57.2	56.7	61.3

The Net Promoter Score (NPS) was unchanged at 22 at the end of 2016. There was a positive development for especially Private customers in Denmark and a slight drop for Private Norway. For Commercial, the NPS score dropped slightly, primarily in the Danish part of Commercial. Tryg Forsikring also measures customer satisfaction after customers have been in contact with Tryg Forsikring, defined as the Transactional Net Promotor Score or TNPS. The figure was 49 in 2016.

At 88.0, the retention rate in 2016 was slightly lower than in 2015 at 88.1. The retention level was more or less unchanged for Private in Denmark and Norway. The retention rate dropped somewhat for Commercial in Denmark due to selected price initiatives whereas for Commercial Norway, the retention rate improved due to improved customer focus.

The share of customers with three or more products increased from 56.7% to 57.2%. In Denmark, the number increased by 1 percentage point whereas there was a drop in Norway. To reverse the trend in Norway, a more focused approach for cross-selling to customers who have bought motor insurance through the car sales channel has been initiated.

In 2016, Danish customers received their first members' bonus from TryghedsGruppen. The 8% bonus has been well received by customers, and Tryg Forsikring expects the bonus to provide an important competitive advantage by improving customer loyalty and customer targets. TryghedsGruppen has announced that they expect to make recurring bonus payouts, but that payouts will be decided each year by TryghedsGruppen.

Price differentiation has been a very important initiative for Tryg Forsikring in recent years. In 2016, focus was on updating customers to the improved products which have been developed over the past few years. More than 500,000 policies were updated in 2016, meaning that the majority of Private customers now have the most recent products.

In 2016, many new products were added to Tryg Forsikring's product portfolio. Tryg Forsikring bought a child insurance portfolio from Skandia in Sweden. The product is very profitable, and with a good sales potential. Having acquired the Skandia portfolio, in autumn 2016 Tryg Forsikring also launched a new child insurance product for the Danish market. For Commercial and Corporate customers, Tryg Forsikring launched a cyber insurance product in autumn of 2016. Going forward, Tryg Forsikring expects cyber insurance to become increasingly important for both small and large companies. Sweden Private continued its innovative product development and developed three new smart app products for car, motorcycle and health.

In Private in both Denmark and Norway, a structural initiative was implemented involving the integration of customer service and claims handling for the most simple products. This integration supports Tryg Forsikring's overall ambition of first-contact resolution as employees can handle claims and also advise customers about their insurance needs. The integration also supports up-selling and increasing the number of customers with three or more products.

In Commercial, a more specialised structure was implemented with the aim of providing customers with more professional customer services. The new structure segments customers into large accounts, the liberal professions, technique and agriculture.

In both Commercial and Corporate, Tryg Forsikring's cooperation with brokers is strong. For the fourth year running, Corporate Sweden was nominated as the best non-life insurance company. Corporate implemented a new concept, which means that customers can both be served by Tryg Forsikring's own sales organisation and by brokers as customers in some instances prefer this set-up.

In the course of 2016, many new digital solutions were developed (see page 8) which both make it more convenient for customers to buy and change products and also report claims. The digital solutions also support cross-selling by suggesting that customers buy additional covers based on their expected insurance needs.

Premiums

Premium income totalled DKK 17,707m (DKK 17,977m), representing premium growth income of 0.1% (-0.8%) when measured in local currencies. The development in premium income improved for Private and Sweden, but was some- what lower for Commercial and Corporate. It is positive that after a challenging period Tryg Forsikring achieved a positive development in premium growth, despite the economic situation in Norway and falling average prices for motor insurance in Denmark.

In 2016, Private saw improved growth of 0.8% (0.3%), which was driven by the development in the Danish Private business, which posted premium growth of 1.8%. The members' bonus supported this development, and at the same time the successful conversion of customers to new products resulted in many customers buying add-on covers, thereby increasing premium levels. Premium growth for Private Norway was slightly negative by 0.5%, which was ascribable to the competitive situation and a weakened economic situation in Norway. The development was also due to a lack of distribution power, and several structural initiatives were initiated in 2016 to address this. The initiatives reduced backoffice costs, and some of the savings were invested in more distribution power through an upscale of the franchise distribution. Also, our co-operation with Nordea was strengthened through the establishment of outbound teams in Nordea branches.

Premium income in Commercial was down 1.3% (-2.9%) in local currencies, with a slightly bigger drop in Norway. In order to increase premium income, the back-office organisation in Norway was reduced, and some of the savings were invested in more distribution power. In Denmark, customer segmentation, a new agreement with Nordea and the delegation of more powers to the sales organisation were important initiatives aimed at increasing Tryg Forsikring's distribution power.

Corporate saw a drop in premium income of 1.2% (0.0%) in local currencies. In general, more substantial fluctuations in premium income for this area are expected on account of the competitive situation and the impact of gaining or losing major clients. Developments were generally more positive in Corporate in Denmark as customers welcomed TryghedsGruppen's members' bonus.

The Swedish business realised an increase in premium income of 3.4% (-3.1%) in local currencies. The acquisition of Skandia's child insurance portfolio had a positive impact of approximately 5% in 2016. The Swedish business compensated for the loss of distribution power following the loss of two large affinity agreements through an increase in sales via our own sales channels.

Claims

The gross claims ratio was 65.6 (75.4), with a claims ratio, net of ceded business, which covers both claims and business ceded as a percentage of gross premiums, of 71.0 (71.5). Adjusted for one-off effects, the claims ratio, net of ceded business, was 70.5 (71.2). The claims level was positively impacted by the efficiency programme in the amount of DKK 145m due to a combination of the improved procurement of claims services and claims administration. The negative impact from large claims and weather claims was more than offset by higher run-offs and had a positive 2.8 percentage point net impact on the claims ratio.

In 2016, a number of initiatives were implemented to mitigate the claims inflation seen especially for property claims. A team dedicated to controlling pipe claims had a positive impact on the development in claims, but at the same time, an increase was seen in salaries for construction workers in Denmark due, among other things, to public building projects.

Motor insurance continues to be very profitable, but in 2016 an increased claims frequency was seen, while it is also apparent that average repair costs for cars will increase due to the use of more advanced electronic solutions in cars. As mentioned, the development in claims will be mitigated through price adjustments averaging 3% in 2017.

The claims-related measures implemented in 2016 included initiatives that bring injured policyholders back to work. This initiative is positive for the injured policyholder and for the employer getting the employee back to work, and also for Tryg Forsikring through a reduction of claims expenses. As these claims typically relate to claims for previous years, the savings support the run-off level. In 2016, the use of the In4mo system continued to generate savings in different areas, for example from cash settlements.

In 2016, large claims totalled 2.2% (3.4%) and weather claims 2.0% (3.4%). In Q4 2016, the storm Urd hit Denmark and Norway with an estimated impact of DKK 60m. Large and weather claims were approximately DKK 300m lower than average level of DKK 1,050m a year. The run-off level was 7.0% (6.7%), which underlines Tryg Forsikring's solid provision level.

Expenses

The expense ratio was 15.7 (15.3). Adjusted for one-off costs, the expense ratio was 14.8 (14.9). No steep drop in the expense ratio was expected in 2016 as the organisation has been very focused on implementing initiatives that have limited effect in 2016, but which support the target of an expense ratio at or below 14 in 2017. The initiatives have been most visible in the Norwegian part of the organisation. The initiatives introduced in both the first and second half of 2016 generally focused on reducing back-office functions with the aim of reducing expense levels and increasing distribution power. In Denmark, the initiatives centred mostly around the integration of our customer service and claims handling functions. In Q4, the Danish part of Commercial reduced the number of support functions in sales, while at the same time delegating more powers to the sales force. In the Danish part of Corporate, the number of sales departments were reduced from three to two, reducing the number of back-office employees.

The efficiency programme contributed DKK 65m in 2016, corresponding to an impact on the expense ratio of 0.4 percentage points. Initiatives launched comprised cost reductions and general optimisations following the implementation of the new country-based structure at the beginning of 2016, in addition to the effects from sourcing of staff functions and to a lesser extent business sourcing. In 2016, the number of employees was reduced from 3,344 to 3,249.

Investment return

The investment return was positive by DKK 992m (DKK -15m) in 2016. The match portfolio totalled DKK 29,105m and is made up of bonds which match the insurance provisions so that fluctuations resulting from interest rate changes are offset to the greatest possible extent. At 31 December 2016, the value of the free portfolio totalled DKK 11,995m. The return on the match portfolio was DKK 210m (DKK -16m) after transfer to insurance technical interest. The return on the free investment portfolio was DKK 939m (DKK 232m). The return on the equity portfolio was positive at 8.4%, which was significantly higher than in 2015, which saw a return of 3.4%. In Q4 2016, Tryg Forsikring sold some of its bigger investment properties and domiciles in Denmark and Norway. This resulted in a gain of DKK 600m, of which DKK 500m is recognised as investment income and DKK 100m in shareholders' equity. The main purpose was to create a more diversified investment portfolio in accordance with Tryg Forsikring's overall risk profile, and also to enter into less risky and more flexible agreements for the domiciles.

Other income and costs

Other income and costs were primarily impacted by write-down of goodwill of DKK 100m related to the acquisition of Securator.

Profit/loss on discontinued business DKK -1m (DKK 49m) was realised on discontinued business, comprising adjustments on provisions, primarily relating to the marine run-off business.

Tax

Tax on profit for the year totalled DKK 763m (DKK 409m), or 23% of the profit before tax. In 2016, Tryg Forsikring paid DKK 548m in income tax.

Capital position

Tryg Forsikring's solvency capital requirement (SCR) was DKK 5.1bn at the end of 2016, which is on par with the level as at 1 January 2016, when Solvency II went live. At the end of 2016, Tryg Forsikring's own funds were DKK 9.9bn (after deducting the H2 dividend). During the year, own funds were mostly impacted positively by net profits and negatively by dividends. Additionally, Tryg Forsikring issued SEK 1.0bn subordinated, Solvency II-compliant debt. This boosted Own funds in its Tier 2 component. The Solvency ratio was 194 at year-end 2016.

The key components of Tryg Forsikring's own funds are 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, some DKK 200m 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 1.0bn at the end of 2016.

Tryg Forsikring's solvency ratio displays low sensitivities to capital market movements. The highest sensitivity is towards spread risk, where a widening/tightening of 100 basis points would impact the solvency ratio by approximately 14 percentage points. Lower sensitivities are displayed towards equity market falls and interest rate movements. A change in the UFR (Ultimate Forward Curve) would have a very modest impact as the solvency ratio would fall 1 percentage point. This is unsurprising considering that Tryg Forsikring underwrites only non-life risks, and the duration of the business is below four years.

Dividend policy

For 2016, a dividend of DKK 2,700m (DKK 1,450m) is proposed.

Moody's rating upgraded

In December 2016, Moody's upgraded Tryg Forsikring's insurance financial strength rating (IFSR) from 'A2' to 'A1' with a stable outlook. In its press release, Moody's noted that the 'A1' IFSR reflects Tryg

Forsikring's leadership position in Property & Casualty (P&C) insurance in the Nordic region, its strong profitability both from a return on capital and underwriting (combined ratio) perspective, very good asset quality and relatively low financial leverage.

Private

Financial highlights 2016

- Technical result of DKK 1,404m (DKK 1,298m)
- Combined ratio of 83.8 (85.4)
- Gross premiums increased by 0.8% (0.3%) in local currencies
- Expense ratio of 14.2 (14.7)

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	2016	2015
Gross premium income	**8,710**	**8,803**
Gross claims	-5,904	-6,074
Gross expenses	-1,240	-1,291
Profit/loss on gross business	1,566	1,438
Profit/loss on ceded business	-158	-148
Insurance technical interest, net of reinsurance	-4	8
Technical result	**1,404**	**1,298**
Run-off gains/losses, net of reinsurance	312	324
Key ratios		
Premium growth in local currencies	0.8	0.3
Gross claims ratio	67.8	69.0
Net reinsurance ratio	1.8	1.7
Claims ratio, net of ceded business	69.6	70.7
Gross expense ratio	14.2	14.7
Combined ratio	**83.8**	**85.4**
Combined ratio exclusive of run-off	87.4	89.1
Run-off, net of reinsurance (%)	-3.6	-3.7
Large claims, net of reinsurance (%)	0.0	0.3
Weather claims, net of reinsurance (%)	2.8	4.5

Results

The technical result for 2016 was DKK 1,404m (DKK 1,298m), with a combined ratio of 83.8 (85.4). The development was attributable to a combination of positive impacts from the efficiency programme, a lower level of weather claims and a higher level of claims especially from the property lines of business. The development in premiums was positive and improved compared to 2015, and the expense ratio was at a significantly lower level.

Premiums

The gross premium income development improved by 0.8% (0.3%) in local currencies, which was in line with the improvements seen since 2013. Premiums increased by 1.8% in Denmark, which was very satisfactory given also that the average price of motor insurance continued to fall by 0.6 percentage points. In Norway, premium income declined by 0.5% in local currencies mainly due to the competitive market situation and the weakened Norwegian economy.

Customer focus is very strong in both Denmark and Norway, as evidenced by the continued improvement in Tryg Forsikring's Net Promoter Score (NPS) to 29 in 2016 (26). This development was significant in Denmark whereas there was a slight drop in Norway. In Denmark, the NPS score improved from 29 to 35, and in Norway there was a slight drop from 22 to 21.

The members' bonus from TryghedsGruppen is expected to have a positive impact on customer loyalty among Private customers in Denmark. In 2016, more than 500,000 insurance policies were converted to new and more updated products. As the products are more correctly priced, this also means that some customers will experience a higher price, and the conversion is therefore expected to have a slightly negative impact on retention rates.

The retention rate in Denmark dropped slightly to 89.7 from 89.9, while in Norway the retention rate was unchanged at 86.4. The number of customers with three or more products increased from 56.7% to 57.1% with a significant increase of 1 percentage point for Private customers in Denmark and a drop in the number of customers with three or more products in Norway. To improve the level of customers with three or more products in Norway, the car sales channel, where many customers have few products, was restructured with the aim, among other things, of increasing cross-selling to these customers.

Claims

The gross claims ratio totalled 67.8 (69.0), with a claims ratio, net of ceded business, of 69.6 (70.7). The improvement was ascribable to the efficiency programme and a lower level of weather claims. House insurance was still under pressure despite positive results from the claims team focusing on pipe claims. In fact, claims inflation increased due to higher construction costs because of wage increases for construction workers, and in Norway higher prices for materials due to the weakened Norwegian currency.

Tryg Forsikring has a strong focus on developments in motor insurance, and throughout the year we saw slightly higher claims inflation due to higher frequency levels and higher average claims for cars with more advanced electronic systems. Against this background, Tryg Forsikring has decided to introduce price adjustments of approximately 3% to mitigate this development and improve profitability.

Expenses

The expense ratio was 14.2 (14.7). This development resulted from a consistent focus on improving expense levels, and many initiatives were implemented in 2016. In both Denmark and Norway, customer service and claims handling functions were integrated to improve customer loyalty, while at the same time reducing expense levels. In Norway, many initiatives were implemented which will reduce employee numbers by a total of 60, the primary impact of which will be seen in 2017 after almost no impact in 2016. Employee numbers were reduced from 933 at the end of 2015 to 929 in 2016, mainly through job cuts in back-office functions but also transfer of employees from the Claims department as part of the integration of customer service and claims handling.

Commercial

Financial highlights 2016

- Technical result of DKK 695m (DKK 658m)
- Combined ratio of 82.1 (83.6)
- Gross premiums reduced by 1.3% (-2.9%)
- Expense ratio of 17.0 (17.1)

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	2016	2015
Gross premium income	**3,893**	**3,992**
Gross claims	-2,380	-2,612
Gross expenses	-663	-683
Profit/loss on gross business	850	697
Profit/loss on ceded business	-154	-44
Insurance technical interest, net of reinsurance	-1	5
Technical result	**695**	**658**
Run-off gains/losses, net of reinsurance	304	388
Key ratios		
Premium growth in local currencies	-1.3	-2.9
Gross claims ratio	61.1	65.4
Net reinsurance ratio	4.0	1.1
Claims ratio, net of ceded business	65.1	66.5
Gross expense ratio	17.0	17.1
Combined ratio	**82.1**	**83.6**
Combined ratio exclusive of run-off	89.9	93.3
Run-off, net of reinsurance (%)	-7.8	-9.7
Large claims, net of reinsurance (%)	2.2	6.7
Weather claims, net of reinsurance (%)	1.6	2.8

Results

The technical result for 2016 was DKK 695m (DKK 658m), with a combined ratio of 82.1 (83.6). The combined ratio was positively affected by a lower level of weather and large claims but also a lower level of run-off. The development in premiums improved in 2016, but was still not satisfactory.

Premiums

The development in gross premium income was negative by 1.3% (-2.9%) in local currencies, which was a significant improvement compared with 2015, but at the same time an unsatisfactory development. The drop in premiums was slightly higher in the Norwegian part of Commercial. The development in the Danish part was affected by price hikes to improve profitability for property, which among other things led to a drop in the market share for large agricultural customers. In Norway, the market was generally very competitive and also impacted by the slowdown in the Norwegian economy. In both Norway and Denmark, structural initiatives were implemented to support an improved development in premiums.

The Net Promoter Score (NPS) decreased to 6 in 2016 (12). In Denmark, the NPS score decreased from 18 to 6, and in Norway an improvement from -1 to 9 was seen. The development in the NPS score also reflected retention rates. The retention rate for Commercial in Denmark fell from 87.9 to 87.1, and in Norway, the retention rate improved significantly from 87.1 to 87.5. The negative development for Commercial in Denmark can be ascribed to price initiatives aimed at improving profitability, whereas the improvement in Norway can be ascribed to a more focused organisation with improved customer contact.

Claims

The gross claims ratio totalled 61.1 (65.4), with a claims ratio, net of ceded business, of 65.1 (66.5). The lower claims level was ascribable to a combination of lower weather and large claims, but also a lower run-off result. The claims level for property improved through the selected price and pruning initiatives. Due to price increases, exposure to the segment of large agricultural customers was reduced, which had a positive impact on profitability. There is still a need for selected price adjustments in the Commercial area, especially for property. These price adjustments will be implemented in 2017.

Expenses

The expense ratio was 17.0 (17.1). The expense level is generally too high for Commercial, and initiatives were therefore implemented to improve this in 2016. The most significant steps were taken by Commercial in Norway, where employee numbers were reduced by approximately 40 employees. In Denmark, the number of employees was reduced by approximately ten through a reduction in back-office functions. Total employee numbers were reduced from 527 at the end of 2015 to 474 in 2016.

Corporate

Financial highlights 2016

- Technical result of DKK 421m (DKK 369m)
- Combined ratio of 88.8 (90.7)
- Gross premiums dropped by 1.2% (0.0%)
- Expense ratio of 11.0 (10.8)

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

Key figures - Corporate

DKKm	2016	2015
Gross premium income	**3.775**	**3.894**
Gross claims	-2.295	-3.987
Gross expenses	-416	-420
Profit/loss on gross business	1.064	-513
Profit/loss on ceded business	-643	877
Insurance technical interest, net of reinsurance	0	5
Technical result	**421**	**369**
Run-off gains/losses, net of reinsurance	506	351
Key ratios		
Premium growth in local currencies	-1,2	0,0
Gross claims ratio	60,8	102,4
Net reinsurance ratio	17,0	-22,5
Claims ratio, net of ceded business	77,8	79,9
Gross expense ratio	11,0	10,8
Combined ratio	**88,8**	**90,7**
Combined ratio exclusive of run-off	102,2	99,7
Run-off, net of reinsurance (%)	-13,4	-9,0
Large claims, net of reinsurance (%)	8,1	8,2
Weather claims, net of reinsurance (%)	1,0	2,2

Results

The technical result for 2016 was DKK 421m (DKK 369m), with a combined ratio of 88.8 (90.7). The result was positively affected by a higher runoff level and a slightly lower level of weather claims, whereas large claims were at the same level as in 2015. The moderate development in premiums seen in recent years continued in 2016 with a drop of 1.2% (0.0%), measured in local currencies.

Premiums

The development in gross premium income saw a drop of 1.2% (0.0%) in local currencies. Premiums increased by around 2.4% in Denmark, whereas in Norway, premium income declined by 4.9% in local currencies due to the loss of some large customers, a competitive market situation, especially for the broker channel, and the weakened Norwegian economy. In Sweden, which accounts for only 20% of the total Corporate business, premium growth was zero (6.2%) due to price increases and pruning of the portfolio. In Corporate, there is a strong focus on the relations with brokers as they constitute an important distribution channel. In Sweden, the Swedish brokers ranked Moderna's Corporate business as the best corporate company for the fourth year running. In both Denmark and Norway, there was a strong focus on improving broker relations. In Denmark, it was possible for customers to be served either by brokers or through direct distribution as customers in some cases find this is the best solution.

Claims

The gross claims ratio totalled 60.8 (102.4), with a claims ratio, net of ceded business, of 77.8 (79.9). The lower claims level was primarily due to a high level of run-off gains as large claims and weather claims declined slightly. In 2016, in Denmark and Norway, as part of the normal renewals process, Corporate increased prices, adjusted retention levels and changed coverage to improve profitability. In Sweden, more significant steps were taken to improve profitability, especially for some of the large accounts. In 2017, these initiatives will, in general, follow the normal process with individual customer initiatives in all markets although in the Swedish market, priority will be given to initiatives targeting motor insurance.

Expenses

The expense ratio was 11.0 (10.8) as a result of the reduced premium income. Although expense levels are quite low, Corporate also has a strong focus on reducing expenses as a way of improving the competitive position. In Denmark, the structure of the sales organisation was optimised, leading to a reduction in employee numbers by five employees. The number of employees was reduced from 265 at the end of 2015 to 257 in 2016.

Sweden

Financial highlights 2016

- Technical result of DKK 120m (DKK 218m)
- Combined ratio of 90.7 (83.5)
- Gross premiums increased by 3.4% (-3.1%)
- Expense ratio of 19.0 (18.7)

Sweden comprises the sale of insurance products to private customers under the 'Moderna' brand. Moreover, insurance is sold under the brands Atlantica, Bilsport & MC, Securator, Moderna Barnforsakringar and Moderna Djurforsakringar. Sales take place through its own sales force, call centres, partners and online. The business area accounts for 7% of the Group's total premium income.

Key figures - Sweden

DKKm	2016	2015
Gross premium income	**1.348**	**1.317**
Gross claims	-964	-852
Gross expenses	-256	-246
Profit/loss on gross business	128	219
Profit/loss on ceded business	-3	-1
Insurance technical interest, net of reinsurance	-5	0
Technical result	**120**	**218**
Run-off gains/losses, net of reinsurance	117	149
Key ratios		
Premium growth in local currencies	3,4	-3,1
Gross claims ratio	71,5	64,7
Net reinsurance ratio	0,2	0,1
Claims ratio, net of ceded business	71,7	64,8
Gross expense ratio	19,0	18,7
Combined ratio	**90,7**	**83,5**
Combined ratio exclusive of run-off	99,4	94,8
Run-off, net of reinsurance (%)	-8,7	-11,3
Weather claims, net of reinsurance (%)	0,8	1,7

Results

Sweden Private posted a result of DKK 120m (DKK 218m) for 2016, which represented a significant reduction compared to the prior-year result. This was mainly due to a harmonisation of reserving models in 2015, resulting in a positive impact of approximately DKK 70m. The result for 2016 was also impacted by persistent challenges with extended warranty insurance for electronic products and profit-sharing agreements. The profit-sharing relates to prior-year results. The combined ratio was 90.7 (83.5), and premium income increased by 3.4% (-3.1%) due to the acquisition of Skandia's child insurance portfolio. With the acquisition of Skandia's child insurance portfolio, Tryg Forsikring continues to improve its market position in Sweden through an active M&A approach.

Premiums

Premium income rose by 3.4% (-3.1%) in local currencies. This was due to the acquisition of Skandia's child insurance portfolio, which is highly profitable and characterised by high retention levels. The acquisition also supports Tryg Forsikring's aim of growth in the Nordics as child insurance has considerable growth potential in both Denmark and Norway. Through 2016, focus was on mitigating the loss of a number of large affinity agreements and the impact on distribution. The Swedish organisation was able to offset this through higher sales in Q4 2016 compared with Q4 2015, partly through cross-selling to customers in the boat and motorcycle insurance niche segments.

Claims

The gross claims ratio totalled 71.5 (64.7) and was affected by higher claims levels, especially for extended warranty insurance products. Initiatives encompassing price hikes, claims prevention and adjustment of terms have been implemented. The claims level was also impacted by a profit-sharing agreement based on prior-year results, which impacted the claims ratio by 1.7 percentage points. The various initiatives will continue in 2017 with the aim of improving profitability, especially for extended warranty insurance of electronic products.

Expenses

The expense ratio was slightly higher at 19.0 (18.7). Integration and efficiency initiatives will support a lower expense ratio and strengthen Tryg Forsikring's competitive position. The number of employees was 337 (338) at the end of 2016, which was almost unchanged despite the acquisition of Skandia.

Investment activities

Key figures - Investments

DKKm	2016	2015
Free portfolio, gross return	939	232
Match portfolio, regulatory deviation and performance	210	-16
Other financial income and expenses	-157	-231
Total investment return	**992**	**-15**

2016 was an eventful year characterised by volatility caused primarily by important political events such as the 'Brexit' referendum in the UK and the US presidential election. After some initial turmoil, equity markets recovered, and overall reactions can be said to be relatively moderate. The highest-ever spread between US and German rates was seen towards the end of December with US 10-year notes yielding more than 230bps compared to German notes. One noticeable area of turbulence was the exchange rate markets where the British pound and EM currencies weakened significantly.

Tryg Forsikring's investment activities produced an overall result of DKK 992m (DKK -15m), boosted by a capital gain in Q4 of DKK 500m, plus a DKK 100m increase of shareholders' equity on the sale of a property portfolio. The purpose of the investment strategy is to support a high and stable technical result and thus to 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 939m (DKK 232m) return on the free portfolio, a DKK 210m (DKK -16m) return on the match portfolio and other financial income and expenses of DKK -157m (DKK -231m).

Match result

Rturn - match portfolio

DKKm	2016	2015
Return, match portfolio	547	140
Value adjustments, changed discount rate	-188	103
Transferred to insurance technical interest	-149	-259
Match, regulatory deviation and performance	**210**	**-16**
Hereof:		
Match, regulatory deviation	47	12
Match, performance	163	-28

The result of the match portfolio is the difference between the return on the portfolio and the amount transferred to the technical result. The 'net' result can be split into a 'regulatory deviation' and a 'performance' component. 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. Since the beginning of 2016, Tryg Forsikring has started to hedge the interest rate risk of its Danish liabilities, partly using Danish swaps and partly also Euro swaps. When the yield difference between Danish and Euro swap rates decreases, the regulatory deviation should produce a positive result; however, when the yield difference increases, the result is likely to be negative. In 2016, the spread narrowed by 5 basis points, driving a regulatory deviation of DKK 47m.

The most important driver of 'performance' 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. Tryg Forsikring seeks to maintain stability in its covered-bonds portfolio, also in terms of maturity; hence, spread movement should be a good indicator of overall performance. In 2016, the 'performance' result was an unusually high DKK 163m. Spreads narrowed substantially, driven by the so-called 'quantitative easing' enabled by the bond-buying programme of the ECB.

Free portfolio result

					Investment assets	
DKKm	2016	2016 (%)	2015	2015 (%)	31.12.2016	31.12.2015
Government bonds	1	0.4	4	1.4	322	265
Covered bonds	69	1.8	-26	-0.6	4,464	3,602
Inflation linked bonds	41	8.1	-1	-0.2	539	484
Investment grade credit	-14	-0.9	0	0.0	546	0
Emerging market bonds	41	9.5	2	0.5	447	412
High-yield bonds	81	10.6	-8	-0.8	730	837
Other*	-23	0.0	19	2.1	220	712
Interest rate and credit exposure	196	2.8	-10	-0.1	7,268	6,312
Equity exposure **	194	8.4	91	3.4	2,187	2,374
Investment property	549	26.1	151	7.2	2,540	2,052
Total gross return	939	8.0	232	1.9	11,995	10,738

*) 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 97m.

In 2016, financial markets were influenced by several significant events such as the UK referendum on continued membership of the European Union and the US presidential election. The market digested the unexpected outcomes fairly quick, and the year ended on a positive note. The result of the free portfolio was very strong in 2016, helped also by the capital gain in Q4 on the sale of a property portfolio of DKK 500m. The result, excluding the extraordinary capital gain, was driven primarily by interest rate and credit exposure (DKK 196m) and equities (DKK 194m).

Interest rates decreased to historically low levels in 2016. The yield of the 10-year German government bond touched -0.19% at the end of June before moving up to 0.25% in December. High-yield bonds (approximately 6% of the free portfolio and less than 2% of total investments) produced a return in excess of 10.6%, while emerging-markets bonds (USD-denominated sovereign bonds) produced a return just below 9.5%. Equity markets had a volatile year, but produced overall solid returns, and Tryg Forsikring's equity portfolio was up 8.4%, resulting in an overall DKK 194m return. The sale of three investment properties in central Copenhagen boosted the investment result by DKK 420m, a highly concentrated property portfolio has been swapped for a globally diversified portfolio which is more carefully aligned with Tryg Forsikring's overarching investment strategy. The overall property exposure remains unchanged after the aforementioned transaction.

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 our shareholders' equity and the cost of running our investment operations. These are the main elements included in other financial income and expenses.

The other financial income and expenses line produced a result of DKK -162m. Tryg Forsikring issued additional subordinated debt of SEK 1bn in 2016, but the overall interest expenses on the subordinated debt remained largely unchanged thanks to the falling interest rates. Expenses from the hedging of the foreign currency exposure on Tryg Forsikring's equity totalled DKK -157m, and interest expenses on Tryg Forsikring's subordinated loans were DKK -88 m.

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. Risk management is primarily focused on insurance risk, investment risk and operational risk.

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 the impact on earnings.

Investment risk The investment risk is managed by looking at total exposure and capital consumption by asset classes (bonds, shares, properties etc.). A very important element in managing Tryg Forsikring's investment risk is the company's matching strategy, according to which invested assets corresponding to the technical provisions must be invested in interest-bearing assets, where the interest rate sensitivity of these assets matches and thereby hedges the interest rate sensitivity of the discounted provisions as closely as possible. The so-called match portfolio represents approximately 70% of total group investments, while the free portfolio (the capital of the company) represents the remaining 30%.

Operational risk

The operational risk covers several different areas of Tryg Forsikring's operations. The most important ones are physical security, fraud, whitewash, crisis management, competencies and processes, and IT security. The Operational Risk Policy is approved by the Supervisory Board while the Operational Risk Committee (ORC) reports directly to the Risk Committee. The ORC is responsible for all operational risks and is under an obligation to report high risks to the Risk Committee. Fraud is a priority focus area in Tryg Forsikring, when it comes to both regular insurance fraud and internal fraud. A dedicated unit in the Claims department covers the insurance fraud angle, and a special Corporate Security unit covers the internal fraud angle. Intensive controls are carried out based on fraud scenarios, and dedicated persons in Corporate Security investigate the outcome. IT security is a major operational risk area. Tryg Forsikring's IT security policy is based on the ISO 27000 framework, and Tryg Forsikring has a dedicated second level Corporate Security unit performing security assessments of projects, controlling outsourcing partners and performing regular IT risk analyses. We also have a strong focus on user awareness as social engineering is the criminals' preferred way of penetrating company IT systems. Furthermore, Tryg Forsikring has a whistleblower line, which allows employees, customers and business partners to report any serious wrongdoings or suspected irregularities.

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, amongst other things, carried out risk identification routines, written 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 which focuses on capital and risk management. Tryg Forsikring's partial internal Solvency II model was approved by the Danish FSA in November 2015. Read more about Tryg Forsikring's risk management in Note 1 on page 53.

Capital management

Capital management is based on Tryg Forsikring's partial internal capital model, which was approved by the supervisory authorities 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 the 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 loss greater than DKK 5.1bn (the SCR) in 1 out of 200 years. Tryg Forsikring's SCR was DKK 5.1bn at the end of 2016, which is the same level as on 1 January 2016, when Solvency II went live. At the end of 2016, Tryg Forsikring's Own funds were DKK 9.9bn. Own funds during the year have mostly been impacted positively by net profits. Additionally, Tryg Forsikring issued SEK 1.0bn subordinated, Solvency II-compliant debt. This boosted the Own funds in its Tier 2 component. The Solvency ratio was 194 at year-end 2016.

The key components of Tryg Forsikring's Own funds are 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 represented by shareholders' equity. The Tier 2 capacity has been fully utilised after the SEK 1bn subordinated debt issue in May 2016. Currently, some DKK 200m of Tier 2 instruments are not included in the Own funds as they exceed the 50% SCR cap. Tryg Forsikring had additional ATier 1 capacity of DKK 1.0bn at the end of 2016. Tryg Forsikring's solvency ratio displays low sensitivities to capital market movements. The highest 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. A change in the UFR (Ultimate Forward Curve) would have a very modest impact as the solvency ratio would fall 1 percentage point. 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 8 March 2017, Tryg Forsikring's Supervisory Board will propose a dividend of DKK 2,700m. In 2016, Tryg Forsikring paid out semi-annual dividend of DKK 1,100m. Thus, the aggregated annual dividend pay-out for 2016 will be DKK 3,800m.

Moody's rating

In 2016, Tryg Forsikring decided to terminate the rating agreement with Standard and Poor's and acquire a rating from Moody's. At the end of April Tryg Forsikring was assigned an 'A2' financial strength rating with a positive outlook. The rating was upgraded in December 2016 to an 'A1' financial strength rating with a stable outlook. In its press release, Moody's noted that the A1 IFSR reflects Tryg Forsikring's leadership position in Property & Casualty (P&C) insurance in the Nordic region, its strong profitability both from a return on capital and underwriting (combined ratio) perspective, very good asset quality and relatively low financial leverage.

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.

Eight members of the Supervisory Board are elected by the annual general meeting for a term of one year. Of the eight members elected at the annual general meeting, four are independent persons as stated in recommendation 3.2.1 in Recommendations on Corporate Governance, while the other four members are dependent persons as they are appointed by the majority shareholder in Tryg, Tryg Forsikring's parent company, TryghedsGruppen. See pages 33-34 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. Furthermore, members of the Supervisory Board must retire at the first annual general meeting following their 70th birthday.

The Supervisory Board has 12 members, seven men and five women (including two male and two female employee representatives). Women are thus not underrepresented on Tryg Forsikring's Supervisory Board. The Supervisory Board has members from Denmark, Sweden and Norway.
See details about the independent board members in the section Supervisory Board on pages 33-34 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, 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 33-34 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 2016, the proportion of women at management level was 36.4% against 35.4% in 2015. The target for 2016 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 2017.
See the action plan at tryg.com > CSR > Thematic areas > People.

Board committees

Tryg Forsikring has an Audit Committee, a Risk Committee, a Nomination Committee and a Remuneration Committee. In 2016, Tryg Forsikring 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 2016 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 four members of the Remuneration Committee, one member is an independent person, while one out of two members of the Nomination Committee is 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 Forsikring has adopted a remuneration policy for the Supervisory Board and the Executive Board, including general guidelines for incentive pay. The remuneration policy for 2016 was adopted by the Supervisory Board in January 2016 and approved by the annual general meeting on 16 March 2016. 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 > Governance > Remuneration.

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 2016

DKK	Fee	Audit Committee	Risk Committee[a]	Remuneration Committee[a]	Total
Jørgen Huno Rasmussen	1,061,371			146,895	1,208,266
Torben Nielsen	707,581	225,000	197,581		1,130,162
Tom Eileng[a]	285,484			79,301	364,785
Lone Hansen	353,790				353,790
Anders Hjulmand[b]	285,484				285,484
Jesper Hjulmand	353,790	150,000	131,720		635,510
Ida Sofie Jensen	353,790			75,430	429,220
Bill-Owe Johansson	353,790				353,790
Lene Skole	353,790	150,000	131,720		635,510
Tina Snejbjerg	353,790		131,720		485,510
Mari Thjømøe	353,790	150,000	131,720		635,510
Carl-Viggo Östlund	353,790			97,930	451,720
Anya Eskildsen[c]	68,307			18,629	86,936
Vigdis Fossehagen[c]	68,307			18,629	86,936

a) Fee increased as from 1 April 2016 b) Joined the Supervisory Board in March 2016
c) Resigned from the Supervisory Board in March 2016

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 25% of the fixed base 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 parent company Tryg A/S at market price for a predefined amount. Four years after the purchase, Tryg A/S 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 fiscal 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 2016 were a combination of long-term strategic targets and developmental targets, 60% weighted on the year's fulfilment of Tryg Forsikring's CMD 2017 targets, which were specified as combined ratio, expense ratio, premium growth, Net Promotor Score (NPS) and employee satisfaction, and 40% weighted on development targets, including targets such as moving closer to the customers (higher degree of customers who are fully insured in Tryg Forsikring), creating a strong customer centre, empowering the different lines of business, achieving high levels of innovation and development of products/services and the impact and success of Tryg Forsikring's leaders.
Read more about the Matching Shares Programme in the remuneration policy at tryg.com > Governance > Remuneration.

Total remuneration of the Executive Board in 2016

DKK	Base salary	Pension	Car allowance	Other benefits	Total fixed salary	Share-based remuneration [a]	Total fee
Morten Hübbe	9,701,848	2,425,462	255,000	26,000	12,408,310	2,000,000	14,408,310
Lars Bonde	4,811,092	1,202,773	255,000	26,000	6,294,865	938,000	7,232,865
Christian Baltzer [b]	2,125,000	531,250	180,625	18,417	2,855,292	531,250	3,386,542
Tor Magne Lønnum [c]	1,757,715	391,578	46,081	7,583	2,201,957		2,201,597

a) The maximum investment opportunity offered under the Matching Shares Programme at the beginning of 2017 (performance year 2016) b) Group CFO as of 15 April 2016
c) Resigned as Group CFO on 15 April 2016. Tor Magne Lønnum's base salary includes a non-relocation allowance of DKK 191,403.

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. In its policies, the Supervisory Board defines Tryg Forsikring's risk management framework as regards insurance risk, investment risk and operational risk, as well as IT security, and issues guidelines to 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 24-26 and in Note 1 Risk management on page 53.

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 2016. 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 24-26 and in Note 1 on page 53.

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 recommendation concerning the number of independent members of the board committees, with which Tryg Forsikring complies partially; see recommendation 3.4.2 of the Recommendations on Corporate Governance.

The deviation is explained in Tryg Forsikring's statutory corporate governance report, which is available at tryg.com > Investor > Download.

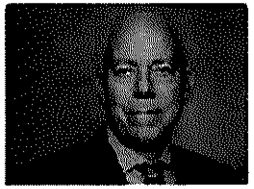
Supervisory Board

Jørgen Huno Rasmussen[b]

Chairman
Born in 1952. Joined: 2012. Danish citizen. Professional board member. Adjunct professor, CBS. Former CEO of the FLSmidth Group.

Education: B.Com. (Organisation), MSc (Civ. Eng.), PhD (Constr. Man.).
Chairman: Tryg A/S, Tryg Forsikring A/S, TryghedsGruppen smba, Lundbeckfonden and Lundbeckfond Invest A/S.
Deputy Chairman: Terma A/S, Rambøll Group A/S and Haldor Topsøe A/S.
Board member: Blackt Industries A/S, Otto Mønsted A/S and Thomas B. Thriges Fond.
Committee memberships: Chairman of Tryg's Remuneration and Nomination Committees and the Remuneration Committee in Haldor Topsøe A/S.
Number of shares held: 1,830
Change in portfolio 2016: 0

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

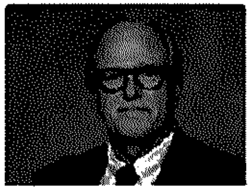


Torben Nielsen[b]

Deputy Chairman
Born in 1947. Joined: 2011. Danish citizen. Professional board member, Adjunct Professor, CBS. Former Governor of Danmarks Nationalbank (Danish Central Bank).

Education: Savings bank training, Graduate Diplomas in Organisation, Work Sociology, Credit and Financing.
Chairman: Sydbank A/S, Investeringsforeningen Sparinvest DK, EIK banki p/f and Museum South East Denmark.
Deputy Chairman: Tryg A/S and Tryg Forsikring A/S.
Board member: Sampension KP Livsforsikring A/S, Dansk Landbrugs Realkredit and a member of the Executive Management of Bombebøssen.
Committee memberships: Tryg's Audit Committee (Chairman), Risk Committee (Chairman) and Remuneration Committee.
Number of shares held: 20,000
Change in portfolio 2016: +1,000

Torben Nielsen has special skills in the fields of management, finance, financial services and risk management as former Governor of Danmarks Nationalbank.



Anders Hjulmand

Born in 1951. Joined: 2016. Danish citizen. Lawyer and partner at HjulmandKaptajn.

Education: LL.M.
Chairman: B&E STAL A/S, Brdr. Schlie's Fiskeeksport A/S, Consilius A/S, CPS A/S, Danish Label Coating A/S, Friis & Moltke A/S, Lastvogn & Trailer Center A/S, Nordjyske Jernbaner A/S, Palle March A/S, Para Producer A/S, Seafood International Holding A/S, Scan Fish Danmark A/S, Utzon Center A/S, Kunsten – Museum of Modern Art, PSC A/S and a number of subsidiaries.
Deputy Chairman: The Royal Danish Theatre.
Board member: Tryg A/S and Tryg Forsikring A/S, Trygheds-Gruppen smba, Flemming Christensens Fond, FDE Fonden, Elter Krancenter A/S, Saeo A/S and Utzon Fond.
Number of shares held: 1,168
Change in portfolio 2016: +1,168

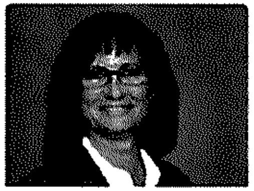
Anders Hjulmand is experienced in the counselling of a number of Danish and international, privately and publicly owned companies and foundations, and he is experienced within the areas of law, management, strategy and business development.

Ida Sofie Jensen[b]

Born in 1958. Joined: 2013. Danish citizen. CEO of Lif (Danish Association of the Pharmaceutical Industry), 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.
Board member: Tryg A/S and Tryg Forsikring A/S, Trygheds-Gruppen smba, Plougmann & Vingtoft A/S and Hans Knudsen Instituttet (business trust).
Committee memberships: Remuneration Committee in Tryg.
Number of shares held: 1,175
Change in portfolio 2016: 0

Ida Sofie Jensen has experience from business operations and the healthcare sector as well as management, strategy, politics and finance.



Lone Hansen

Employee representative
Born in 1966. Joined: 2012. Danish citizen. Employed since 1990.

Education: Certified commercial insurance agent. Various insurance and sales courses and negotiation training.
Chairman: The Association for Tied Agents and Key Account Managers in Tryg.
Board member: Tryg A/S and Tryg Forsikring A/S.
Member of the Tied Agents' District Board of the Financial Services Union Denmark.
Number of shares held: 695
Change in portfolio 2016: 0

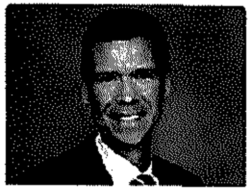
Bill-Owe Johansson

Employee representative
Born in 1959. Joined: 2010. Swedish citizen. Claims handler in Atlantica (Moderna, Swedish subsidiary). Employed since 2002.

Education: Insurance training.
Board member: Tryg A/S and Tryg Forsikring A/S.
Number of shares held: 1,500
Change in portfolio 2016: +235

Members of the Supervisory Board are elected for a term of one year. Employee representatives are, however, elected for a term of four years. An employee election was held in 2016.

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



Jesper Hjulmand[a]

Born in 1963. Joined: 2010. Danish citizen. CEO of SEAS-NVE A.m.b.A.

Education: MSc in Economic and Business Administration. Lieutenant-Colonel Royal Danish Air Force Reserve, Pathfinder.
Chairman: Employers association of Danish utility companies (DEA), Energi Danmark A/S, Fibia P/S, and SEAS-NVE Net A/S
Deputy Chairman: Tryghedsgruppen smba
Board member: Tryg A/S, Tryg Forsikring A/S, DI Executive Committee and Executive Committee of the Danish Energy Association.
Committee memberships: Audit Committee and Risk Committee in Tryg, Executive Committee of Danish Energy Association (Chairman), member of the Board of Representatives in Tryghedsgruppen and in Nykredit.
Number of shares held: 8,750
Change in portfolio 2016: 0

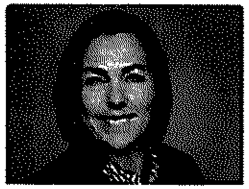
From his positions with SEAS-NVE, Jesper Hjulmand has experience within M&A, strategy, organisational and management development, communication and business development.

Lene Skole[b]

Born in 1959. Joined: 2010. Danish citizen. CEO of Lundbeckfonden and Lundbeckfond Invest A/S.

Education: The A.P. Møller Group international shipping education, Graduate Diploma in Finance and various international management programmes.
Chairman: LFI Equity A/S
Deputy Chairman: Dong Energy A/S, H. Lundbeck A/S, ALK-Abelló A/S and Falck A/S
Board member: Tryg A/S and Tryg Forsikring A/S
Committee memberships: Audit Committee and Risk Committee in Tryg, the Audit & Nomination Committee in ALK-Abelló A/S and the Audit and Remuneration Committee in H. Lundbeck A/S, Audit Committee in Falck A/S
Number of shares held: 5,525
Change in portfolio 2016: 0

Lene Skole has experience from international companies, among other things through her previous work in Coloplast and The Maersk Company Ltd., UK. Lene Skole has skills within strategy, financing and communication.

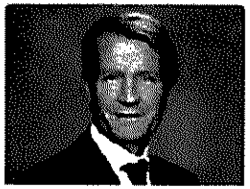


Mari Thjømøe[b]

Born in 1962. Joined: 2012. Norwegian citizen. Professional board member and independent advisor.

Education: Master's degree in Economy and Business Administration, Chartered Financial Analyst (CFA) as well as Senior Executive Programmes from London Business School and Harvard Business School.
Chairman: Sellsport Maritime Forlag AS, Færder Nasjonalparksenter IKS, ThjømøeKranen AS
Board member: Tryg A/S, Tryg Forsikring A/S, Nordic Mining ASA, Forsikringskonsernet Sintef, E-CO Energi and Scatec Solar ASA.
Committee memberships: Audit Committee and Risk Committee in Tryg, Audit Committee of E-CO (Chairman), Scatec Solar ASA.
Number of shares held: 3,300
Change in portfolio 2016: +1,500

Mari Thjømøe has experience from financial planning and control, restructuring/financing, investment analysis, investor relations, asset management, strategic planning and special knowledge of the insurance market. As a Norwegian citizen, she has special insights into Norwegian markets.



Carl-Viggo Östlund[b]

Born in 1955. Joined: 2015. Swedish citizen. Professional Board member and independent advisor. Former CEO of Nordnet and the insurance company SalusAnsvar.

Education: Bachelor of Science, education in International Business and Finance & Accounting.
Chairman: BLKCHN Scandinavia AB, Bridge Scandinavia Ventures AB, Creador AB, FCG Fonder AB, HappyX AB, Insiderfonder AB, Our Interest AB, The PAUSE Foundation, Wunderbar AB.
Board member: DBT Capital AB, Havsgaard AB, Holmö Fastigheter AB, Ponture AB, Tryg A/S, Tryg Forsikring A/S, Wonderbox AB.
Advisory Board member: Daniel Wellington AB
Committee memberships: Remuneration Committee
Number of shares held: 170
Change in portfolio 2016: +170

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

Tom Eileng

Employee representative
Born in 1954. Joined: 2016. Norwegian citizen. Employed since 1986.

Education: Business Economist
Chairman: Chairman of Finansforbundet, Tryg and Senior Commercial Advisor
Board member: Tryg A/S, Tryg Forsikring A/S and Vesta Stø̈ttefond.
Committee memberships: Remuneration Committee in Tryg A/S
Number of shares held: 265
Change in portfolio 2016: 0

Tina Snejbjerg

Employee representative
Born in 1962. 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: Tryg's Audit Committee and the Central Board of Forsikringsforbundet.
Number of shares held: 695
Change in portfolio 2016: 0

Members of the Supervisory Board are elected for a term of one year. Employee representatives are, however, elected for a term of four years. An employee election was held in 2016.

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

Morten Hübbe
Group CEO

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

Education: BSc in International Business Administration and Modern Languages. MSc in Finance and Accounting and management programme at Wharton.
Board member: Tjenestemændenes Forsikring, KMD A/S and KMD Holding A/S.

Number of shares held: 111,510
Change in portfolio in 2016: +25,770

Christian Baltzer
Group CFO

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

Education: Masters in Insurance Science.

Number of shares held: 3,235
Change in portfolio in 2016: +1,400

Lars Bonde
Group COO

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

Education: Insurance training, LL.M.
Chairman: Tryg Liv og The Faroe Insurance Company
Board member: Danish Employers' Association for the Financial Sector, Tjenestemændenes Forsikring, Forsikringsakademiet, the Danish Insurance Association and Cphbusiness.

Number of shares held: 42,600
Change in portfolio in 2016: +5,755

Corporate Social Responsibility

Statutory corporate social responsibility report

Tryg Forsikring's Corporate Social Responsibility (CSR) initiatives focus on peace of mind, people, business ethics as well as the environment and climate. These areas are closely linked to our business model (see page 6), since CSR concerns issues relating to our focus on insurance, prevention and claims handling. By addressing some of the areas most closely linked to our business model, CSR is actively ensuring that Tryg Forsikring is working in a responsible way with both internal and external processes, while always focusing on creating products and solutions that generate value for Tryg Forsikring, our customers and society.

Find our CSR policy at tryg.com > CSR > CSR strategy > CSR policy Read more about CSR at tryg.com > CSR

Peace of mind

Tryg Forsikring's overall vision is to create peace of mind for our customers and for society as a whole. In order to improve the way we work and achieve satisfied customers, it is important always to focus on our dialogue with customers. A major point of contact is our claims handling process, where we have processes in place to ensure the equal treatment of all customers. If customers are not satisfied with our services, we also have processes in place to ensure that they can fill in a complaint. Even though claims handling is key to our business, we still believe it creates peace of mind if we can prevent claims from arising in the first place, which is why we focus on claims prevention. We focus on safety, health and climate, and in 2016 we increased our focus on preventing break-ins and fires, while also seeking to improve safety at the seaside, for cyclist and among young people in public spaces.

Find Tryg Forsikring's complaint process at tryg.dk > Om Tryg > Kontakt os > Klagemuligheder

It is important for us to engage in prevention, since the potential negative effects of no prevention represents a risk for our customers and society. It is also a risk for Tryg Forsikring since no prevention can result in an increased number of claims. However, opportunities exist in this area – as the proactive prevention of risks creates opportunities for educating and involving the community in Tryg Forsikring's work.

Read more about prevention at tryg.dk > Skader > Forebyg skade

Lifebuoys

The red and white lifebuoy has become a symbol of safety along the Norwegian coastline since 1952 and has prevented more than 1,000 drownings. This year, the lifebuoys saved three lives. Tryg Forsikring has donated more than 40,000 lifebuoys over the years and over 2,000 lifebuoys in 2016.

Read more at tryg.com > CSR > Thematic areas > Peace of mind > Society

Night Ravens

The Night Ravens are volunteers who walk the streets at night to prevent violence and crime in Norway. A total of approximately 370 local groups are involved in this preventive work. Tryg Forsikring acts partly as a secretary for the Night Ravens, while also paying for clothing and other necessary materials and supporting operations and events.

Read more at tryg.com > CSR > Thematic areas > Peace of mind > Society

DNA marking

Break-ins are a concern for the Danish population and pose a great problem for Tryg Forsikring, our customers and society as a whole, which is why we want to help prevent break-ins from happening. Synthetic DNA marking and labelling is one simple preventive mechanism that has proved rather effective in preventing break-ins and theft. In 2017, we will continue to focus on the area and try to establish large-scale DNA-marking projects.

To test the effect of synthetic DNA marking, we started a pilot project in Sonderborg, Denmark, in 2014. Our results from 2016 show an almost 40% decline in the number of break-ins for the 90 properties using DNA marking throughout the test period compared to an average decline of 24% in the entire city of Sonderborg. These statistics indicate that DNA marking can – to some extent – help prevent break-ins in residential areas.

Our focus on DNA marking is also evident in Norway. In 2016, we joined forces with the Norwegian police in handing out DNA kits to private house owners in Bergen. In collaboration with the police, we have also increased our focus on burglaries in the construction industry, which is seeing an increase in the number of burglaries and thefts of expensive tools from construction sites and from work vans. In an attempt to prevent this problem, Tryg Forsikring, the police and the construction industry recommend synthetic DNA marking and labelling of special tools and machines. As a first major project, construction sites along the E39 between Bergen and Os in Hordaland have started using DNA marking. To encourage more large customers to use DNA marking, Tryg Forsikring has handed out DNA kits to customers all across Norway.

Bicycle safety

We focus on safety for cyclists and road safety in general. In 2016, we further highlighted the importance of wearing a helmet and being visible to others when riding a bike, for example by using reflectors. To increase awareness of the importance of using reflectors, we launched Facebook campaigns in both Norway and Denmark in 2016. In Denmark, we also created an online universe offering advice and information on bicycle safety. Our ambition is to further develop our focus on bicycle safety with more activities in 2017.

Find more information on bicycle safety at tryg.dk > Forebyg skade > Cykel

Educating society

In order to engage society in prevention, we believe it is necessary to offer education for different groups in society. In 2016, we invited 60 students from the local community in Ballerup to participate in an innovation workshop focusing on fire prevention. The workshop was well-received, and most of the students felt that their newly acquired knowledge would be useful for them in their everyday lives. Fire prevention is also the focus of the new free 'VR HouseFire' app which Tryg Forsikring launched in 2016. It is a virtual reality app, and the first of its kind in Norway. The ambition is to make people more aware of how to prevent fires from starting, and how to handle fires if they occur. The app has been downloaded close to 1,900 times in 2016 and is also used by the Norwegian fire department to teach people how to handle and prevent fires.

Download the app for iPhone or Download it for for Android

People

As clearly set out in our business model, we believe our employees are one of our most important resources and assets, and that they should be treated as such. In Tryg Forsikring, we focus on the well-being of our employees and their right to a healthy and safe workplace. We welcome diversity and ensure non-discrimination through equal treatment of all our employees regardless of gender, age, disabilities, ethnic origin, sexual orientation and religion. We see our different perspectives as an asset that increases the quality of our services through ensuring a better understanding of our customers' needs.
Read more about people at tryg.com > CSR > Thematic areas > People

Employee satisfaction
In Tryg Forsikring, we believe that satisfied employees are key to improving our business and services. We are actively working to minimise the risks of dissatisfaction, discrimination and stress among our employees. By addressing these issues, we think it is possible to improve the well-being and development of our employees, which is positive for retention rates as well as Tryg Forsikring's business as a whole. We support our employees by offering flexible working hours and the possibility of working from home. At the same time, we offer education and training in order to upgrade our employees' qualifications and improve their career prospects. To monitor developments in employee satisfaction, we conduct an internal employee satisfaction survey each year. Despite the organisational changes which took place in 2016, employee satisfaction increased from index 73 in 2015 to index 74 in 2016, 6 index points higher than the Nordic financial market benchmark.

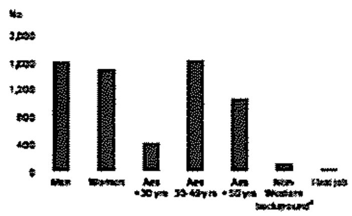
Equal opportunities
In Tryg Forsikring, processes are in place to ensure that men and women enjoy equal treatment in terms of pay levels and career opportunities. Our initiatives include, for example, an action plan aimed at ensuring the recruitment and promotion of more women in management roles. Both internal recruiters and external agencies are instructed to work actively to present qualified candidates of both genders.

In 2016, we had an ambitious target of 38% women at management level. Through organisation changes and our focus on equal representation in recruitment, we achieved 36.4% women at management levels, 5.4% higher than the 2015 Danish financial market benchmark. In 2017, we will maintain our focus on this issue, and to qualify and motivate more women to apply for management jobs, we have signed an agreement with the Danish Diversity Council. This means that we will be entering into a partnership with a number of Danish companies with the aim of sharing knowledge on how to develop the next generation of female leaders. At the same time, we are motivating women in Tryg Forsikring to apply for next-level management jobs by sending five women to the Danish Diversity Council women's leadership programme in 2017. With this programme, our ambition is to develop role models and motivate female leaders to reach for the next level of management.

Our target for 2017 is to attain 38% women at management levels. In addition, we already have an equal gender distribution on our Supervisory Board with three of the eight members appointed by the annual general meeting being women.

In addition to focusing on equal opportunities for our employees, we also want to engage with the local community in order to share our knowledge and help more people to get a chance to enter the Danish labour market. In 2016, Tryg Forsikring worked with the Municipality of Ballerup to help prepare refugees for entering the Danish labour market. In early 2016, Tryg Forsikring welcomed three refugees to a six-month parttime internship focusing on language training and job culture. The internship was a combination of language school and job training. By the end of 2016, three more refugees were a part of a preparatory 13-week internship. After a successful start, we are looking forward to continuing our efforts in 2017 by welcoming more refugees to participate in the internship.

Employee mix



a) Non-Western background has been compiled by Statistics Denmark.

Business ethics

In Tryg Forsikring, we work in a responsible way by respecting both human and labour rights, while also focusing on anti-corruption. At the same time, we acknowledge our responsibility for the climate and the environment. Therefore, it is important that our employees and external partners adhere to our standards at all times. Tryg Forsikring has formulated a CSR Code of Conduct based on the UN Global Compact, which we expect suppliers to comply with. We also have a Code of Ethics, which all employees must know and adhere to. To avoid corruption, Tryg Forsikring has laid down an anticorruption policy stating that all employees and everyone acting on behalf of Tryg Forsikring must comply with existing anti-corruption legislation.

Read more about business ethics at tryg.com > CSR > Thematic areas > Business Ethics Find our anti-corruption policy at tryg.com > CSR > CSR strategy > CSR policy

Employees and business ethics

It is important that our employees follow our Code of Ethics at all times. This includes, for example, policies on good practices for marketing, handling of personal data, anti-discrimination, diversity and anti-corruption, including gifts. In order to mitigate the risks associated with our working processes, Tryg Forsikring is actively working to educate our employees in using the guidelines in the Code of Ethics to ensure that they can handle the risks associated with their position.

Find our Code of Ethics here at tryg.com > CSR > CSR strategy > CSR policy

To educate our employees on how to handle information online, in 2016 we launched a campaign focusing on IT security covering everything from hacking and social media to general data protection and phishing. As part of the campaign, we introduced a phishing button which employees can use to report phishing. To test awareness, all users were a part of a major phishing exercise. This showed that employees were more aware than was the case in 2015 since more than 200 reported phishing. In 2017, we are planning to maintain our focus on raising awareness in this area.

To encourage employees and external partners to report any activities that do not comply with our Code

of Ethics or applicable legislation, Tryg Forsikring has set up a whistleblower line that can be used in confidentiality. In 2016, the whistleblower line was used four times. All incidents are evaluated by the Legal & Compliance Department before any further action is taken.
Find tryg Forsikring's whistleblower line at Tryg.com > Governance > Whistleblower Line

Offshoring and supply chain
We expect our employees and our suppliers to work in a responsible way. It is therefore important to make it clear to our suppliers that they must respect our guidelines and Code of Conduct as part of their obligations towards Tryg Forsikring. In 2016, we introduced a new monitoring system, asking six offshoring partners to hand in a report focusing on their CSR obligations towards Tryg Forsikring. These reports will provide a starting point for our monitoring efforts, which involve continuous dialogue with our partners and regular visits to follow up on their commitments.

Investments
Tryg Forsikring's is a non-life insurance company, and our main activities are naturally related to all aspects of insurance such as claims handling and prevention. This also means that investments only account for a small part of our business, which is one of the reasons why we have decided to have external portfolio managers handle our investments. 80% of Tryg Forsikring's investments are Nordic AAA covered or government bonds. This means only minor investments in lower-grade risk assets, which are well-diversified and listed global government or corporate bonds or equities. We are internally very observant when it comes to our investments, due to the underlying risk of Tryg Forsikring violating international standards such as the UN Global Compact or ESG when investing. To the best of our knowledge we believe that there are no major challenges nor violations when it comes to our investments.

Taxes
Tryg Forsikring contributes to the society of which we are part, and we pay our taxes according to national legislation. To ensure compliance with legislation at all times, internal processes are in place to ensure we pay all relevant taxes. Aiming to be as transparent as possible, we have published our tax policy.
Find our tax policy at tryg.com > CSR >CSR strategy >CSR Policy

Climate and environment
Tryg Forsikring is highly affected by more extreme weather conditions since they can increase the number and frequency of climate-related claims. This represents a risk to Tryg Forsikring since it will increase our claims costs. The risk becomes even greater if we do not have the necessary focus on claims prevention. Therefore, Tryg Forsikring continuously focuses on finding solutions which can prevent damage from happening in the first place. Our aim is to use our knowledge to offer solutions and advice on prevention for society and customers so that everybody is better prepared for more extreme weather events.
Read more about environment and climate at tryg.com > CSR > Climate and environment

Hordaklim
The Hordaklim project is one initiative in which we contribute with new perspectives on climaterelated

issues. The project is a research partnership which involves Tryg Forsikring helping and advising a number of local authorities in Hordaland, Norway, on how to identify areas that are most affected by climate change. Our property claims statistics are valuable in this process and can help the authorities prevent damage to existing buildings while at the same time planning for a safer future. The aim of the project is to produce new data that can be useful for the rest of Western Norway.

Reducing Tryg Forsikring's carbon footprint

Since Tryg Forsikring is highly affected by more extreme weather events, it is important for us to take part in the global community's endeavours to minimize greenhouse gas emissions. Our target is to reduce our emissions by 1% a year. Even though we want to minimise our negative impact on the climate, the overall effect of our efforts is likely to be limited since Tryg Forsikring's carbon emissions are mainly associated with heating and electricity use at our offices and with car, train, and air travel. Tryg Forsikring is therefore not an energy-intensive company. Nevertheless, we are still endeavouring to minimise the environmental impact of our daily operations by trying to minimise food waste in canteens and by renting new energy-efficient office premises, for example. Reducing our energy consumption also means cost reductions, which is further motivating us to attain our target each year. In 2016, Tryg Forsikring's total estimated carbon emissions were 4267.5 tonnes compared to an actual emission of 4481.5 tonnes in 2015. Our estimated reduction was therefore 4.78%. Thus, we achieved our goal of a 1% reduction, which is mainly associated with a decrease in travel activities. In 2017, our target is a 1% reduction compared to 2016.

Read more at tryg.com > CSR > Thematic areas > Climate and environment > CO2 reduction

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 2016 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 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 2016 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 2016.

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, 27 January 2017

Executive Board

Morten Hübbe Group CEO	*Christian Baltzer* Group CFO	*Lars Bonde* Group COO

Supervisory Board

Jørgen Huno Rasmussen Chairman	*Torben Nielsen* Deputy Chairman	*Tom Eileng*
Lone Hansen	*Anders Hjulmand*	*Ida Sofie Jensen*
Bill-Owe Johansson	*Lene Skole*	*Tina Snejbjerg*
Mari Thjømøe	*Jesper Hjulmand*	*Carl-Viggo Östlund*

Independent auditor's reports

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 2016, pages 48-116, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent and the cash flow statement of the Group. 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 2016 and of the results of its operations and cash flows for the financial year 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2016, and of the results of its operations for the financial year 1 January to 31 December 2016 in accordance with the Danish Financial Business Act.

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 International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2016. 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 25,452m at 31 December 2016 (2015: DKK 25,670m). Management has specified the risks etc. related to the estimates of the claims provisions in note 1 "Risk and capital management" on pages 55-58 and in "Accounting policies", note 30 on pages 86-87. The principles of estimating the claims provisions have been specified in "Accounting policies", note 30 on pages 97-98, and further specified in note 1 on pages 59-61 and in note 19. The estimates of the claims provisions depend on accurate and complete insurance data of current and historical claims, including the development in claims and payment patterns, as these data are used to establish the expectations for future claims for the purpose of the statistical models. The most important assessments and assumptions of future events relate to: • Estimated future claims payments, which are based on the completeness and the accuracy of historical claims and payment patterns, among other things. • Expectations for future inflation. • Determination of the margin included in Management's estimate of the claims provisions to address the uncertainty related to the actuarial estimates.	• 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.

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 key ratio "Solvency ratio" evident from the statement of financial highlights and key figures on page 48 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 responsibility 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, as well as 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 International Standards on Auditing and additional requirements applicable in Denmark will always detect a material misstatement when it exits. 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 International Standards on Auditing 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 Parent 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, 27 January 2017

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Jens Ringbæk	Kasper Bruhn Udam
State-Authorised	State-Authorised
Public Accountant	Public Accountant

Tryg Forsikring Group
Financial highlights

DKKm	2016	2015	2014	2013	2012
Gross premium income	**17.707**	**17.977**	**18.652**	**19.504**	**20.314**
Gross claims	-11.619	-13.562	-12.650	-14.411	-14.675
Total insurance operating costs	-2.737	-2.720	-2.689	-3.008	-3.295
Profit/loss on gross business	3.351	1.695	3.313	2.085	2.344
Profit/loss on ceded business	-951	710	-341	349	86
Insurance technical interest, net of reinsurance	-10	18	60	62	62
Technical result	**2.390**	**2.423**	**3.032**	**2.496**	**2.492**
Investment return after insurance technical interest	992	-15	367	593	593
Other income and costs	-93	-16	-39	-39	7
Profit/loss before tax	**3.289**	**2.392**	**3.360**	**3.050**	**3.092**
Tax	-763	-409	-770	-634	-855
Profit/loss on continuing business	**2.526**	**1.983**	**2.590**	**2.416**	**2.237**
Profit/loss on discontinued and divested business after tax *	-1	49	10	-4	28
Profit/loss	**2.525**	**2.032**	**2.600**	**2.412**	**2.265**
Run-off gains/losses, net of reinsurance	1.239	1.212	1.131	970	1.015
Statement of financial position					
Total provisions for insurance contracts	31.527	31.814	31.692	32.939	34.355
Total reinsurers' share of provisions for insurance contracts	2.034	3.176	1.938	2.620	2.317
Total equity	10.127	10.120	11.828	11.725	10.872
Total assets	50.562	51.749	52.942	53.985	55.020
Key ratios					
Gross claims ratio	65,6	75,4	67,8	73,9	72,2
Net reinsurance ratio	5,4	-3,9	1,8	-1,8	-0,4
Claims ratio, net of ceded business	71,0	71,5	69,6	72,1	71,8
Gross expense ratio	15,7	15,3	14,6	15,6	16,4
Combined ratio	**86,7**	**86,8**	**84,2**	**87,7**	**88,2**
Gross expense ratio without adjustment	15,5	15,1	14,4	15,4	16,2
Operating ratio	86,5	86,5	83,8	87,2	87,8
Relative run-off gains/losses	5,5	5,1	4,8	3,9	4,1
Return on equity after tax (%)	25,9	19,5	23,3	22,1	23,1
Solvency **	1,9	2,8	2,9	2,8	2,5

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 2015" issued by the Danish Society of Financial Analysts. The adjustment, which is made pursuant to the Danish Financial Supervisory Authority's and the Danish Society of Financial Analysts' definitions of expense ratio and combined ratio, involves the addition of a calculated expense (rent) in recpect 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.

*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 2012-2015 are the ratio between base capital and weighted assets and are audited. Solvency II ratio in 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

DKKm		2016	2015
Note			
	General insurance		
	Gross premiums written	17,842	18,150
	Ceded insurance premiums	-1,210	-1,165
	Change in premium provisions	151	61
	Change in reinsurers' share of premium provisions	13	1
3	**Premium income, net of reinsurance**	**16,796**	**17,047**
4	**Insurance technical interest, net of reinsurance**	**-10**	**18**
	Claims paid	-13,947	-13,095
	Reinsurance cover received	1,260	471
	Change in claims provisions	2,328	-467
	Change in the reinsurers' share of claims provisions	-1,164	1,301
5	**Claims, net of reinsurance**	**-11,523**	**-11,790**
	Bonus and premium discounts	**-286**	**-234**
	Acquisition costs	-2,029	-2,042
	Administration expenses	-708	-678
	Acquisition costs and administration expenses	-2,737	-2,720
	Reinsurance commissions and profit participation from reinsurers	150	102
6	**Insurance operating costs, net of reinsurance**	**-2,587**	**-2,618**
2	**Technical result**	**2,390**	**2,423**
	Investment activities		
	Income from associates	42	42
	Income from investment property	105	94
7	Interest income and dividends	671	794
8	Value adjustments	518	-510
7	Interest expenses	-113	-96
	Administration expenses in connection with investment activities	-82	-80
	Total investment return	**1,141**	**244**
4	Return on insurance provisions	-149	-259
	Total investment return after insurance technical interest	**992**	**-15**
	Other income	105	81
	Other costs	-198	-97
	Profit/loss before tax	**3,289**	**2,392**
9	Tax	-763	-409
	Profit/loss on continuing business	**2,526**	**1,983**
10	Profit/loss on discontinued and divested business	-1	49
	Profit/loss for the year	**2,525**	**2,032**

Statement of comprehensive income

	2016	2015
Profit/loss for the year	**2,525**	**2,032**
Other comprehensive income		
Other comprehensive income which cannot subsequently be reclassified as profit or loss		
Change in equalisation provision and other provisions	15	21
Change in taxrates on security provisions	0	141
Sale of owner-occupied property a)	215	0
Sale of owner-occupied property, revaluation from previous years a)	-115	4
Tax on sale of owner-occupied property	-53	0
Tax on revaluation of owner-occupied property from previous years	29	2
Actuarial gains/losses on defined-benefit pension plans	-95	-12
Tax on actuarial gains/losses on defined-benefit pension plans	24	3
	20	159
Other comprehensive income which can subsequently be reclassified as profit or loss		
Exchange rate adjustments of foreign entities for the year	51	-89
Hedging of currency risk in foreign entities for the year	-50	86
Tax on hedging of currency risk in foreign entities for the year	11	-21
	12	-24
Total other comprehensive income	**32**	**135**
Comprehensive income	**2,557**	**2,167**

a) Please refer to note 24 Sale of properties

Statement of financial position

DKKm		2016	2015
Note			
	Assets		
11	**Intangible assets**	**884**	**1.038**
	Operating equipment	49	62
	Owner-occupied property	0	1.144
	Assets under construction	0	2
12	**Total property, plant and equipment**	**49**	**1.208**
13	**Investment property**	**2.323**	**1.838**
14	Equity investments in associates	218	229
	Total investments in associates	**218**	**229**
	Equity investments	48	138
	Unit trust units	3.950	3.589
	Bonds	35.254	35.705
	Deposits with credit institutions	0	0
	Derivative financial instruments	1.000	843
	Total other financial investment assets	**40.252**	**40.275**
15	**Total investment assets**	**42.793**	**42.342**
	Reinsurers' share of premium provisions	214	173
18	Reinsurers' share of claims provisions	1.820	3.003
16	**Total reinsurers' share of provisions for insurance contracts**	**2.034**	**3.176**
	Receivables from policyholders	1.108	1.261
	Total receivables in connection with direct insurance contracts	1.108	1.261
	Receivables from insurance enterprises	183	199
	Receivables from Group undertakings	701	494
	Other receivables	1.645	865
15	**Total receivables**	**3.637**	**2.819**
17	Current tax assets	1	100
	Cash at bank and in hand	475	470
	Total other assets	**476**	**570**
	Interest and rent receivable	224	280
	Other prepayments and accrued income	464	316
	Total prepayments and accrued income	**688**	**596**
	Total assets	**50.561**	**51.749**

Statement of financial position

DKKm		2016	2015
Note			
	Equity and liabilities		
	Equity	**10.127**	**10.120**
1	**Subordinate loan capital**	**2.567**	**1.698**
18	Premium provisions	5.487	5.571
18	Claims provisions	25.452	25.670
	Provisions for bonuses and premium discounts	588	573
	Total provisions for insurance contracts	**31.527**	**31.814**
19	Pensions and similar obligations	345	264
20	Deferred tax liability	702	646
21	Other provisions	125	132
	Total provisions	**1.172**	**1.042**
	Debt relating to direct insurance	555	603
	Debt relating to reinsurance	426	330
22	Amounts owed to credit institutions	178	64
23	Debt relating to unsettled funds transactions and repos	1.732	4.074
15	Derivative financial instruments	702	612
	Debt to group undertakings	0	0
17	Current tax liabilities	333	357
	Other debt	1.197	993
	Total debt	**5.123**	**7.033**
	Accruals and deferred income	**45**	**42**
	Total equity and liabilities	**50.561**	**51.749**

1 **Risk and capital management**
24 **Sale of properties**
25 **Own funds**
26 **Contractual obligations, collateral and contingent liabilities**
27 **Acquisition of activities**
28 **Related parties**
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30 **Accounting policies**

Statement of changes in equity

DKKm	Share capital	Revaluation reserves	Reserve for exchange rate adjustment	Equali-sation reserve	Other reserves*	Retained earnings	Proposed dividend	Total
Equity at 31 December 2015	**1.100**	**86**	**-9**	**127**	**766**	**7.900**	**150**	**10.120**
2016								
Adjustment 01.01.2016**				-127		127		0
Profit/loss for the year			0	0	56	-231	2.700	2.525
Other comprehensive income	0	-86	12	0	0	106	0	32
Total comprehensive income	0	-86	12	-127	56	2	2.700	2.557
Dividend paid							-2.550	-2.550
Total changes in equity in 2016	**0**	**-86**	**12**	**-127**	**56**	**2**	**150**	**7**
Equity at 31 December 2016	**1.100**	**0**	**3**	**0**	**822**	**7.902**	**300**	**10.127**
Equity at 31 December 2014	**1.100**	**80**	**15**	**106**	**848**	**7.279**	**2.400**	**11.828**
2015								
Adjustment 1.1.2015 ***						**-175**		**-175**
Profit/loss for the year			0	22	-104	664	1.450	2.032
Other comprehensive income	0	6	-24	-1	22	132	0	135
Total comprehensive income	0	6	-24	21	-82	796	1.450	2.167
Dividend paid							-3.700	-3.700
Total changes in equity in 2015	**0**	**6**	**-24**	**21**	**-82**	**621**	**-2.250**	**-1.708**
Equity at 31 December 2015	**1.100**	**86**	**-9**	**127**	**766**	**7.900**	**150**	**10.120**

The possible payment of dividend from Tryg Forsikring A/S to Tryg A/S is influenced by contingency fund provisions of DKK 1,774m (DKK 2,516m in 2015). 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.

***) New executive order from the Danish FSA on yield curves based on EIOPA. Please refer to note 30 Accounting policies.

Statement of cash flow

DKKm	2016	2015
Cash from operating activities		
Premiums	17,729	17,721
Claims paid	-13,744	-13,040
Ceded business	340	-412
Expenses	-2,699	-2,771
Change in other payables and other amounts receivable	-134	54
Cash flow from insurance activities	**1,492**	**1,552**
Interest income	729	814
Interest expenses	-113	-96
Dividend received	25	47
Taxes	-548	-779
Other items	7	-16
Cash from operating activities, continuing business	**1,592**	**1,522**
Cash from operating activities, discontinued and divested business	-1	-32
Total cash from operating activities	**1,591**	**1,490**
Investments		
Acquisition and refurbishment of real property	-122	-46
Sale of real property	6	10
Acquisition of equity investments and unit trust units (net)	147	480
Purchase/Sale of bonds (net)	413	1,070
Deposits with credit institutions	0	641
Purchase/sale of operating equipment (net)	-1	0
Acquisition of intangble assets	-135	0
Hedging of currency risk	-50	86
Investments, continuing business	**258**	**2,241**
Investments, discontinued and divested business	0	-37
Total investments	**258**	**2,204**
Financing		
Subordinate loan capital	800	12
Debt and receivables, Group	-207	9
Dividend paid	-2,550	-3,700
Change in amounts owed to credit institutions	115	-52
Financing, continuing business	**-1,842**	**-3,731**
Financing, discontinued and divested business	0	0
Total financing	**-1,842**	**-3,731**
Change in cash and cash equivalents, net	**7**	**-37**
Exchangerate adjustment of cash and cash equivalents, 1 January	-2	3
Change in cash and cash equivalents, gross	**5**	**-34**
Cash and cash equivalents, 1 January	470	504
Cash and cash equivalents, 31 December	**475**	**470**

	Subordinated loans	Amounts owed to credit institutions	Total
2016			
Carrying amount at 1 January	1,698	64	1,762
Exchange rate adjustments	69	-1	68
Cash flow	800	115	915
Carrying amount at 31 December	**2,567**	**178**	**2,745**
2015			
Carrying amount at 1 January	1,768	116	1,884
Exchange rate adjustments	-82	1	-81
Cash flow	12	-53	-41
Carrying amount at 31 December	**1,698**	**64**	**1,762**

Notes

1 Risk- and capital management

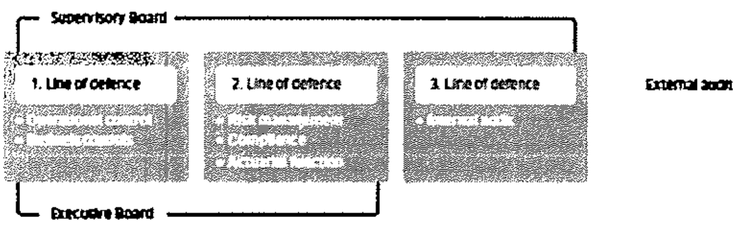
Risk management

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.

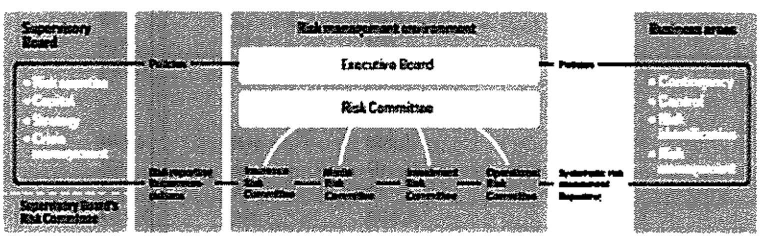
Tryg Forsikring's risk profile is continuously measured, quantified and reported to the management and the Supervisory Board. Given the extensive requirements for the Supervisory Board's involvement in capital and risk management, Tryg Forsikring's Supervisory Board has decided to set up a special Supervisory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

Lines of defence



Tryg's risk management 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.

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 Solvency II standard model.
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.

The introduction of Solvency II had a major influence on Tryg Forsikring's solvency ratio in various areas. The Solvency capital requirement decreased by approximately DKK 1,200m due to the inclusion of the loss absorbency capacity of deferred tax. The capital base increased by approximately DKK 500m due to the inclusion of expected future profits (DKK 700m) and the transition to a new Solvency II discounting curve (DKK -200m). The net impact from these new elements increased the solvency ratio of the Group.

Tryg Forsikring has three subordinated loans that amount to DKK 2,567m. The first is a NOK 1,400m loan that was issued in November 2015 and the second is a SEK 1,000m loan which was issued in May 2016. Both classified as a Tier 2 element under Solvency II. The third is a NOK 800m loan that was issued in March 2013 and is according to the grandfathering rules treated as a Tier 1 element under Solvency II.

Company's own risk assessment 'ORSA' (Own Risk and Solvency Assessment)

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, while 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.

Notes

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.

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 150m. In the event of a frequency of natural disasters, Tryg Forsikring is covered for up to DKK 600m for, 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 2016, Tryg Forsikring's claims reserves totalled DKK 25,452m 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

Notes

Forsikring's equity portfolio constitutes the company's largest investment risk. At the end of 2016, the equity portfolio accounted for 5.4% 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 2016, investment properties accounted for 6.3%. 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.

Notes

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.

Sensitivity analysis

Insurance risk

DKKm	2016	2015
Effect of 1 percentage point change in:		
Combined ratio (1 percentage point)	+/- 175	+/- 177
Premium rates	+/- 173	+/-175
Provisioning risk		
1% change in inflation on person-related lines of business [a]	+/- 436	+/- 476
10% error in the assessment of long-tailed lines of business (workers' compensation, motor liability, liability, accident)	+/- 1,800	+/- 1,671

Investment risk

	2016	2015
Interest rate market		
Effect of 1% increase in interest curve:		
Impact of interest-bearing securities	-1,131	-940
Higher discounting of claims provisions	1,061	947
Net effect of interest rate rise	-70	7
Impact of Norwegian pension obligation [b]	173	153
Equity market		
15% decline in equity market	-365	-341
Impact of derivatives	-15	-7
Real estate market		
15% decline in real estate markets	-229	-480
Currency market		
Equity:		
15% decline in exposed currency (exclusive of EUR) relative to DKK	-763	-647
Impact of derivatives	728	614
Net impact of exchange rate decline	-35	-33
Technical result per year:		
Impact of 15% change in NOK and SEK exchange rates relative to DKK	+/- 158	+/- 176

a) Including the effect of the zero coupon inflation swap.
b) Additional sensitivity information in note 20 'Pensions and similar obligations'.

Notes

Claims provisions – estimated accumulated claims – DKKm

Gross	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Estimated accumulated claims												
End of year	10,928	11,853	12,420	13,772	16,008	16,338	13,860	13,710	13,030	15,066	13,130	
1 year later	11,188	12,436	13,737	14,413	16,106	16,734	13,831	14,022	13,376	15,003		
2 year later	10,723	12,985	13,607	14,431	16,055	16,727	13,768	13,858	13,153			
3 year later	10,929	12,961	13,618	14,221	15,934	16,678	13,617	13,666				
4 year later	10,865	12,960	13,577	14,103	15,845	16,514	13,356					
5 year later	10,856	12,865	13,496	14,002	15,780	16,569						
6 year later	10,834	17,739	13,454	13,985	15,778							
7 year later	10,797	12,731	13,203	13,867								
8 year later	10,613	12,663	13,074									
9 year later	10,546	12,613										
10 year later	10,444											
	10,444	12,613	13,074	13,867	15,778	16,569	13,356	13,666	13,153	15,003	13,130	150,652
Cumulative payments to date	-9,948	-11,824	-12,042	-12,644	-14,287	-14,744	-11,550	-11,542	-10,481	-11,127	-6,590	-126,777
Provisions before discounting, end of year	496	789	1,032	1,223	1,492	1,825	1,806	2,124	2,672	3,876	6,541	23,874
Discounting	-41	-63	-86	-97	-108	-116	-111	-113	-135	-131	-157	-1,159
Reserves from 2005 and prior years												2,378
Other reserves a)												358
Gross provisions for claims, end of year												25,452

a) Other provisions comprise the claims provisions for guarantee insurance.

Claims provisions – estimated accumulated claims – DKKm

Ceded business	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Estimated accumulated claims												
End of year	278	502	162	286	672	1,464	239	555	260	2,088	176	
1 year later	278	468	226	355	749	2,169	270	968	313	1,893		
2 year later	264	482	192	333	742	2,290	309	949	289			
3 year later	295	487	187	289	719	2,331	316	946				
4 year later	296	507	182	292	728	2,295	310					
5 year later	291	478	169	297	751	2,292						
6 year later	289	506	175	293	756							
7 year later	291	497	168	293								
8 year later	289	497	168									
9 year later	289	497										
10 year later	288											
	288	497	168	293	756	2,292	310	946	289	1,893	176	7,908
Cumulative payments to date	-281	-484	-162	-283	-701	-2,208	-284	-861	-236	-880	-31	-6,411
Provisions before discounting, end of year	7	13	6	10	55	84	26	85	52	1,014	145	1,496
Discounting	0	-1	0	0	0	-1	0	0	0	-2	-1	-7
Reserves from 2005 and prior years												211
Other reserves a)												120
Provisions for claims, end of year												1,820

a) Other provisions comprise the claims provisions for guarantee insurance.

Notes

Claims provisions – estimated accumulated claims – DKKm

Net of reinsurance	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Estimated accumulated claims												
End of year	10,651	11,351	12,258	13,486	15,336	14,874	13,622	13,155	12,770	12,979	12,955	
1 year later	10,911	11,968	13,512	14,058	15,357	14,565	13,561	13,053	13,063	13,109		
2 year later	10,458	12,503	13,615	14,098	15,313	14,438	13,459	12,909	12,864			
3 year later	10,633	12,474	13,436	13,932	15,215	14,347	13,301	12,720				
4 year later	10,569	12,454	13,396	13,811	15,116	14,219	13,045					
5 year later	10,565	12,388	13,317	13,705	15,029	14,277						
6 year later	10,544	12,233	13,279	13,692	15,023							
7 year later	10,506	12,234	13,035	13,575								
8 year later	10,324	12,166	12,906									
9 year later	10,257	12,116										
10 year later	10,156											
	10,156	12,116	12,906	13,575	15,023	14,277	13,045	12,720	12,864	13,109	12,955	142,744
Cumulative payments to date	-9,667	-11,340	-11,880	-12,361	-13,586	-12,535	-11,266	-10,681	-10,244	-10,247	-6,560	-120,367
Provisions before discounting, end of year	489	776	1,025	1,213	1,437	1,741	1,779	2,039	2,619	2,862	6,396	22,378
Discounting	-41	-62	-86	-97	-108	-116	-111	-112	-135	-129	-155	-1,152
Reserves from 2005 and prior years												2,168
Other reserves [a]												238
Provisions for claims, net of reinsurance, end of the year												23,632

a) Other provisions comprise the claims provisions for guarantee insurance.

The amounts in foreign currency in the table are translated to Danish kroner using the exchange rate at 31 December 2016 to prevent the impact of exchange rate fluctuations.

Notes

DKKm

2016	0-1 year	1-2 years	2-3 years	> 3 years	Other a)	Total
	Expected cash flow, not discounted					
Premium provisions, gross	5,234	114	56	21	62	5,487
Premium provisions, ceded	-182	0	0	0	-32	-214
Claims provisions, gross	8,071	4,001	2,685	11,642	358	26,757
Claims provisions, ceded	-833	-379	-215	-287	-120	-1,834
	12,290	3,736	2,526	11,376	268	30,196

2015						
Premium provisions, gross	5,149	126	67	87	142	5,571
Premium provisions, ceded	-146	0	0	0	-28	-174
Claims provisions, gross	9,045	4,029	2,646	11,150	357	27,227
Claims provisions, ceded	-1,959	-395	-213	-311	-151	-3,029
	12,089	3,760	2,500	10,926	320	29,595

a) Other comprises guarantee insurance and in 2015 premium provisions in Securator A/S.

Investment risk

Bond portfolio including interest derivatives	2016	2015
Duration 1 year or less	14,758	14,856
Duration 1 year - 5 years	13,692	13,011
Duration 5 - 10 years	5,373	4,175
Duration more than 10 years	2,369	2,363
Total	36,192	34,405
Duration	2.9	2.5

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	2016	2015
Nordic countries	47	52
United Kingdom	95	90
Rest of Europe	283	501
United States	1,533	1,165
Asia etc.	426	516
Total	2,384	2,324
The portfolio of unlisted shares totals	48	138

The share portfolio includes exposure from share derivatives of DKK 97m (DKK 47m in 2015)
Unlisted equity investments are based on an estimated market price.

Exposure to exchange rate risk	2016			2015		
	Assets and debt	Hedge	Exposure	Assets and debt	Hedge	Exposure
USD	2,960	-2,872	88	2,355	-2,313	42
EUR	1,231	-1,203	28	633	-524	109
GBP	263	-254	9	197	-189	8
NOK	2,808	-2,623	185	1,991	-1,867	124
SEK	346	-314	32	1,114	-1,007	107
Other	525	-469	56	477	-429	48
Total			398			438

Notes

DKKm

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

	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

	2015	2014	Change	Currency effect	Change excl. currency effect
Gross premium income	17.977	18.652	-675	-534	-141
Gross claims	-13.562	-12.650	-912	374	-1.286
Total insurance operating costs	-2.720	-2.689	-31	81	-112
Profit/loss on gross business	1.695	3.313	-1.618	-79	-1.539
Profit/loss on ceded business	710	-341	1.051	11	1.040
Insurance technical interest, net of reinsurance	18	60	-42	-2	-40
Technical result	2.423	3.032	-609	-70	-539

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

	2016	2015	Change	Currency effect	Change excl. currency effect
Assets					
Intangible assets	884	1.038	-154	-21	-133
Total property, plant and equipment	49	1.208	-1.159	0	-1.159
Investment property	2.323	1.838	485	19	466
Investments in associates	218	229	-11	0	-11
Other financial investment assets	40.252	40.275	-23	563	-586
Reinsurers' share of provisions for insurance contracts	2.034	3.176	-1.142	31	-1.173
Receivables	3.637	2.819	818	6	812
Other assets	476	570	-94	2	-96
Prepayments and accrued income	688	596	92	11	81
Total assets	50.561	51.749	-1.188	611	-1.799
Equity and liabilities					
Equity	10.127	10.120	7	0	7
Subordinate loan capital	2.567	1.698	869	71	798
Provisions for insurance contracts	31.527	31.814	-287	353	-640
Other provisions	1.172	1.042	130	45	85
Other debt	5.123	7.033	-1.910	143	-2.053
Accruals and deferred income	45	42	3	-1	4
Total equity and liabilities	50.561	51.749	-1.188	611	-1.799

Notes

DKKm

Credit risk

Bond portfolio by ratings	2016 DKKm	%	2015 DKKm	%
AAA to A	35.233	99,9	35.181	98,5
Other	20	0,1	523	1,5
Not rated	1	-	1	-
Total	**35.254**	**100,0**	**35.705**	**100,0**

Reinsurance balances	2016 DKKm	%	2015 DKKm	%
AAA to A	1.536	90,7	2.772	95,9
Other	0	-	0	-
Not rated	157	9,3	120	4,1
Total	**1.693**	**100,0**	**2.892**	**100,0**

Liquidity risk

Maturity of the Group's financial obligations including interest

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

2015	0-1 year	1-5 years	> 5 years	Total
Subordinate loan capital	66	263	3.362	3.691
Amounts owed to credit institutions	64	0	0	64
Debt relating to unsettled funds transactions and repos	4.074	0	0	4.074
Derivative financial instruments	181	219	259	659
Other debt	2.283	0	0	2.283
	6.668	482	3.621	10.771

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

Subordinate loan capital

	Bond loan NOK 800m 2016	2015	Bond loan NOK 1,400m 2016	2015	Bond loan SEK 1,000m 2016	2015
The fair value of the loan at the statement of financial position date	685	671	1.124	1.086	796	
The fair value of the loan at the statement of financial position date is based on a price of	105	108	98	100	102	
Total capital losses and costs at the statement of the financial position date	3	4	4	6	4	
Interest expenses for the year	32	34	46	3	10	
Effective interest rate	4,9%	3,6%	3,8%	3,9%	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) 4.75 % above NIBOR 3M (from 2023)		2.75 % above NIBOR 3M (until 2025) 3.75 % above NIBOR 3M (from 2025)		2.75 % above STIBOR 3M (until 2026) 3.75 % above STIBOR 3M (from 2026)

The share of capital included in the calculation of the capital base totals DKK 2,371m (DKK 1,707m in 2015)
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

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					47,426	47,426
Total assets						50,562
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

2015	Private	Commercial	Corporate	Sweden	Other *	Group
Gross premium income	8,803	3,992	3,894	1,317	-29	17,977
Gross claims	-6,074	-2,612	-3,987	-852	-37	-13,562
Gross operating expenses	-1,291	-683	-420	-246	-80	-2,720
Profit/loss on ceded business	-148	-44	877	-1	26	710
Insurance technical interest, net of reinsurance	8	5	5	0	0	18
Technical result	1,298	658	369	218	-120	2,423
Other items						-391
Profit/loss						2,032
Run-off gains/losses, net of reinsurance	324	388	351	149	0	1,212
Intangible assets		33		597	408	1,038
Equity investments in associates					229	229
Reinsurers' share of premium provisions	17	16	140	0	0	173
Reinsurers' share of claims provisions	141	408	2,422	32	0	3,003
Other assets					47,306	47,306
Total assets						51,749
Premium provisions	2,342	1,318	1,062	849	0	5,571
Claims provisions	5,827	6,688	11,505	1,650	0	25,670
Provisions for bonuses and premium discounts	457	54	50	12	0	573
Other liabilities					9,815	9,815
Total liabilities						41,629

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'.

Notes

2 Geographical segments

DKKm	2016	2015	2014	2013	2012
Danish general insurance *					
Gross premium income	**9,467**	**9,346**	**9,361**	**9,534**	**9,910**
Technical result	1,587	1,371	1,510	1,202	1,441
Run-off gains/losses, net of reinsurance	509	512	564	566	571
Key ratios					
Gross claims ratio	63.7	80.5	66.9	79.5	71.1
Net reinsurance ratio	6.0	-9.2	2.1	-7.0	-0.2
Claims ratio, net of ceded business	69.7	71.3	69.0	72.5	70.9
Gross expense ratio	13.4	13.9	15.1	15.0	14.5
Combined ratio	**83.1**	**85.2**	**84.1**	**87.5**	**85.4**
Run-off, net of reinsurance (%)	-5.4	-5.5	-6.0	-5.9	-5.8
Number of full-time employees 31 December	1,823	1,845	1,996	2,033	2,187
Norwegian general insurance					
Gross premium income	**6,371**	**6,766**	**7,337**	**7,819**	**8,239**
Technical result	1,013	844	1,478	1,258	1,017
Run-off gains/losses, net of reinsurance	678	492	501	387	465
Key ratios					
Gross claims ratio	63.9	70.9	66.5	65.1	72.4
Net reinsurance ratio	5.1	2.1	1.4	4.1	-1.0
Claims ratio, net of ceded business	69.0	73.0	67.9	69.2	71.4
Gross expense ratio	15.2	14.9	12.5	15.3	16.8
Combined ratio	**84.2**	**87.9**	**80.4**	**84.5**	**88.2**
Run-off, net of reinsurance (%)	-10.6	-7.3	-6.8	-4.9	-5.6
Number of full-time employees 31 December	1,040	1,113	1,167	1,199	1,282
Swedish general insurance					
Gross premium income	**1,888**	**1,894**	**1,975**	**2,169**	**2,183**
Technical result	40	328	44	36	131
Run-off gains/losses, net of reinsurance	52	208	66	17	-21
Key ratios					
Gross claims ratio	76.4	63.5	77.6	80.6	75.3
Net reinsurance ratio	3.3	1.7	2.2	0.7	1.5
Claims ratio, net of ceded business	79.7	65.2	79.8	81.3	76.8
Gross expense ratio	17.8	17.5	18.4	17.6	18.6
Combined ratio	**97.5**	**82.7**	**98.2**	**98.9**	**95.4**
Run-off, net of reinsurance (%)	-2.8	-11.0	-3.3	-0.8	1.0
Number of full-time employees 31 December	385	387	425	458	444

Notes

2 Geographical segments

DKKm	2016	2015	2014	2013	2012
Other**					
Gross premium income	**-19**	**-29**	**-21**	**-18**	**-18**
Technical result	-250	-120	0	0	-97
Tryg Forsikring					
Gross premium income	**17,707**	**17,977**	**18,652**	**19,504**	**20,314**
Technical result	2,390	2,423	3,032	2,496	2,492
Investment return	992	-15	367	593	593
Other income and costs	-93	-16	-39	-39	7
Profit/loss before tax	3,289	2,392	3,360	3,050	3,092
Run-off gains/losses, net of reinsurance	1,239	1,212	1,131	970	1,015
Key ratios					
Gross claims ratio	65.6	75.4	67.8	73.9	72.2
Net reinsurance ratio	5.4	-3.9	1.8	-1.8	-0.4
Claims ratio, net of ceded business	71.0	71.5	69.6	72.1	71.8
Gross expense ratio***	15.7	15.3	14.6	15.6	16.4
Combined ratio	**86.7**	**86.8**	**84.2**	**87.7**	**88.2**
Run-off, net of reinsurance (%)	-7.0	-6.7	-6.1	-5.0	-5.0
Number of full-time employees, continuing business at 31 December	3,248	3,345	3,588	3,690	3,913
Number of full-time employees, discontinued and divested business at 31 December	0	0	0	0	189

* Includes Danish general insurance and Finnish insurance.

**Amounts relating to eliminations and one-off items. In 2012 discontinued business and restructuring expenses were included under 'Other'. In 2015 costs and claims were negatively affected by DKK 80m and DKK 40m respectively due to provisioning for the efficiency programme.
In 2016 costs and claims were negatively affected by DKK 162m and DKK 88m respectively, mainly due to impairment of software.

*** 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 c)		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	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Gross premiums written	1,741	1,652	338	321	860	890	1,779	1,980	3,545	3,680	275	332
Gross premium income	1,666	1,629	332	316	858	893	1,839	1,963	3,537	3,573	274	337
Gross claims	-960	-1,026	-308	-255	-191	-85	-1,167	-1,164	-2,407	-2,446	-113	-218
Gross operating expenses	-223	-219	-41	-32	-98	-103	-321	-339	-532	-547	-39	-41
Profit/loss on ceded business	-7	-4	-1	-1	-8	-10	-44	-33	-24	-2	-130	-53
Insurance technical interest, net of reinsurance	-1	2	0	0	0	1	-1	2	-2	3	0	1
Technical result	475	382	-18	28	561	696	306	429	572	586	-8	26
Gross claims ratio	57.6	63.0	92.8	80.7	22.3	9.5	63.5	59.3	68.1	68.5	41.2	64.7
Combined ratio	71.4	76.7	105.4	91.1	34.6	22.2	83.3	78.2	83.8	83.7	102.9	92.6
Claims frequency a)	4.7%	4.4%	115.2%	130.3%	19.8%	17.6%	6.0%	5.5%	20.2%	17.9%	24.7%	21.2%
Average claims DKK b)	25,091	29,968	4,558	3,905	72,474	65,254	17,913	17,846	9,837	10,110	57,384	75,653
Total claims	46,883	40,135	57,186	56,697	11,008	10,469	77,441	77,164	250,450	241,311	2,896	2,871

	Fire and contents (Private)		Fire and contents (Commercial)		Change of ownership		Liability insurance		Credit and guarantee insurance		Tourist assistance insurance	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Gross premiums written	4,266	4,363	2,426	2,427	55	62	1,025	962	398	352	655	610
Gross premium income	4,221	4,328	2,408	2,442	61	64	1,000	958	390	347	650	607
Gross claims	-3,250	-3,130	-1,474	-3,750	-55	-118	-658	-612	-82	247	-497	-580
Gross operating expenses	-617	-647	-365	-363	-8	-10	-148	-153	-31	-45	-90	-81
Profit/loss on ceded business	-129	-117	-439	1,438	0	0	-47	-67	-96	-392	-2	-2
Insurance technical interest, net of reinsurance	-6	2	-1	2	-1	0	-1	1	0	0	0	1
Technical result	219	436	129	-231	-3	-64	146	127	181	157	61	-55
Gross claims ratio	77.0	72.3	61.2	153.6	90.2	184.4	65.8	63.9	21.0	-71.2	76.5	95.6
Combined ratio	94.7	90.0	94.6	109.5	103.3	200.0	85.3	86.8	53.6	54.8	90.6	109.2
Claims frequency a)	8.9%	7.9%	16.2%	16.1%	11.3%	9.9%	11.6%	10.2%	0.1%	0.1%	19.9%	19.6%
Average claims DKK b)	9,036	8,742	53,344	116,003	21,846	26,008	64,807	68,006	765,692	790,685	5,716	5,893
Total claims	363,113	370,685	30,020	32,331	3,807	4,275	10,917	10,454	120	111	96,868	96,774

	Other insurance d)		Total exclusive of Norwegian Group Life		Norwegian Group Life, one-year policies		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Gross premiums written	57	59	17,420	17,690	422	460	17,842	18,150
Gross premium income	55	60	17,291	17,517	416	460	17,707	17,977
Gross claims	-95	-46	-11,257	-13,183	-362	-379	-11,619	-13,562
Gross operating expenses	-179	-95	-2,692	-2,670	-45	-50	-2,737	-2,720
Profit/loss on ceded business	-23	-46	-950	711	-1	-1	-951	710
Insurance technical interest, net of reinsurance	2	1	-11	16	1	2	-10	18
Technical result	-240	-126	2,381	2,391	9	32	2,390	2,423
Gross claims ratio	172.7	76.7	65.1	75.3	87.0	82.4	65.6	75.4
Combined ratio	540.0	311.7	86.2	86.4	98.1	93.5	86.7	86.8
Average claims DKK**	956,750	392,147						
Total claims	12	34						

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) Including the acquired insurance portfolio from Skandia.
d) Other insurance, gross claims and gross operating expenses are negatively affected by DKK 68m and DKK 162m in 2016, mainly by impairment of software. (DKK 40m and DKK 80m, mainly due to accruals for efficieny programme , in 2015).

Notes

DKKm		2016	2015
3	**Premium income, net of reinsurance**		
	Direct insurance	17,949	18,166
	Indirect insurance	43	44
		17,992	18,210
	Unexpired risk provision	1	1
		17,993	18,211
	Ceded direct insurance	-1,178	-1,103
	Ceded indirect insurance	-19	-61
		16,796	17,047

	2016		2015	
Direct insurance, by location of risk	**Gross**	**Ceded**	**Gross**	**Ceded**
Denmark	9,533	-613	9,419	-625
Other EU countries	1,928	-110	1,893	-46
Other countries *)	6,489	-455	6,855	-432
	17,950	-1,178	18,167	-1,103

*)Mainly Norway

		2016	2015
4	**Insurance technical interest, net of reinsurance**		
	Return on insurance provisions	149	259
	Discounting transferred from claims provisions	-159	-241
		-10	18
5	**Claims, net of reinsurance**		
	Claims	-13,048	-15,063
	Run-off previous years, gross	1,429	1,500
		-11,619	-13,563
	Reinsurance cover received	286	2,061
	Run-off previous years, reinsurers' share	-190	-288
		-11,523	-11,790
6	**Insurance operating costs, net of reinsurance**		
	Commissions regarding direct insurance contracts	-296	-368
	Other acquisition costs	-1,733	-1,674
	Total acquisition costs	-2,029	-2,042
	Administration expenses	-708	-678
	Insurance operating costs, gross	-2,737	-2,720
	Commission from reinsurers	150	102
		-2,587	-2,618
	Administative expenses include fee to the auditors appointed by the annual general meeting:		
	Deloitte	-7	-7
		-7	-7
	The fee is divided into:		
	Statutory audit	-3	-3
	Other audit assignments	-1	0
	Tax advice	-1	-2
	Other services	-2	-2
		-7	-7
	Expenses have been incurred for the Group's Internal Audit Department.	-9	-9

In the calculation of the expense ratio, costs are 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 (DKK 36m in 2015).*

	2016	2015
Insurance operating costs, gross, classified by type		
Commissions	-296	-368
Staff expenses	-1,615	-1,680
Other staff expenses	-164	-179
Office expenses, fees and headquarter expenses	-416	-364
IT operating and maintenance costs, software expenses	-249	-261
Depreciation, amortisation and impairment losses and write-downs	-223	-102
Other income	226	234
	-2,737	-2,720
Total lease expenses amount to DKK 26m (DKK 27m in 2015)		
Insurance operating costs and claims include the following staff expenses:		
Salaries and wages	-2,037	-2,108
Commision	-8	-6
Allocated share options and matching shares	-2	-5
Pension plans*)	-286	-300
Other social security costs	-4	-4
Payroll tax	-354	-371
	-2,691	-2,794

*)In 2016 defined benefit plans were included with DKK 33m (DKK 40m in 2015).
Remuneration for the Supervisory Board and Executive Board is disclosed in note 28 'Related parties'.

	2016	2015
Average number of full-time employees during the year (continuing business)	3,291	3,457

Notes

Share options and matching shares

Spec. of outstanding options:

2016	Executive Board	Other senior employees	Other employees	Total	Per option at time of allocation DKK	Total value at time of allocation DKKm	Per option at 31 Dec. DKK	Total value at 31 December DKKm
	Total Numbers a)				Fair Value			
Allocation 2011								
Allocated in 2011, 1 January	0	12,085	3,685	15,770*	14	0	0	0
Exercised	0	-12,085	-3,450	-15,535*	14	0	0	0
Expired	0	0	-235	-235*	14	0	0	0
Outstanding options from 2011 allocation 31 Dec. 2016	0	0	0	0		0	0	0
Number of options exercisable 31 Dec. 2016	0	0	0	0				

2015	Executive Board	Other senior employees	Other employees	Total	Per option at time of allocation DKK	Total value at time of allocation DKKm	Per option at 31 Dec. DKK	Total value at 31 December DKKm
Allocation 2010-2011								
Allocated in 2010-2011, 1 January	113,450	132,860	20,590	266,900	15/14	4	55/44	14
Exercised	-113,450	-120,775	-13,570	-247,795	15/14	-4	55/44	-13
Expired	0	0	-3,335	-3,335	15/14	0	55/44	0
Outstanding options from 2010-2011 allocation 31 Dec. 2015	0	12,085	3,685	15,770		0		1
Number of options exercisable 31 Dec. 2015	0	12,085	3,685	15,770				

a) In May 2015 each share with a nominal value of DKK 25 was replaced by five new shares with a nominal value of DKK 5. The share split does not change the Group's share capital. Comparative figures have been restated to reflect the change in trading unit.

Tryg did not allocate share options in 2016. At 31 December 2016, the share option plan comprised 0 share options (15,770 share options at 31 December 2015).
In 2016, the fair value of share options recognised in the income statement amounted to DKK 0m (DKK 0m in 2015).

Matching shares

2016	Executive Board	Other senior employees	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
	Total Numbers				Fair Value		
Allocated in 2016	17,233	15,562	32,795	128	4	127	4
Matching shares allocated in 2016 at 31.12.16	17,233	15,562	32,795	128	4	127	4
Allocated in 2011-2015	106,045	125,635	231,680	94	22	127	29
Category changes	1,835	-1,835	0	94	0	127	0
Cancelled	-15,355	-17,130	-32,485	94	-3	127	-4
Exercised	-54,635	-39,245	-93,880	94	-9	127	-12
Matching shares allocated in 2011-2015 at 31.12.16	37,890	67,425	105,315	94	10	127	13
Number of Matching shares exercisable 31 Dec. 2016	0	0	0				

2015	Executive Board	Other senior employees	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 2015	14,415	33,740	48,155	160	8	137	7
Matching shares allocated in 2015 at 31.12.15	14,415	33,740	48,155	160	8	137	7
Allocated in 2011-2014	91,630	91,895	183,525	77	14	137	25
Cancelled	0	-19,000	-19,000	77	-1	137	-3
Exercised	-18,000	-19,540	-37,540	77	-3	137	-5
Matching shares allocated in 2011-2014 at 31.12.15	73,630	53,355	126,985	77	10	137	17
Number of Matching shares exercisable 31 Dec. 2015	6,895	5,500	12,395				

In 2011-2016, Tryg entered into an agreement on matching shares for the Executive Board and selected other senior employees as a consequence of the Group's remuneration policy. The Executive Board and Other senior employees are allocated one share in Tryg A/S for each share that the Executive Board member or Other senior employees acquires in Tryg A/S at market rate for liquid cash at a contractually agreed sum. The shares are reported at market value and are accrued over the 3- or 4-year maturation period. In 2016, the reported fair value of matching shares for the Group amounted to DKK 3m (DKK 5m in 2015). At 31 December 2016, a total amount of DKK 16m was recognised for

Notes

DKKm		2016	2015
7	**Interest and dividends**		
	Interest income and dividends		
	Dividends	25	47
	Interest income, cash at bank and in hand	1	2
	Interest income, bonds	642	742
	Interest income, other	3	3
		671	794
	Interest expenses		
	Interest expenses subordinate loan capital and credit institutions	-88	-90
	Interest expenses, other	-25	-6
		-113	-96
		558	698
8	**Value adjustments**		
	Value adjustments concerning financial assets or liabilities at fair value with value adjustment in the income statement:		
	Equity investments	78	13
	Unit trust units	190	57
	Share derivatives	-19	14
	Bonds	-83	-608
	Interest derivatives	81	-42
		247	-566
	Value adjustments concerning assets or liabilities that cannot be attributed to IAS 39:		
	Investment property	431	17
	Owner-occupied property *)	93	0
	Discounting	-188	103
	Other statement of financial position items	-65	-64
		271	56
		518	-510

Exchange rate adjustments concerning financial assets or liabilities which cannot be stated at fair value total DKK 1m (DKK 58m in 2015)

*) Please refer to note 24 Sale of properties

		2016	2015
9	**Tax**		
	Tax on accounting profit/loss	-723	-563
	Difference between Danish and foreign tax rates	-40	-26
	Tax adjustment, previous years	8	0
	Adjustment of non-taxable income and costs	-23	-14
	Change in valuation of tax assets	17	129
	Change in tax rate	0	65
	Other taxes	-2	0
		-763	-409
	Effective tax rate	%	%
	Tax on accounting profit/loss	22.0	23.5
	Difference between Danish and foreign tax rates	1.0	1.0
	Adjustment of non-taxable income and costs	1.0	1.0
	Change in valuation of tax assets	-1.0	-5.5
	Change in tax rate	0.0	-3.0
		23.0	17.0
10	**Profit/loss on discontinued and divested business**		
	Gross premium income	0	3
	Gross claims	1	54
	Total insurance operating costs	-2	7
	Profit/loss before tax	-1	64
	Tax	0	-15
	Profit/loss on discontinued and divested business	-1	49

Profit/loss on discontinued and divested business primarily relates to Marine Hull insurance.

Notes

DKKm

11 Intangible assets

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 assets 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

2015	Goodwill	Trademarks and customer relations	Software*	Assets under construction*	Total
Cost					
Cost at 1 January	546	200	1.028	290	2.064
Exchange rate adjustments	12	5	-9	0	8
Transferred from asset under construction	0	0	127	-127	0
Additions for the year	0	0	7	134	141
Cost at 31 December	558	205	1.153	297	2.213
Amortisation and write-downs					
Amortisation and write-downs at 1 January	-4	-104	-880	-92	-1.080
Exchange rate adjustments	0	-3	8	0	5
Amortisation for the year	0	-22	-78	0	-100
Amortisation and write-downs at 31 December	-4	-129	-950	-92	-1.175
Carrying amount at 31 December	554	76	203	205	1.038

*Hereof proprietary software DKK 203m (DKK 317m at 31 December 2015)

Impairment test

Goodwill

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

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

At 31 December 2016, 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, Securator and the Skandia portfolio, respectively.

The Value-in-use method is used.
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.

Moderna

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 (1.3bn) relative to a recognised goodwill of DKK 354m (368m) and Equity of DKK 0.7bn (0.6bn) and does not indicate any impairment in 2016.

	2016	2015
- 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	93%	93%

Sensitivity information

Impact on equity from the following changes:

CAGR +1.0 percentage point (0 - 10 years)	16	25
CAGR -1.0 percentage point (0 - 10 years)	-15	-24
Required return +1.0 percentage point	-157	-161
Required return -1.0 percentage point	199	189
Combined ratio +1.0 percentage point	-146	-144
Combined ratio -1.0 percentage point	147	144

Notes

DKKm

Securator

In 2014, Tryg Forsikring acquired Securator A/S. The insurance activities were incorporated into the Tryg Forsikring Group's business structure in 2014 and are reported under Sweden. In 2015, Securator was merged into Tryg Forsikring A/S and is reported as part of the Swedish affinity portfolio.
Securator is a Danish market leader within the sale and brokering of multi-annual product insurance via dealers in the electronics and telecommunications sector and supermarket chains.

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 Securator. 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 84m (184m)relative to a recognised goodwill of DKK 84m (184m) and equity of DKK 138m (174m), which has led to an impairment in 2016 of DKK 100m, which is recognised in Other costs. The impairment is due to a lower sale of electronics, than expected and the loss of two major partners, which has led to a decline in the assumptions used.

	2016	2015
- Earned premium assumed CAGR 0 - 10 years	10%	13%
- Earned premium assumed CAGR > 10 years	3%	3%
- Required return before tax	12%	11%
- Expected level of Combined ratio	89 - 91%	83 - 91%
Sensitivity information		
Impact on equity from the following changes:		
CAGR +1.0 percentage point (0 - 10 years)	6	6
CAGR -1.0 percentage point (0 - 10 years)	-6	-5
Required return +1.0 percentage point	-15	-35
Required return -1.0 percentage point	20	48
Combined ratio +1.0 percentage point	-11	-16
Combined ratio -1.0 percentage point	10	17

An increase in the required return or combined ratio will result in a write-down of the goodwill associated with Securator. We do not expect an increase in these assumptions.

Skandia child and adult accident insurance

The impairment test for Skandia portfolio, performed at year end, 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 77m. Please refer to note 27.

The assets and liabilities have not changed significantly since the latests calculation and the recoverable amount calculated would exceed the carrying amount with the same margin or very close to that margin.

Trademarks and customer relations

As at 31 December 2016 management performed a test of the carrying amounts of trademarks and customer relations as an integral part of the Moderna and Skandia 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 2016 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 200m due to revaluation of the groups it-systems. The impairment relates predominantly to it systems for payment, digitalisation and IT integration. The write-down is due to related system development costs will be higher, while for some of the systems benefits are also expected to be lower. The cost is recognised as write-downs under depreciations in the income statement.
Assets under construction are not depreciated but tested once a year for impairment or when there is any indication of a decrease in value.
Software with a limited useful lifetime is amortised over 4 years using the straight-line method. Amortised software is assessed for impairment at the balance sheet date or when there are indications that the future cash flow cannot justify the carrying amount.
In the event that the recoverable amount is lower than the carrying amount, the difference is recognised in the income statement.
The recoverable amount is the higher of fair value less sales costs and value in use.

Notes

12 **Property, plant and equipment**

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 and value adjustments	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

2015	Operating equipment	Owner-occupied property	Assets under construction	Total
Cost				
Cost at 1 January	241	1.711	94	2.046
Exchange rate adjustments	-2	-22	-2	-26
Transferred from assets under construction	0	11	-11	0
Additions for the year	0	15	2	17
Disposals for the year	-4	0	0	-4
Cost at 31 December	235	1.715	83	2.033
Accumulated depreciation and value adjustments				
Accumulated depreciation and value adjustments at 1 January	-144	-558	-83	-785
Exchange rate adjustments	1	-3	2	0
Depreciation for the year	-34	-14	0	-48
Value adjustments for the year at revalued amount in other comprehensive income	0	4	0	4
Accumulated depreciation and value adjustments at 31 December	-173	-571	-81	-825
Carrying amount at 31 December	62	1.144	2	1.208

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

13 **Investment property**

Fair value at 1 January	1.838	1.828
Exchange rate adjustments	16	-19
Additions for the year	47	31
Disposals for the year	-6	-17
Value adjustments for the year	431	8
Reversed on sale	-3	7
Fair value at 31 December	2.323	1.838

Total rental income for 2016 is DKK 129m (DKK 120m in 2015).

Total expenses for 2016 are DKK 24m (DKK 31m in 2015). Of this amount, expenses for non-let property total DKK 0m (DKK 0m in 2015), total expenses for the income-generating investment property are DKK 24m (DKK 31m in 2015).

Value adjustments of DKK 420m and a fair value as at 31 December 2016 of DKK 1,017m relates to sale of property based on sales contracts. External experts were involved in valuing the majority of the other investment properties.

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	6,9	7,0
Office property	6,9	6,5
Residential property	6,0	6,0
Total	6,8	6,5

Sensitivity

Tryg Forsikring'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.

Impacts on the fair value of properties:		
Increase in applied rate of return of 0.25%	-51	-70
Decrease in applied rate of return of 0.25%	57	78
Decrease in net rental income of 3%	-37	-57
Decrease in occupancy rate of 3%	-9	-13

DKKm

14 **Equity investments in associates**

Cost		
Cost at 1 January	201	201
Cost at 31 December	201	201
Revaluations at net asset value		
Revaluations at 1 January	28	24
Exchange rate adjustments	0	-2
Dividend received, this year	-10	-32
Reversed on sale	-14	-4
Value adjustments for the year	13	42
Revaluations at 31 December	17	28
Carrying amount at 31 December	218	229

Shares in associates according to the latest annual report:

Name and registered office	Assets	Liabilities	Equity	Revenue	Profit/loss for the year	Ownership share in %
2016						
Komplementarselskabet af 1. marts 2006 ApS, Denmark	0	0	0	0	0	50
Ejendomsselskabet af 1. marts 2006 P/S, Denmark	1.106	234	872	66	54	25
2015						
Komplementarselskabet af 1. marts 2006 ApS, Denmark	0	0	0	0	0	50
Ejendomsselskabet af 1. marts 2006 P/S, Denmark	1.107	248	859	60	150	25
AS Eidsvåg Fabrikker, Norway	47	7	40	16	5	28

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

15 **Financial assets**

	2016	2015
Financial assets at fair value with value adjustments in the income statement	40.252	40.220
Derivative financial instruments at fair value used for hedge accounting with value adjustment in other comprehensive income	0	55
Receivables measured at amortised cost with value adjustment in the income statement	4.113	3.389
Total financial assets	44.365	43.664

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	681	598
Derivative financial instruments at fair value with value adjustments in other comprehensive income	21	14
Financial liabilities at amortised cost with value adjustment in the income statement	6.988	8.119
Total financial liabilities	7.690	8.731

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.

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

2016	Quoted market prices	Observable input	Non-observable input	Total
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	58	39.550

2015				
Equity investments	0	0	138	138
Unit trust units	*3.589*	*0*	*0*	*3.589*
Bonds	18.254	17.450	1	35.705
Derivative financial instruments, assets	0	843	0	843
Derivative financial instruments, debt	0	-612	0	-612
	21.843	17.681	139	39.663

Financial instruments measured at fair value in the statement of financial position on the basis of non-observable input:	2016	2015
Carrying amount at 1 January	139	129
Exchange rate adjustments	3	-1
Gains/losses in the income statement	36	3
Purchases	32	11
Sales	-152	-3
Transfers to/from the group 'non-observable input'	0	0
Carrying amount at 31 December	58	139
Gains/losses in the income statement for assets held at the statement of financial position date recognised in value adjustments	-39	2

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.
In 2016 a few large unit trust units were not traded recently before 31.12.16 and thus transferred to category Observable input.

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 -398m (DKK -417m in 2015).

Sensitivity information	2016	2015
Impact on equity from the following changes:		
Interest rate increase of 0.7-1.0 percentage point	-199	-153
Interest rate fall of 0.7-1.0 percentage point	-150	-161
Equity price fall of 12 %	-275	-297
Fall in property prices of 8 % (exclusive of property sold).	-104	-239
Exchange rate risk (VaR 99)	-14	-14
Loss on counterparties of 8 %	-466	-372

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

Notes

DKKm

15 **Derivative financial instruments**

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

	2016		2015	
	Nominal	Fair value in statement of financial position	Nominal	Fair value in statement of financial position
Interest derivatives	32,889	347	27,415	283
Share derivatives	607	7	47	0
Exchange rate derivatives	7,735	-56	7,993	-52
Derivatives according to statement of financial position	41,231	298	35,455	231
Inflation derivatives, recognised in claims provisions	3,143	-398	2,683	-417
Total derivative financial instruments	44,374	-100	38,138	-186
Due after less than 1 year	18,508	-91	17,038	-56
Due within 1 to 5 years	10,754	-16	9,606	-106
Due after more than 5 years	15,112	7	11,494	-24

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

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

Income	2016 Gains	2016 Losses	2016 Net	2015 Gains	2015 Losses	2015 Net
Gains and losses at 1 January	2,496	-2,420	76	2,152	-2,162	-10
Reversed hedges in profit/loss		-23	-23			
Value adjustments for the year	156	-183	-27	344	-258	86
Gains and losses at 31 December	**2,652**	**-2,626**	**26**	**2,496**	**-2,420**	**76**

Value adjustments	**2016**	**2015**
Value adjustments of foreign entities recognised in other comprehensive income in the amount of:		
Value adjustments at 1 January	-66	23
Value adjustment for the year	26	-89
Exchange rate adjustment for the year recognised in profit/loss	25	0
Value adjustments at 31 December	**-15**	**-66**

Total financial assets		
Receivables		
Total receivables in connection with direct insurance contracts	1,108	1,261
Receivables from insurance enterprises	183	199
Receivables from Group undertakings	701	494
Unsettled transactions	0	120
Reverse repos	0	370
Other receivables	1,646	375
	3,638	2,819
Specification of write-downs on receivables from insurance contracts:		
Write-downs at 1 January	116	107
Exchange rate adjustments	3	-3
Write-downs and reversed write-downs for the year	-2	12
Write-downs at 31 December	**117**	**116**

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 50m (DKK 53m in 2015).

Receivables in connection with insurance contracts include overdue receivables totalling:		
Falling due:		
Within 90 days	116	116
After 90 days	137	135
	253	251

Other receivables do not contain overdue receivables

16 **Reinsurer's share**

Impairment test

As at 31 December 2016, 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 2m (DKK 3m in 2015).
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.

17 **Current tax**

Net current tax at 1 January	-257	-443
Exchange rate adjustments	-10	16
Current tax for the year	-651	-513
Current tax on equity entries	0	-96
Adjustment of current tax in respect of previous years	38	0
Tax paid for the year	548	779
Net current tax at 31 December	**-332**	**-257**
Current tax is recognised in the statement of finansiel position as follows:		
Under assets, current tax	1	100
Under liabilities, current tax	-333	-357
Net current tax	**-332**	**-257**

Notes

DKKm		2016	2015
16	**Premium provisions**		
	Premium provision at 1 January	5,517	5,767
	Adjustment regarding Norwegian Group life beginning of year	0	-124
	Addition on acquisition of Skandia activity	35	0
	Value adjustments of provisions, beginning of year	32	-54
	Paid in the financial year	17,570	17,399
	Change in premiums in the financial year	-17,742	-17,458
	Exchange rate adjustments	13	-13
	Premium provisions at 31 December	5,425	5,517
	Other 1)	62	54
		5,487	5,571

1) Comprises premium provisions for guarantee insurance.

Claims provisions

2016	Gross	Ceded	Net of reinsurance
Claims provisions at 1 January	25,315	-2,852	22,463
Addition, purchase of Skandia portfolio	1,362	0	1,362
Value adjustments of provisions , beginning of year	392	-36	356
	27,069	-2,888	24,181
Paid in the financial year in respect of the current year	-6,812	30	-6,782
Paid in the financial year in respect of prior years	-7,045	1,100	-5,945
	-13,857	1,130	-12,727
Change in claims in the financial year in respect of the current year	12,961	-175	12,786
Change in claims in the financial year in respect of prior years	-1,432	180	-1,252
	11,529	5	11,534
Discounting and exchange rate adjustments	353	53	406
Claims provisions at 31 December	25,094	-1,700	23,394
Other 1)	358	-120	238
	25,452	-1,820	23,632
2015			
Claims provisions at 1 January	24,601	-1,272	23,329
Adjustment 1.1.2015 regarding new yield curves. Please refer to note 30 Accounting policies.	226	0	226
Adjustment regarding Norwegian Group life beginning of year	124	0	124
Value adjustments of provisions, beginning of year	-464	32	-432
	24,487	-1,240	23,247
Paid in the financial year in respect of the current year	-6,676	37	-6,639
Paid in the financial year in respect of prior years	-6,011	414	-5,597
	-12,687	451	-12,236
Change in claims in the financial year in respect of the current year	14,606	-2,021	12,585
Change in claims in the financial year in respect of prior years	-1,232	15	-1,217
	13,374	-2,006	11,368
Discounting and exchange rate adjustment	141	-57	84
Claims provisions at 31 December	25,315	-2,852	22,463
Other 1)	355	-151	204
	25,670	-3,003	22,667

1) Comprises claims provisions for guarantee insurance.

Notes

DKKm		2016	2015
19	**Pensions and similar obligations**		
	Jubilees	37	50
	Recognised liability	37	50
	Defined-benefit pension plans:		
	Present value of pension obligations funded through operations	70	62
	Present value of pension obligations funded through establishment of funds	1,198	1,130
	Pension obligation, gross	1,268	1,192
	Fair value of plan assets	960	978
	Pension obligation, net	308	214
	Specification of change in recognised pension obligations:		
	Recognised pension obligation at 1 January	1,192	1,290
	Adjustment regarding plan changes not recognised in the income statement and expected estimate deviation *)	37	-10
	Exchange rate adjustments	64	-74
	Present value of pensions earned during the year	18	35
	Capital cost of previously earned pensions	22	29
	Acturial gains/losses	-8	-23
	Paid during the period	-57	-55
	Recognised pension obligation at 31 December	1,268	1,192
	Change in carrying amount of plan assets:		
	Carrying amount of plan assets at 1 January	978	1,010
	Exchange rate adjustments	51	-58
	Investments in the year	34	91
	Estimated return on pension funds	7	25
	Acturial gains/losses	-66	-49
	Paid during the period	-44	-41
	Carrying amount of plan assets at 31 December	960	978
	Total pensions and similar obligations at 31 December	308	214
	Total recognised obligation at 31 December	345	264
	*) The change of the pension scheme in Norway is carried out in the same way as has been done for other major financial companies in Norway and causes a reduction in the provision.		
	Specification of pension cost for the year:		
	Present value of pensions earned during the year	11	31
	Interest expense on accrued pension obligation	22	30
	Expected return on plan assets	-6	-26
	Accrued employer contributions	6	5
	Total year's cost of defined-benefit plans	33	40
	The premium for the following financial years is estimated at	49	53
	Number of active persons	517	595
	Number of pensioners	637	586
	Average expected remaining service time (years)	8.00	7.81
	Estimated distribution of plan assets:	%	%
	Shares	8	10
	Bonds	76	73
	Property	12	15
	Other	3	2
	Average return on plan assets	0.7	2.6
	Weighted average duration of the defined benefit obligation (years)	13	18
	Assumptions used	%	%
	Discount rate	1.4	1.9
	Estimated return on pension funds	1.4	1.9
	Salary adjustments	2.3	2.5
	Pension adjustments	0.0	0.0
	G adjustments	2.0	2.3
	Turnover	7.0	7.0
	Employer contributions	14.0	14.1
	Mortality table	K2013	K2013

Notes

DKKm		2016	2015
19	**Sensitivity information (continued)**		
	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:		
	Interest rate increase of 0.3 percentage point	52	46
	Interest rate decrease of 0.3 percentage point	-55	-49
	Pay increase rate, increase of 1 percentage point	-103	-99
	Pay increase rate, decrease of 1 percentage point	88	83
	Turnover, increase of 2 percentage point	31	25
	Turnover, decrease of 2 percentage point	-33	-29

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 19m, which is about 3,9 % of the annual premium in FPK (2015).
FPK writes in its interim report for 2016 that it had a collective consolidation ratio of 128 at 30 June 2016 (consolidation ratio of 114 at 30 June 2015).
The collective consolidation ratio is defined as the fair value of the plan assets relative to the total collective pension obligations.

		2016	2015
20	**Deferred tax**		
	Tax asset		
	Operating equipment	8	8
	Debt and provisions	30	91
	Capitalised tax loss	1	1
		39	100
	Tax liability		
	Intangible rights	33	77
	Land and buildings	70	96
	Bonds	38	-39
	Contingency funds	600	612
		741	746
	Deferred tax	702	646
	Unaccrued timing differences of statement of financial position items	0	20
	Development in deferred tax		
	Deferred tax at 1 January	646	1,022
	Adjustment 1.1.2015 regarding new yield curves. Please refer to note 30 Accounting policies.	0	-51
	Exchange rate adjustments	23	-115
	Change in deferred tax relating to change in tax rate	0	13
	Change in deferred tax previous years	31	0
	Change in deferred tax taken to the income statement	60	-63
	Change in valuation of tax asset	-17	-128
	Change in deferred tax taken to equity	-41	-32
	Deferred tax at 31 December	702	646

The losses are not recognised as tax assets until it has been substantiated that the company can generate sufficient future taxable income to offset the tax loss.
The total current and deferred tax relating to items recognised in equity is recognised in the statement of financial position in the amount of DKK -30m (DKK 32m at 31 December 2015).

Notes

DKKm		2016	2015
21	**Other provisions**		
	Other provisions at 1 January	132	83
	Change in provisions	-7	49
	Other provisions 31 December	**125**	**132**

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 50m and reassesment of the beginning of year balance amounts to DKK -57m. The balance as at 31 December 2016 amounts to DKK 123m (DKK 130m at 31 December 2015).

		2016	2015
22	**Amounts owed to credit institutions**		
	Overdraft facilities	178	64
		178	**64**
23	**Debt relating to unsettled funds transactions and repos**		
	Unsettled fund transactions	258	290
	Repo debt	1,474	3,784
		1,732	**4,074**

Unsettled fund transactions include debt for bonds purchased in 2015 and 2016, however, with settlement in 2016 and 2017, respectively.

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		
DKKm	Carrying amount 1 January 2016	Other comprehensive 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.

25 **Own funds**

2016

From 1 January 2016 new Solvency II rules are effective:

Equity according to annual report	10,127
Proposed dividend	-2,700
Intangible assets	-884
Profit margin, solvency purpose	970
Taxes	-27
Subordinate loan capital	2,371
Own funds	**9,857**

2015

Capital adequacy

Solvency margin	3,187
Shareholder's equity according to annual report 2015	10,307
Tier 1 Capital	**10,307**
Subordinate loan capital	1,707
Proposed dividend	-1,450
Value of intangible assets	-1,038
Deferred tax assets	-1
Discounting	-341
Equalisation reserve	-163
Total basic capital	**9,021**
Total distributable basic capital	5,834
Solvency	2.8

The capital base and the solvency ratio are calculated in accordance with the Danish Financial Business Act.
The calculation of 2015 Solvency I - ratio has not been adjusted for the FSA executive order on yield curves from 1 January 2016.

Notes

DKKm

26 **Contractual obligations, collateral and contingent liabilities**

Contractual obligations

Obligations due by period

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

2015	<1 year	1-3 years	3-5 years	> 5 years	Total
Operating leases	66	110	76	56	308
Other contractual obligations	282	103	0	0	385
	348	213	76	56	693

2016

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

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

2015

In august 2015 Tryg Forsikring and Skandia have signed an agreement whereby Tryg will acquire Skandia's activities within child and adult accident insurance and integrate them into its Swedish business, Moderna Forsakringar. The transaction is subject to regulatory approvals and the parties expect it to be completed in second half 2016. Hereafter Tryg will take over the control of the portfolios. The acquisition has no effect on the financial statement for 2015.

Collateral

The Danish companies in the Tryg Forsikring Group are jointly taxed with Tryg A/S and 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:	2016	2015
Equity investments in associates	0	14
Equity investments	36	138
Unit trust units	3,950	3,589
Bonds	33,534	32,121
Interest and rent receivable	224	281
Equity investments in and receivables from Group undertakings which have been eliminated in the consolidated financial statements	3,172	2,706
Total	40,916	38,849

Offsetting and collateral in relation to financial assets and obligations

				Collateral which is not offset in the statement of financial position		
2016	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	0	0	0	0	0	0
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
2015						
Assets						
Reverse repos	370	0	370	-370	0	0
Derivative financial instruments	843	0	843	0	-940	-97
	1,213	0	1,213	-370	-940	-97
Liabilities						
Repo debt	3,784	0	3,784	-3,784	-1	-1
Derivative financial instruments	612	0	612	0	-641	-29
Inflation derivatives, recognised in claims provisions	417	0	417	0	-421	-4
	4,813	0	4,813	-3,784	-1,063	-34

Contingent liabilities

Companies in the Tryg Forsikring 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 2016.

Notes

DKKm

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

Net assets acquired	2016
Intangible assets	58
Cash and cash equivalents	1,471
Total provisions for insurance contracts	-1,389
Net assets acquired	**140**
Goodwill	77
Purchase price	**217**

The Group has not incurred any significant acquisition costs in connection with the acquisition. The purchase price is final.
In connection with the acquisition, 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.
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.
The determination of the pro forma amounts for premium income and technical result for the period is based on the following significant assumptions:
• Premiums and claims have been calculated on the basis of the fair values determined in the acquisition balance sheets for premium and claims provisions, rather than the original carrying amounts.
• Other costs, including amortisation of intangible assets, have been calculated on the basis of the fair values determined in the acquisition balance sheets, rather than the original carrying amounts.

28 **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, Group ExecutiveBoard and their members' families.

	2016	2015
Premium income		
- TryghedsGruppen smba	0.5	0.3
- Key management	0.4	0.3
- Other related parties	3.7	1.9
Claims payments		
- TryghedsGruppen smba	0.0	0.1
- Key management	0.1	0.0
- Other related parties	1.8	0.5

Specification of remuneration

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

a) Including charges for matching shares allocated in 2016 for fiscal year 2015.
See section "Corporate governance" in Management review for matching shares allocated in 2017 for fiscal year 2016.

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

2015	Number of persons	Basis salary	Variable salary	Pension	Total*
Supervisory Board	13	6	0	0	6
Executive Board	3	21	2	5	28
Risk-takers	8	19	1	5	25
	24	46	3	10	59

*) Exclusive of severance pay

Of which retired	Number of persons	Severance pay
Supervisory Board	1	0
Risk-takers	3	14
	4	14

The maximum amount paid in severance pay to an individual is DKK 7m.

Fees are charges incurred during the financial year. Variable salary includes the charges for matching shares, which are recognised over 3-4 years and share options, which are recognised over 3 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).

Risk-takers are defined as employees whose activities have a significant influence on the company's risk profile.
The Supervisory Board decides which employees should be considered to be risk-takers.

Notes

28 **Tryghedsgruppen smba**
TryghedsGruppen smba controls 60% of the shares in Tryg A/S, which is parent company for Tryg Forsikring A/S.

Intra-group trading involved:	2016	2015
- Providing and receiving services	0	0

Transactions between TryghedsGruppen smba and the companies in the 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.

Notes

Financial highlights

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DKKm	2016	2015	2014	2013	2012
Gross premium income	**17,707**	**17,977**	**18,652**	**19,504**	**20,314**
Gross claims	-11,619	-13,562	-12,650	-14,411	-14,675
Total insurance operating costs	-2,737	-2,720	-2,689	-3,008	-3,295
Profit/loss on gross business	3,351	1,695	3,313	2,085	2,344
Profit/loss on ceded business	-951	710	-341	349	86
Insurance technical interest, net of reinsurance	-10	18	60	62	62
Technical result	**2,390**	**2,423**	**3,032**	**2,496**	**2,492**
Investment return after insurance technical interest	992	-15	367	593	593
Other income and costs	-93	-16	-39	-39	7
Profit/loss before tax	**3,289**	**2,392**	**3,360**	**3,050**	**3,092**
Tax	-763	-409	-770	-634	-855
Profit/loss on continuing business	**2,526**	**1,983**	**2,590**	**2,416**	**2,237**
Profit/loss on discontinued and divested business after tax *	-1	49	10	-4	28
Profit/loss	**2,525**	**2,032**	**2,600**	**2,412**	**2,265**
Run-off gains/losses, net of reinsurance	1,239	1,212	1,131	970	1,015
Statement of financial position					
Total provisions for insurance contracts	31,527	31,814	31,692	32,939	34,355
Total reinsurers' share of provisions for insurance contracts	2,034	3,176	1,938	2,620	2,317
Total equity	10,127	10,120	11,828	11,725	10,872
Total assets	50,562	51,749	52,942	53,985	55,020
Key ratios					
Gross claims ratio	65.6	75.4	67.8	73.9	72.2
Net reinsurance ratio	5.4	-3.9	1.8	-1.8	-0.4
Claims ratio, net of ceded business	71.0	71.5	69.6	72.1	71.8
Gross expense ratio	15.7	15.3	14.6	15.6	16.4
Combined ratio	**86.7**	**86.8**	**84.2**	**87.7**	**88.2**
Gross expense ratio without adjustment	15.5	15.1	14.4	15.4	16.2
Operating ratio	86.5	86.5	83.8	87.2	87.8
Relative run-off gains/losses	5.5	5.1	4.8	3.9	4.1
Return on equity after tax (%)	25.9	19.5	23.3	22.1	23.1
Solvency **	1.9	2.8	2.9	2.8	2.5

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 2015" issued by the Danish Society of Financial Analysts. The adjustment, which is made pursuant to the Danish Financial Supervisory Authority's and the Danish Society of Financial Analysts' definitions of expense ratio and combined ratio, involves the addition of a calculated expense (rent) in recpect 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.

*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 2012-2015 are the ratio between base capital and weighted assets and are audited. Solvency II ratio in 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 30

ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as per adopted by the EU on 31 December 2016 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.

Change in accounting policies

Group and Parent

Tryg Forsikring has implemented the amendments, which prescribes applying a new yield curve from the Executive order on financial reports by insurance companies and lateral pension funds issued by the Danish FSA from 1 January 2016. The executive order prescribes a change from applying a yield curve issued by the Danish Financial Supervisory Authority to applying a new yield curve published by EIOPA.

For Tryg Forsikring, this means applying a yield curve at a lower level. The comparative figures for 2015 are restated accordingly. Figures for previous years have not been restated as this is impracticable due to the non-existence of the new yield curve published by EIOPA before 01.01.2015.

The comparative figures have been restated for 2015 with the following amounts:

Income statement		2015
Total investment return after insurance technical interest		-17
Tax		5
Profit and loss for the period		-12
Statement of financial position	1.1.2015	31.12.15
Equity	-175	-187
Insurance provisions	226	243
Deferred tax liabilities	-51	-56

Parent
The new executive order will only affect the total provisions for insurance contracts with the above-mentioned figures, but have affected risk margin and profit margin in the presentation.
Previously, profit margin and risk margin have not been separate provision items in the financial statement.
Premium provisions are calculated at present value of best estimate of expected payment of future claims, covered by incurred insurance.
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 and risk margin included in premium provision.
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 model.

It is Tryg Forsikring's assessment that the amendments to the Executive Order from 2016 can be accommodated within IFRS.

Except as noted above, the accounting policies have been applied consistently with last year.

Accounting regulation
Implementation of changes to orders, accounting standards and interpretation in 2016
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 2016 that will have a significant impact on the group.

The new executive order will only have effect on recognition and measurement in the Group's financial reporting in the following area.

- Claims provisions
  - The claims provisions has changed following the transition to a new interest curve. The executive order prescribes a change from applying a yield curve issued by the Danish Financial Supervisory Authority to applying a new yield curve published by EIOPA – the new yield curve is at a lower level.

It is Tryg Forsikring's assessment that the amendments to the Executive Order from 2016 can be accommodated within IFRS; therefore, there are not any differences between the Parent Company and the consolidated financial statements in relation to recognition and measurement as a result of the new accounting regulation, but the presentation will be affected.

There has not been implemented any other new or amended orders, 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 affect the group significantly:

- IFRS 16 'Leases'[1]
- IFRS 9 'Financial Instruments'[2]

[1] enters into force for the accounting year commencing 1 January 2019.
[2] enters into force for the accounting year commencing 1 January 2018 or later insurance companies are expected to be allowed to postpone the implementation.

The implementation of IFRS 9 'financial instruments' 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. Regarding IFRS 16 Tryg Forsikring expects to get more assets and liabilities in the balance sheet but it is not expected to have a significant impact on either profit or loss or equity. Tryg Forsikring will primarily be effected by lease agreements related to cars and premises. The total impact on the balance sheet is being analysed in relation to the length of the lease agreements and amounts payable.

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 Forsikring already carry all financial instruments at fair value through profit and loss. The implementation of IFRS 9, will not effect Tryg Forsikrings recognition and measurement.

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 2016

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 Forsikring'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 have been incurred, but not yet reported to the Group (known as IBNR reserves) and future developments in claims, which are known to the Group but have not been 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 Forsikring.

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 material estimates. For securities that are not listed on a stock exchange, or for which no stock exchange price is quoted that reflects the fair value of the instrument, the fair value is determined using a current OTC price of a similar financial instrument or using a model calculation. The valuation models include the discounting of the instrument cash flow using an appropriate market interest rate with due consideration for credit and liquidity premiums.

Valuation of property
Property is divided into owner-occupied property and investment property. Owner-occupied property is assessed at the reassessed value that is equivalent to the fair value at the time of reassessment, with a deduction for depreciation and write-downs. 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 12 and 13.**

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 11.**

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 Forsikring 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 Forsikring 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 Forsikring. 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 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 Forsikring 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 Forsikring 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 2015 issued by the Danish Society of Financial Analysts 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, 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

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 Forsikring hedges the risk of changes in future pay and price figures for provisions for workers' compensation. Tryg Forsikring 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 Forsikring Group's incentive programmes comprise share option programmes, employee shares and matching shares.

Share option programme
The share option programme was closed in 2012 and the share option plan comprised no share options at the end of 2016.

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

Equity-settled share options are measured at fair value at the time of allocation and recognised under staff expenses over the period from the time of allocation until vesting. The balancing item is recognised directly in equity.

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

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

The share options are exercisable exclusively during a 13-day period, which starts the day after the publication of full-year, half-year and quarterly reports and in accordance with Tryg's in-house rules on trading in the Tryg Group's shares. The options are settled in shares.

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

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 Tryg A/S 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 or three 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 price 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 and supplemented with disclosure of the discontinued and divested business in a note to the financial statements. 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 depreciation 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 5–12 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.

Land and buildings
Land and buildings are divided into owner-occupied property and investment property. The Group's owner-occupied properties consist of the head office buildings in Ballerup and Bergen and a small number of holiday homes. The remaining properties are classified as investment property.

Owner-occupied property
Owner-occupied property is property that is used in the Group's operations. Owner-occupied properties are measured in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. Revaluations are performed regularly to avoid material differences between the carrying amounts and fair values of owner-occupied property at the statement of financial position date. 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.

Increases in the revalued carrying amounts of owner-occupied property are recognised in the revaluation reserve in equity. Decreases that offset previous revaluations of the same asset are charged against the revaluation reserves directly in equity; all other decreases are charged to the income statement.

Costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. Ordinary repair and maintenance costs are expensed in the income statement when incurred.

Depreciation on owner-occupied property is calculated based on the straight-line method and using an estimated economic lifetime of up to 50 years. Land is not depreciated.

Assets under construction
In connection with the refurbishment of owner-occupied property, costs to be capitalised are recognised at cost under owner-occupied property. On completion of the project, it is reclassified as owner-occupied property, and depreciation is made on a straight-line basis over the expected economic lifetime, up to the number of years stated under the individual categories.

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.

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 depreciation has been demonstrated. A continuous assessment of owner-occupied property is performed.

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 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 directly in equity. 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.

Revaluation reserves
Revaluation of owner-occupied property is recognised in other comprehensive income unless the revaluation offsets a previous impairment loss.
Foreign currency translation reserve
Assets and liabilities of foreign entities are recognised using the exchange rate applicable at the statement of financial position date. Income and expense items are recognised using the average monthly exchange rates for the period. Any resulting differences are recognised in Other comprehensive income. When an entity is wound up, the balance is transferred to the income statement. The hedging of the currency risk in respect of foreign entities is also offset in other comprehensive income in respect of the part that concerns the hedge.

Contingency fund reserves
Contingency fund reserves are recognised as part of retained earnings under equity. The reserves may only be used when so permitted by the Danish Financial Supervisory Authority and when it is for the

benefit of the policyholders. The Norwegian contingency fund reserves include provisions for the Norwegian Natural Perils Pool and security reserve. The Danish and Swedish provisions comprise contingency fund provisions. Deferred tax on the Norwegian and Swedish contingency fund reserves is allocated.

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

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 and De Vylder's credibility 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. De Vylder's credibility method is used for areas that are somewhere in between the Chain-Ladder and Bornhuetter-Ferguson/Loss Ratio methods, and may also be used in situations that call for the use of exposure targets other than premium volume, for example the number of insured.

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 accounted for as a defined-contribution plan.

For the defined-benefit plan recognised in the statement of financial position, an annual actuarial calculation is made of the capital value of the future benefits to which employees are entitled as a result of their employment with the group so far and which must be disbursed according to the plan. The capital value is calculated using the Projected Unit Credit Method, which are based on input Cf. note 20.

The capital value of the pension obligations less the fair value of any plan assets is recognised in the statement of financial position under pension assets and pension obligations, respectively, depending on whether the net amount is an asset or a liability.

In case of changes to assumptions concerning the discounting factor, inflation, mortality and disability or in case of differences between expected and realised returns on pension assets, actuarial gains or losses ensue. These gains and losses are recognised under other comprehensive income.

In case of changes to the benefits stemming from the employees' employment with the group so far, a change is seen in the actuarially calculated capital value which is considered as pension costs for previous financial years. The change is recognised in the results immediately. Net finance costs for the year are recognised in the investment return. All other costs are recognised under insurance operating costs. The plan is closed for new business.

Other employee benefits
Employees of the Group are entitled to a fixed payment when they reach retirement and when they have been employed with the Group for 25 and for 40 years. The Group recognises this liability at the time of signing the contract of employment.

In special instances, the employee can enter into a contract with the Group to receive compensation for loss of pension benefits caused by reduced working hours. The Group recognises this liability based on statistical models.

Income tax and deferred tax
The Group expenses current tax according to the tax laws of the jurisdictions in which it operates. Current tax liabilities and current tax receivables are recognised in the statement of financial position as estimated tax on the taxable income for the year, adjusted for change in tax on prior years' taxable income and for tax paid under the on-account tax scheme.

Deferred tax is measured according to the statement of financial position liability method on all timing

differences between the tax and accounting value of assets and liabilities. Deferred income tax is measured using the tax rules and tax rates that apply in the relevant countries on the statement of financial position date when the deferred tax asset is realised or the deferred income tax liability is settled.
Deferred income tax assets, including the tax value of tax losses carried forward, are recognised to the extent that it is probable that future taxable profit will be realised against which the temporary differences can be offset.

Deferred income tax is provided on temporary differences concerning investments, except where Tryg Forsikring 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 Forsikring'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	2016	2015
	General insurance		
	Gross premiums written	17.803	18.150
	Ceded insurance premiums	-1.210	-1.165
	Change in premium provisions	17	-224
	Change in profit margin and risk margin	150	285
	Change in reinsurers' share of premium provisions	13	1
2	**Premium income, net of reinsurance**	16.773	17.047
	Insurance technical interest, net of reinsurance	0	0
	Claims paid	-13.894	-13.094
	Reinsurance cover received	1.260	471
	Change in claims provisions	2.240	-475
	Change in risk margin	41	8
	Change in the reinsurers' share of claims provisions	-1.164	1.301
3	**Claims, net of reinsurance**	-11.517	-11.789
	Bonus and premium discounts	-286	-234
	Acquisition costs	-2.106	-2.124
	Administration expenses	-703	-685
	Acquisition costs and Administration expenses	-2.809	-2.809
	Reinsurance commissions and profit participation from reinsurers	150	102
4	**Insurance operating costs, net of reinsurance**	-2.659	-2.707
5	**Technical result**	2.311	2.317
	Investment activities		
6	Income from Group undertakings	529	326
	Income from associates	29	2
	Income from investment property	12	10
7	Interest income and dividends	667	795
8	Value adjustments	243	-629
7	Interest expenses	-113	-96
	Administration expenses in connection with investment activities	-82	-80
	Total investment return	1.285	328
	Return and value adjustment on insurance provisions	-360	-138
	Total investment return after insurance technical interest	925	190
	Other income	105	81
	Other costs	-198	-97
	Profit/loss before tax	3.143	2.491
9	Tax	-617	-508
	Profit/loss on continuing business	2.526	1.983
10	Profit/loss on discontinued and divested business	-1	49
	Profit/loss for the year	2.525	2.032
	Proposed distribution for the year:		
	Dividend	2.700	2.750
	Transferred to Other reserves	56	-104
	Equalisation reserve	0	22
	Transferred to Net revaluation as per equity method	-127	8
	Transferred to Retained earnings	-104	-644
		2.525	2.032

Statement of comprehensive income

DKKm	2016	2015
Profit/loss for the year	**2.525**	**2.032**
Other comprehensive income which cannot subsequently be reclassified as profit or loss		
Change in equalisation provision and other provisions	0	37
Change in taxrates on security provisions	0	125
Sale of owner-occupied property *	215	0
Sale of owner-occupied property, revaluation from previous years *	-115	4
Tax on sale of owner-occupied property	-53	0
Tax on revaluation of owner-occupied property from previous years	29	2
Actuarial gains/losses on defined-benefit pension plans	-95	-12
Tax on actuarial gains/losses on defined-benefit pension plans	24	3
	5	159
Other comprehensive income which can subsequently be reclassified as profit or loss		
Exchange rate adjustments of foreign entities for the year	51	-89
Hedging of currency risk in foreign entities for the year	-50	86
Tax on hedging of currency risk in foreign entities for the year	11	-21
	12	-24
Total other comprehensive income	**17**	**135**
Comprehensive income	**2.542**	**2.167**

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

Statement of financial position

DKKm		2016	2015
Notes			
	Assets		
11	**Intangible assets**	**884**	**1.038**
12	Operating equipment	49	62
	Total property, plant and equipment	**49**	**62**
13	**Investment property**	**269**	**224**
14	Investments in Group undertakings	3.172	3.263
15	Equity investments in associates	0	14
	Total investments in Group undertakings and associates	**3.172**	**3.277**
	Equity investments	48	138
	Unit trust units	3.950	3.589
	Bonds	34.167	35.705
	Deposits with credit institutions	0	0
	Derivative financial instruments	971	843
16	**Total other financial investment assets**	**39.136**	**40.275**
	Total investment assets	**42.577**	**43.776**
	Reinsurers' share of premium provisions	214	173
	Reinsurers' share of claims provisions	1.820	3.003
17	**Total reinsurers' share of provisions for insurance contracts**	**2.034**	**3.176**
	Receivables from policyholders	1.108	1.261
	Total receivables in connection with direct insurance contracts	1.108	1.261
	Receivables from insurance enterprises	183	199
	Receivables from Group undertakings	742	523
	Other receivables	823	830
16	**Total receivables**	**2.856**	**2.813**
18	Current tax assets	0	101
	Cash at bank and in hand	451	446
	Deferred tax assets	0	0
	Assets held for sale	0	0
	Total other assets	**451**	**547**
	Interest and rent receivable	221	280
	Other prepayments and accrued income	455	316
	Total prepayments and accrued income	**676**	**596**
	Total assets	**49.527**	**52.008**

Statement of financial position

DKKm		2016	2015
Notes			
	Equity and liabilities		
	Equity	**10.127**	**10.135**
1	**Subordinate loan capital**	**2.567**	**1.698**
19	Premium provisions	4.020	4.269
	Profit margin - Non-life contracts	1.176	1.041
19	Claims provisions	23.564	24.734
	Risk margin - Non-life contracts	1.254	1.197
	Provisions for bonus and premium discounts	587	573
	Total provisions for insurance contracts	**30.601**	**31.814**
	Pensions and similar liabilities	345	264
20	Deferred tax liability	633	569
21	Other provisions	125	131
	Total provisions	**1.103**	**964**
	Debt relating to direct insurance	556	604
	Debt relating to reinsurance	426	330
22	Amounts owed to credit institutions	178	64
23	Debt relating to unsettled funds transactions and repos	1.732	4.074
16	Derivative financial instruments	658	611
	Debt to Group undertakings	145	416
18	Current tax liabilities	268	314
	Liabilities associated with assets held for sale	0	0
	Other debt	1.121	942
	Total debt	**5.084**	**7.355**
	Accruals and deferred income	**45**	**42**
	Total equity and liabilities	**49.527**	**52.008**

1 **Risk management and Capital management**
24 **Own funds**
25 **Contractual obligations, collateral and contingent liabilities**
26 **Acquisition of activities**
27 **Related parties**
28 **Reconciliation of profit/loss and equity**
29 **Financial highlights**
30 **Accounting policies**

Statement of changes in equity

DKKm	Share capital	Revaluation reserves	Revaluation equity method	Equalisation reserve	Other reserves*	Retained earnings	Proposed dividend	Total
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	-104	2.700	2.525
Other comprehensive income	0	-86	12			91	0	17
Total comprehensive income	0	-86	-115	-127	56	114	2.700	2.542
Dividend paid							-2.550	-2.550
Total changes in equity in 2016	0	-86	-115	-127	56	114	150	-8
Equity at 31 December 2016	1.100	0	192	0	822	6.413	1.600	10.127
Equity at 31 December 2014	1.100	80	323	106	848	6.986	2.400	11.843
2015								
Adjustment 1.1.2015* **						-175		-175
Profit/loss for the year			8	22	-104	-644	2.750	2.032
Other comprehensive income	0	6	-24	-1	22	132	0	135
Total comprehensive income	0	6	-16	21	-82	-512	2.750	2.167
Dividend paid							-3.700	-3.700
Total changes in equity in 2015	0	6	-16	21	-82	-687	-950	-1.708
Equity at 31 December 2015	1.100	86	307	127	766	6.299	1.450	10.135

*) 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.
***) New executive order from the Danish FSA on yield curves based on EIOPA. Please refer to note 29 Accounting policies.

The possible payment of dividend from Tryg Forsikring A/S to Tryg A/S is influenced by contingency fund provisions of DKK 1,774m (DKK 2,516m in 2015).
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			2016	2015
1	**Risk management and Capital management**			
	Please refer to the note 1 in Tryg Forsikring Group			
2	**Premium income, net of reinsurance**			
	Direct insurance		17.928	18.169
	Indirect insurance		42	42
			17.970	18.211
			17.970	18.211
	Ceded direct insurance		-1.178	-1.104
	Ceded indirect insurance		-19	-60
			16.773	17.047

Direct insurance, by location of risk	2016		2015	
	Gross	Ceded	Gross	Ceded
Denmark	9.533	-613	9.421	-626
Other EU countries	1.906	-110	1.892	-46
Other countries	6.489	-455	6.856	-432
	17.928	-1.178	18.169	-1.104

		2016	2015
3	**Claims, net of reinsurance**		
	Claims	-13.030	-15.061
	Run-off previous years, gross	1.417	1.500
		-11.613	-13.561
	Reinsurance cover received	286	2.060
	Run-off previous years, reinsurers' share	-190	-288
		-11.517	-11.789
4	**Insurance operating costs, net of reinsurance**		
	Commission regarding direct insurance business	-296	-368
	Other acquisition costs	-1.810	-1.757
	Total acquisition costs	-2.106	-2.125
	Administration expenses	-703	-684
	Insurance operating costs, gross	-2.809	-2.809
	Commission from reinsurers	150	102
		-2.659	-2.707

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

	2016	2015
Insurance operating costs and claims include the following staff expenses:		
Salaries and wages	-2.006	-2.077
Commision	-8	-6
Allocated share options and matching shares	-3	-3
Pension	-281	-296
Other social security costs	-4	-4
Payroll tax	-350	-366
	-2.652	-2.752

Remuneration for the Supervisory Board and Executive Management is disclosed in note 26 'Related parties'.

	2016	2015
Average number of full-time employees during the year (continuing business)	3.291	3.457

Share option programmes and matching 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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Gross premiums written	1.703	1.652	338	321	860	890	1.779	1.980	3.545	3.680	275	332
Gross premium income	1.643	1.629	332	316	858	893	1.839	1.963	3.537	3.573	274	337
Bruttoerstatningsudgifter	- 954	- 1.026	- 308	- 255	- 191	- 85	- 1.167	- 1.164	- 2.407	- 2.446	- 113	- 218
Bruttodriftsomkostninger	- 231	- 228	- 43	- 33	- 102	- 107	- 334	- 353	- 553	- 564	- 41	- 43
Profit/loss on ceded business	- 7	- 4	- 1	- 1	- 8	- 10	- 44	- 33	- 24	- 2	- 130	- 53
Technical interest, net of reinsur	0	0	0	0	0	0	0	0	0	0	0	0
Technical result	451	371	- 20	27	557	691	294	413	553	561	- 10	23
Gross claims ratio	58,1	63,0	92,8	80,7	22,3	9,5	63,5	59,3	68,1	68,5	41,2	64,7
Combined ratio	72,6	77,2	106,0	91,5	35,1	22,6	84,0	79,0	84,4	84,3	103,6	93,2
Claims frequency a)	4,7%	4,4%	115,2%	130,3%	19,8%	17,6%	6,0%	5,5%	20,2%	17,9%	24,7%	21,2%
Average claims DKK b)	28.543	29.968	4.558	3.905	72.474	65.254	17.913	17.846	9.337	10.110	57.284	75.653
Total claims	41.213	40.135	57.186	56.697	11.008	10.469	77.441	77.164	250.450	241.311	2.896	2.871

	Fire & contests (Private)		Fire and contests (commercial)		Change of ownership		Liability		Credit & guarantee insurance		Tourist assistance insurance	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Gross premiums written	4.265	4.363	2.426	2.420	55	62	1.025	962	398	352	655	610
Gross premium income	4.231	4.328	2.408	2.443	61	64	1.000	958	390	347	650	607
Gross claims	- 3.252	- 3.130	- 1.474	- 3.750	- 55	- 118	- 658	- 612	- 82	247	- 497	- 580
Gross operating expenses	- 640	- 673	- 380	- 378	- 9	- 10	- 154	- 159	- 33	- 45	- 94	- 84
Profit/loss on ceded business	- 128	- 117	- 439	1.437	0	0	- 47	- 68	- 96	- 392	- 2	- 2
Technical interest, net of reinsur	0	0	0	0	0	0	0	0	0	0	0	0
Technical result	201	408	115	- 248	- 3	- 64	141	119	179	157	57	- 59
Gross claims ratio	77,0	72,3	61,2	153,5	90,2	184,4	65,8	63,9	21,0	-71,2	76,5	95,6
Combined ratio	95,2	90,6	95,2	110,2	104,9	200,0	85,9	87,6	54,1	54,8	91,2	109,7
Claims frequency a)	8,9%	7,9%	16,2%	16,1%	11,3%	9,9%	11,6%	10,2%	0,1%	0,1%	19,9%	19,6%
Average claims DKK b)	9.036	8.742	53.344	116.003	21.846	26.008	64.807	68.006	765.692	790.685	5.716	5.993
Total claims	263.113	370.685	30.020	32.331	3.807	4.275	10.917	10.454	120	111	96.868	96.774

	Other insurance c)		Total		Norwegian Group Life, One-year policies		Total including Norwegian Group Life	
	2016	2015	2016	2015	2016	2015	2016	2015
Gross premiums written	57	58	17.281	17.690	422	460	17.803	18.150
Gross premium income	55	59	17.268	17.517	416	460	17.684	17.977
Gross claims	- 93	- 45	- 11.251	- 13.182	- 362	- 379	- 11.613	- 13.561
Gross operating expenses	- 150	- 82	- 2.764	- 2.759	- 45	- 50	- 2.809	- 2.809
Profit/loss on ceded business	- 24	- 44	- 950	711	- 1	- 1	- 951	710
Technical interest, net of reinsur	0	0	0	0	0	0	0	0
Technical result	- 212	- 112	2.303	2.287	8	30	2.311	2.317
Gross claims ratio	169,1	76,3	65,2	75,3	87,0	82,4	65,7	75,4
Combined ratio	485,5	289,8	86,7	86,9	98,1	93,5	86,9	87,1
Claims frequency a)								
Average claims DKK b)	958.750	392.147						
Total claims	12	24						

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 in 2016, mainly by impairment of software.
(DKK 40m and DKK 80m, mainly due to accruals for efficieny programme , in 2015).

Notes

DKKm		2016	2015
6	**Income from Group undertakings**		
	Vesta Ejendomme AS	22	24
	Respons Inkasso AS	1	1
	Thunes Vei 2 AS	7	5
	Tryg Ejendomme A/S*	490	296
	Tryg Livsforsikring A/S	9	0
		529	326
	*Tryg Ejendomme A/S and Ejendomsselskabet af 8. maj 2008 A/S was merged at 1.1.2015 with Tryg Ejendomme as the continuing company Securator A/S and Optimal Djurförsäkring i Norr AB was merged into Tryg forsikring A/S at 1.1.2015. Vesta Eiendomme AS was sold in 2016		
7	**Interest income and dividends**		
	Interest income and dividends		
	Dividends	25	47
	Interest income cash at bank and in hand	0	2
	Interest income bonds	639	743
	Interest income other	3	3
		667	795
	Interest expenses		
	Interest expenses subordinate loan capital and credit institutions	-88	-90
	Interest expenses others	-25	-6
		-113	-96
		554	699
8	**Value adjustments**		
	Value adjustments concerning financial assets or liabilities at fair value with value adjustment in the income statement:		
	Equity investments	79	13
	Unit trust units	190	57
	Share derivatives	-19	15
	Bonds	-75	-609
	Interest derivatives	99	-42
		274	-566
	Value adjustmentss concerning assets or liabilities that cannot be attributed to IAS 39:		
	Other statement of financial position items*	-31	-63
		-31	-63
		243	-629
	Exchange rate adjustments concerning financial assets or liabilities which cannot be stated to fair value total DKK 7m (DKK -59m in 2015).		
	*) Please refer to note 24 Sale of properties in Tryg forsikring Group		
9	**Tax**		
	Tax on accounting profit/loss	-573	-511
	Difference between Danish and foreign tax rates	-40	-23
	Tax adjustment, previous years	0	-15
	Change in tax rate	13	54
	Change in valuation of tax loss carried forward	-15	0
	Adjustment non-taxable income and expenses	-2	-14
	Change in valuation of tax assets	0	1
		-617	-508
	Effective tax rate	%	%
	Tax on Profit/loss for the year	22,0	23,5
	Difference between Danish and foreign tax rate	2,0	1,0
	Tax adjustment, previous year	0,0	1,0
	Change in valuation of tax loss carried forward	-1,0	0,0
	Change in tax rate	1,0	-2,5
	Adjustment non-taxable income and costs	0,0	0,5
		24,0	23,5

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		2016	2015
10	**Profit/loss on discontinued and divested business**		
	Gross premium income	0	3
	Gross claims	1	54
	Total insurance operating costs	-2	7
	Profit/loss on gross business	-1	64
	Profit/loss on ceded business	0	0
	Insurance technical interest, net of reinsurance	0	0
	Technical result	-1	64
	Total investment return after insurance technical interest	0	0
	Other income and costs	0	0
	Profit/loss before tax	-1	64
	Tax	0	-15
	Profit/loss on discontinued and divested business	-1	49

11 Intangible assets

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 to assets held for sale	0	0	0	0	0
Transferred from asset under construction	0	0	246	-246	0
Additions for the year	77	58	12	131	278
Disposals for the year	0	0	0	0	0
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
Transferred to assets held for sale	0	0	0	0	0
Amortisation for the year	0	-23	-94	0	-117
Impairment losses and write-downs for the year	-100	0	-200	0	-300
Reversed amortisation	0	0	0	0	0
Amortisation and write-downs at 31 December	-104	-147	-1.252	-92	-1.395
Carrying amount at 31 December	515	110	166	93	884

*Hereof proprietary software DKK 203m (DKK 317m at 31 December 2015)

2015	Goodwill	Trademarks and customer relations	Software	Assets under construction	Total
Cost					
Cost at 1 January	546	200	1.028	290	2.064
Exchange rate adjustments	12	5	-9	0	8
Transferred to assets held for sale	0	0	0	0	0
Transferred from asset under construction	0	0	127	-127	0
Additions for the year	0	0	7	134	141
Disposals for the year	0	0	0	0	0
Cost at 31 December	558	205	1.153	297	2.213
Amortisation and write-downs					
Amortisation and write-downs at 1 January	-4	-104	-880	-92	-1.080
Exchange rate adjustments	0	-3	8	0	5
Transferred to assets held for sale	0	0	0	0	0
Amortisation for the year	0	-22	-78	0	-100
Impairment losses and write-downs for the year	0	0	0	0	0
Reversed amortisation	0	0	0	0	0
Amortisation and write-downs at 31 December	-4	-129	-950	-92	-1.175
Carrying amount at 31 December	554	76	203	205	1.038

Notes

DKKm

11 Intangible assets (continued)

Impairment test
Goodwill
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 and Codan's agricultural portfolio. The insurance activities were incorporated into the Tryg Group's business structure and merged into Tryg in 2015.

At 31 December 2016, 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, Securator and the Skandia portfolio, respectively.
The Value-in-use method is used.

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.

Moderna
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 Djurförsakringar. 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 (DKK 1.3bn) relative to a recognised goodwill of DKK 354m (DKK 368m) and Equity of DKK 0.7bn (DKK 0.6bn) and does not indicate any impairment in 2016.

	2016	2015
- 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	93%	93%

Sensitivity information
Impact on equity from the following changes:

CAGR +1.0 percentage point (0 - 10 years)	16	25
CAGR -1.0 percentage point (0 - 10 years)	-15	-24
Required return +1.0 percentage point	-157	-161
Required return -1.0 percentage point	199	189
Combined ratio +1.0 percentage point	-146	-144
Combined ratio -1.0 percentage point	147	144

Securator
In 2014, Tryg Forsikring acquired Securator A/S. The insurance activities were incorporated into the Group's business structure in 2014 and are reported under Sweden. In 2015, Securator was merged into Tryg Forsikring A/S and is reported as part of the Swedish affinity portfolio.
Securator is a Danish market leader within the sale and brokering of multi-annual product insurance via dealers in the electronics and telecommunications sector and supermarket chains.

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 Securator. 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 84m (DKK 184m)relative to a recognised goodwill of DKK 84m (DKK 184m) and equity of DKK 138m (DKK 174m), which has led to an impairment in 2016 of DKK 100m, which is recognised in Other costs. The impairment is due to a lower sale of electronics, than expected and the loss of two major partners, which has led to a decline in the assumptions used.

	2016	2015
- Earned premium assumed CAGR 0 - 10 years	10%	13%
- Earned premium assumed CAGR > 10 years	3%	3%
- Required return before tax	12%	11%
- Expected level of Combined ratio	89 - 91%	83 - 91%

Sensitivity information
Impact on equity from the following changes:

CAGR +1.0 percentage point (0 - 10 years)	6	6
CAGR -1.0 percentage point (0 - 10 years)	-6	-5
Required return +1.0 percentage point	-15	-35
Required return -1.0 percentage point	20	48
Combined ratio +1.0 percentage point	-11	-16
Combined ratio -1.0 percentage point	10	17

An increase in the required return or combined ratio will result in a write-down of the goodwill associated with Securator. We do not expect an increase in these assumptions.
Skandia child and adult accident insurance
The impairment test for Skandia portfolio, performed at year end, is based on the valuation at the time of acquisition due to the short ownership period

The assets and liabilities have not changed significantly since the latests calculation and the recoverable amount calculated would exceed the carrying

Trademarks and customer relations
As at 31 December 2016 management performed a test of the carrying amounts of trademarks and customer relations as an integral part of the Moderna
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 2016 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
Assets under construction are not depreciated but tested once a year for impairment or when there is any indication of a decrease in value.
Software with a limited useful lifetime is amortised over 4 years using the straight-line method. Amortised software is assessed for impairment at the balance sheet date or when there are indications that the future cash flow cannot justify the carrying amount.
In the event that the recoverable amount is lower than the carrying amount, the difference is recognised in the income statement.
The recoverable amount is the higher of fair value less sales costs and value in use.

Notes

DKKm

		2016	2015
12	**Operating equipment**		
	Cost	**2016**	**2015**
	Cost at 1 January	234	239
	Exchange rate adjustments	3	-2
	Additions for the year	1	0
	Disposals for the year	0	-3
	Cost at 31 December	238	234
	Amortisations and impairment write-downs		
	Amortisation and write-downs at 1 January	-172	-143
	Exchange rate adjustments	-2	1
	Amortisation for the year	-15	-32
	Amortisation and write-downs at 31 December	-189	-172
	Carrying amount 31 December	**49**	**62**

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

		2016	2015
13	**Investment property**		
	Fair value at 1 January	224	1.205
	Exchange rate adjustments	12	-12
	Additions for the year	33	15
	Disposals for the year	0	-984
	Fair value at 31 December	**269**	**224**

Total rental income for 2016 is DKK 12.6m (DKK 14m in 2015).

Total expenses for 2016 are DKK 0.6m (DKK 3m in 2015). Of this amount, not-hired property is DKK 0.1m (DKK 0.4m in 2015).
The total expenses at the income leading investment property are DKK 0.5m (DKK 2.6m in 2015).

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:

	2016	2015
Return percentages, weighted average		
Business property	6,4	6,4
Office property	6,4	6,4
Residential property	6,0	6,0
	6,4	6,4

		2016	2015
14	**Investments in Group undertakings**		
	Cost		
	Cost at 1 January	3.029	2.166
	Exchange rate adjustments	3	-13
	Additions for the year	125	876
	Disposals for the year	-177	0
	Cost at 31 December	2.980	3.029
	Revaluations to equity value		
	Revaluations at 1 January	307	322
	Exchange rate adjustments	17	-18
	Revaluations during the year	166	31
	Dividend paid	-30	-28
	Revaluations at 31 December	192	307
	Write downs		
	Write downs at 1 January	-73	-369
	Dividend paid	-290	0
	Reversel of write-downs made in the previous year (profit for the year)	363	296
	Write downs at 31 December	0	-73
	Carrying amount at 31 December	**3.172**	**3.263**

Name and registered office	**Ownership share in %**		**Profit/loss for the year**		**Shareholders equity**	
	2016	2015	2016	2015	2016	2015
Vesta Ejendomme AS, Bergen**	0	100	22	24	0	432
Respons Inkasso AS, Bergen	100	100	1	1	6	6
Thunes Vei 2 AS, Bergen	100	100	7	5	101	94
Tryg Ejendomme A/S, Ballerup*	100	100	490	296	2.932	2.731
Tryg Livsforsikring A/S	100	0	9	0	134	0

*Tryg Ejendomme A/S and Ejendomsselskabet af 8. maj 2008 A/S was merged at 1.1.2015 with Tryg Ejendomme as the continuing company
Securator A/S and Optimal Djurförsäkring i Norr AB was merged into Tryg forsikring A/S at 1.1.2015
**Vesta Eiendomme AS, Bergen was sold in 2016

Notes

DKKm		2016	2015
15	**Equity investments in associates**		
	Cost		
	Cost at 1 January	0	0
	Cost at 31 December	0	0
	Revaluations at net asset value		
	Revaluations at 1 January	14	15
	Exchange rate adjustments	-1	-1
	Disposals for the year	-13	0
	Revaluations at 31 December	0	14
	Carrying amount at 31 December	0	14

Shares in associates according to the latest annual report:

2016 Name and registered office	Assets	Liabilities	Equity	Revenue	Profit/Loss of the year	Ownership share in %
AS Eidsvåg Fabrikker, Norway	0	0	0	0	0	0

2015 Name and registered office	Assets	Liabilities	Equity	Revenue	Profit/Loss of the year	Ownership share in %
AS Eidsvåg Fabrikker, Norway	47	7	40	16	5	28

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

		2016	2015
16	**Other financial investment assets**		
	Sensitivity information		
	Impact on equity from the following changes:		
	Interest rate increase of 0.7-1.0 percentage point	-199	-153
	Interest rate fall of 0.7-1.0 percentage point	-148	-161
	Equity price fall of 12 %	-275	-297
	Fall in property prices of 8 %	-104	-239
	Exchange rate risk (VaR 99)	-14	-14
	Loss on counterparties of 8 %	-458	-372
	Risk on subsidaries	-14	0

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 15 Financial Investment assets in Tryg Forsikring Group.

	2016	2015
Receivables		
Receivables from insurance enterprises	1.291	1.460
Receivables from Group undertakings	742	523
Other receivables	823	830
	2.856	2.813
Specification of write-downs on receivables from insurance contracts		
Write-downs at 1 January	117	109
Exchange rate adjustments	3	-4
Reversed writedowns	-2	12
Write-downs at 31 December	118	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 53m in 2015 (DKK 54m in 2014).

Notes

DKKm		2016	2015
17	**Reinsurer's share**		
	Impairment test		
	As at 31 December 2016, 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 2m (DKK 3m in 2015). 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.		
18	**Current tax**		
	Net current tax, 1 January	-213	-454
	Exchange rate adjustments	-12	18
	Current tax for the year	-574	-442
	Current tax on equity entries	0	-96
	Adjustment of current tax in respect of previous years	43	0
	Tax paid for the year	488	761
	Net current tax at 31 December	**-268**	**-213**
	Current tax is recognised in the statement of financial position as follows:		
	Under assets, current tax	0	101
	Under liabilities, current tax	-268	-314
	Net current tax	**-268**	**-213**
19	**Premium provisions and claims provisions**		
	Please refer to the Note 1 and Note 18 in Tryg Forsikring Group		
20	**Deferred tax**		
	Tax asset		
	Operating equipment	8	9
	Debt and provisions	10	73
	Capitalised tax loss	1	1
		19	83
	Tax liability		
	Intangible rights	33	77
	Land and buildings	15	17
	Bonds and loans secured by mortgages	4	-39
	Contingency funds	600	597
		652	652
	Deferred tax	**633**	**569**
	Development in deferred tax		
	Deferred tax at 1 January	618	871
	Adjustment 1.1.2015 regarding new yield curves. Please refer to note 31 Accounting policies.	0	-56
	Exchange rate adjustments	-15	-111
	Change in deferred tax relating to change in tax rate	31	-49
	Change in deferred tax previous years	40	0
	Change in deferred tax taken to the income statement	-41	-69
	Change in valuation of tax asset	0	15
	Change in deferred tax taken to equity	0	-32
	Deferred tax at 31 December	**633**	**569**

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 -30m. (DKK -63m in 2015).

Notes

DKKm		2016	2015
21	**Other provisions**		
	Other provisions 1 January	131	83
	Change in provisions	-6	48
	Other provisions 31 December	**125**	**131**

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 50m and reassessment of the beginning of year balance amounts to DKK -57m. The balance as at 31 December 2016 amounts to DKK 123m (DKK 130m at 31 December 2015).

		2016	2015
22	**Amounts owed to credit institutions**		
	Overdraft facilities	178	64
		178	**64**

		2016	2015
23	**Debt relating to unsettled funds transactions and repos**		
	Unsettled fund trading	258	289
	Repo debt	1.474	3.785
		1.732	**4.074**

Unsettled fund transactions include debt for bonds purchased in 2015 and 2016; however, with settlement in 2016 and 2017 respectively.

24 Own funds

2016

Own funds

From 1 January 2016 new Solvency II rules are effective:

Equity according to annual report	10.127
Proposed dividend	-2.700
Intangible assets	-884
Profit margin, solvency purpose	970
Taxes	-27
Subordinate loan capital	2.364
Own funds	**9.850**

2015

Capital adequacy

Solvency margin	3.138
Shareholder's equity according to annual report 2015	10.322
Deduction regarding subsidaries*	-166
Tier 1 capital	10.156
Subordinate loan capital	1.707
Proposed dividend	-1.450
Value of intangible assets	-1.037
Discounting	-339
Capital adequancy subsidiary undertaking	-231
Total capital base	**8.806**
Total distributable capital base	**5.668**

* Including tax assets, equalisation reserve, discounting and intangible assets
The capital base and the solvency ratio are calculated in accordance with the Danish Financial Business Act.
The calculation of 2015 Solvency I - ratio has not been adjusted for the FSA executive order on yield curves from 1 January 2016.

25 Contractual obligations, collateral and contingent liabilities

	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

Contractual obligations	Obligations due by period				
2015	0-1 year	1-3 years	3-5 years	> 5 years	Total
Operating leases	66	110	76	56	308
Other contractual obligations	239	104	0	0	343
	305	214	76	56	651

2016

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

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.

2015

In august 2015 Tryg Forsikring and Skandia have signed an agreement whereby Tryg will acquire Skandia's activities within child and adult accident insurance and integrate them into its Swedish business, Moderna Forsäkringar. The transaction is subject to regulatory approvals and the parties expect it to be completed in second half 2016. Hereafter Tryg will take over the control of the portfolios. The acquisition has no effect on the financial statement for 2015.

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.

	2016	2015
Tryg Forsikring A/S has registered the following assets as having been held as security for the insurance provisions:		
Equity investments	36	36
Unit trust units	3.950	3.950
Bonds	32.447	33.064
Interest and rent receivable	221	227
Equity investments in and receivables from Group undertakings	3.172	3.172
Total	**39.826**	**40.449**

Please find offsetting and collateral in relation to financial assets and obligations in Tryg Forsikring Group note 26.

Contingent liabilities

Companies in the Tryg Forsikring Group are party to a number of disputes.
Management believes that the outcome of disputes will not affect the Tryg Forsikring's financial position significantly beyond the obligations recognized in the statement of financial position at 31 December 2016.

Notes

DKKm	2016	2015
26 Acquisition of activities		
Please refer to the Note 27 Acquisition of subsidiaries in Tryg Forsikring Group.		

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, Group Executive Management and their families.

	2016	2015
Premium income		
- TryghedsGruppen smba	0,5	0,3
- Key management	0,4	0,3
- Other related parties	3,7	1,9
Claims paid		
- TryghedsGruppen smba	0,0	0,1
- Key management	0,1	0,0
- Other related parties	1,8	0,5

Specification of remuneration

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

*) Including charges for matching shares allocated in 2016 for fiscal year 2015.

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

2015	Number of persons	Basis salary	Variable salary *)	Pension	Total*
Supervisory Board	13	6	0	0	6
Executive Management	3	21	2	5	28
Risk-takers	8	19	1	5	25
	24	46	3	10	59

*) Exclusive severance pay

Of which retired	Number of persons	Severance pay
Supervisory Board	1	0
Executive Management	0	0
Risk-takers	2	14
	3	14

There has not been paid any severance pay of more than DKK 7m.

27 Related parties (continued)

Fees are charges incurred during the financial year. Variable salary includes the charges for matching shares, which are recognised over 3-4 years and share options, which are recognised over 3 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).

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.

Intra-group transactions

	Tryg A/S	Group undertakings
Providing and receiving services	16	9
Intra-group account	703	-106

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

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.

Notes

DKKm		2016	2015
28	**Reconciliation of profit/loss and equity** The executive order on application of International Financial Reporting Standards for companies subject to the Danish Financial Business Act issued by the Danish FSA requires disclosure of differences between the format of the annual report under International Financial Reporting Standards and the rules issued by the Danish FSA. The following is a reconciliation of equity.		
	Equity reconciliation		
	Equity - IFRS	10.127	10.120
	Deferred tax provisions for contingency funds	15	15
	Change during the year of deferred tax provisions for contingency funds	-15	0
	Equity - Danish FSA executive order	**10.127**	**10.135**

29 **Financial highlights**
Please refer to next page

30 **Accounting policies**
Please refer to the Note 30 Accounting policies in Tryg Forsikring Group.

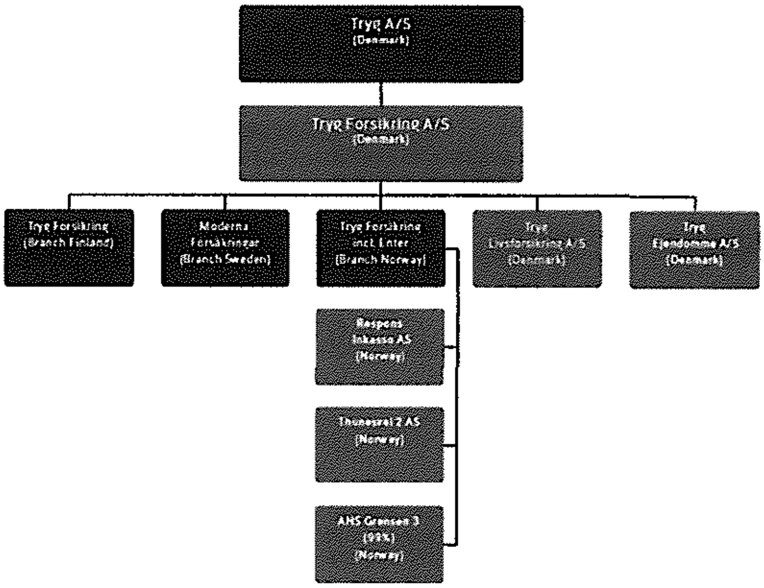
Notes

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

DKKm	2016	2015	2014	2013	2012
Gross premium income	17.684	17.977	18.652	19.504	20.333
Gross claims	-11.613	-13.561	-12.650	-14.411	-14.680
Total insurance operating costs	-2.809	-2.809	-2.772	-3.225	-3.379
Profit/loss on gross business	3.262	1.607	3.230	1.869	2.274
Profit/loss on ceded business	-951	710	-341	349	72
Insurance technical interest, net of reinsurance	0	0	0	0	0
Technical result	**2.311**	**2.317**	**2.889**	**2.218**	**2.345**
Investment return after insurance technical interest	925	190	473	818	685
Other income	105	81	81	99	105
Other costs	-198	-97	-120	-139	-99
Profit/loss for the year before tax	**3.143**	**2.491**	**3.323**	**2.996**	**3.037**
Tax	-617	-508	-733	-582	-800
Profit/loss for the year, continuing business	**2.526**	**1.983**	**2.590**	**2.413**	**2.237**
Profit/loss on discontinued and divested business after tax *	-1	49	10	-4	28
Profit/loss for the year	**2.525**	**2.032**	**2.600**	**2.409**	**2.265**
Run-off gains/losses, net of reinsurance	1.227	1.212	1.131	970	1.015
Relative run-off gains/losses	5,6	4,8	4,8	3,9	4,1
Statement of financial position					
Total provisions for insurance contracts	30.601	31.814	31.692	32.939	34.355
Total reinsurers' share of provisions for insurance contracts	2.034	3.176	1.938	2.620	2.317
Total equity	10.127	10.135	11.843	11.740	10.889
Total assets	49.527	52.008	53.584	54.742	55.514
Key ratios					
Gross claims ratio	65,7	75,4	67,8	73,9	72,2
Business ceded as a percentage of gross premiums	5,4	-3,9	1,8	-1,8	-0,4
Claims ratio, net of ceded business	71,1	71,5	69,6	72,1	71,8
Gross expense ratio	15,9	15,6	14,9	16,5	16,6
Combined ratio	**87,0**	**87,1**	**84,5**	**88,6**	**88,4**
Operating ratio	86,9	87,1	84,5	88,6	88,5
Return on equity after tax and before discontinued and divested business (%)	24,9	18,0	22,0	21,3	22,5
Return on equity after tax and discontinued and divested business (%)	24,9	18,5	22,0	21,3	22,8
Solvency ratio**	1,9	2,8	2,9	2,9	2,5

*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 2012-2015 are the ratio between base capital and weighted assets and are audited. Solvency II ratio in 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 2017. 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 & Financial Ratios 2010' issued by the Danish Society of Financial Analysts.

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

Gross claims ratio

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

Net reinsurance ratio

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

Gross expense ratio
Calculated as the ratio of gross insurance operating expenses, including adjustment and gross premium income. The adjustment involves the deduction of depreciation and operating costs on the owner-occupied property and the addition of a calculated cost (rent) concerning the owner-occupied property based on a calculated market rent.

$$\frac{\text{Gross insurance operating costs w. adjustment} \times 100}{\text{Gross earned premiums}}$$

Gross expense ratio without adjustment

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

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.

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

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

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

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

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.