# Supervisory Board

### Jukka Pertola
**Chairman**
Born in 1960. Joined the Supervisory Board in 2017.
Finnish citizen.
**Career:** Professional board member. Former CEO of Siemens.
**Education:** MSc in Engineering.
**Board seats, Chairman:** Danish Academy of Technical Sciences (ATV), Gomspace Group AB / GomSpace A/S, Leo Pharma A/S, Siemens Gamesa Renewable Energy A/S, Tryg A/S and Tryg Forsikring A/S, IoT Denmark A/S, Monsenso ApS.
**Board seats, Deputy Chairman:** Cowi Holding A/S.
**Board member:** Industriens Pensionsforsikring A/S.
**Committee membership:** IT-Data Committee in Tryg A/S. chairman in nomination committee and remuneration committee.
**Number of shares held:** 4,000
**Change in portfolio 2018:** +2,800

### Torben Nielsen[b]
***Deputy Chairman***
Born in 1947. Joined the Supervisory Board in 2011.
Danish citizen.
**Career:** Professional board member, Adjunct Professor at Copenhagen Business School. Former Governor of Danmarks Nationalbank (Danish Central Bank).
**Education:** Savings bank training, Graduate Diplomas in Organisation, Work Sociology, Credit and Financing.
**Board seats, Chairman:** Sydbank A/S, Ny Holmegaard Fonden, Ny Holmegaard Værk, Investeringsforeningen Sparinvest, Vordingborg Borg Fund and KTIF (Kapitalforeningen Tryg Invest Funds).
**Board seats, Deputy Chairman:** Tryg A/S and Tryg Forsikring A/S.
**Board member:** Sampension AKP Livsforsikring A/S and member of the Executive Management of Bombebøssen (pension fund).
**Committee memberships:** Audit Committee (Chairman), Risk Committee (Chairman) and Nomination Committee in Tryg, Risk Committee (Chairman) in Sydbank and Remuneration and nomination committee at Sampension (Chairman).
**Number of shares held:** 27,000
**Change in portfolio 2018:** +6,000

### Elias Bakk
Born in 1975. Employee representative. Joined the Supervisory Board in 2017. Swedish citizen. Employed since 2006.
**Career:** Team Manager Elkjöp Claims NO.
**Education:** Norrea Real Gymnasium.
Education at 'Forsikringsakademiet' for new board members.
**Number of shares held:** 670
**Change in portfolio 2018:** 0

### Lone Hansen
Born in 1966. Employee representative. Employee since 1990. Joined the Supervisory Board in 2012. Danish citizen.
Chairman of the Association for Tied Agents and Key Account Managers in Tryg.
**Education:** Certified commercial insurance agent. Various insurance and sales courses and negotiation training.
**Board member:** Tryg A/S and Tryg Forsikring A/S. Member of the Tied Agents' District Board of Finansforbundet.
***Committee memberships:*** *IT-Data Committee in Tryg A/S.*
**Number of shares held:** 898
**Change in portfolio 2018:** +148

### Jesper Hjulmand[a]
Born in 1963. Joined the Supervisory Board in 2010.
Danish citizen.
**Career:** CEO of SEAS-NVE A.m.b.A.
**Education:** MSc (Economic and Business Administration), Lieutenant-Colonel Royal Danish Air Force Reserve, Pathfinder and MBA module 'Strategic business understanding' (SDU).
**Board seats, Chairman:** Cerius A/S, Energy Denmark A/S, Fibia P/S and TryghedsGruppen smba.
**Board member:** Tryg A/S, Tryg Forsikring A/S, SEAS-NVE Holding A/S and Central Board of the Confederation of Danish Industry.
**Committee memberships:** Audit Committee, Nomination Committee, and Risk Committee of Tryg, Representatives of Danish Energy, Representatives of TryghedsGruppen smba and Representatives of Forenet Kredit.
**Number of shares held:** 8,750
**Change in portfolio 2018:** 0

### Ida Sofie Jensen[a]
Born in 1958. Joined the Supervisory Board in 2013.
Danish citizen.
**Career:** Group Managing Director of Lif (Medicine and Healthcare Industry), CEO of the subsidiary DLI A/S (Danish Medicine Information) and the subsidiary ENLI ApS (Ethical Board for the Pharmaceutical Industry).
**Education:** MSc in Political Science (cand.scient.pol.), European Health Leadership Programme INSEAD, Executive Management Programme INSEAD, Executive Program Columbia Business School, Executive Program Singularity University.
**Board seats, Deputy Chairman:** Hans Knudsen Instituttet (business trust).
**Board member:** Tryg A/S, Tryg Forsikring A/S and Trygheds-Gruppen Smba.
**Committee memberships:** Remuneration Committee and IT-Data Committee in Tryg A/S.
**Number of shares held:** 2,368
***Change in portfolio 2018:*** *0*

## Committee meetings overview 2018

| Name | Supervisory Board | Audit Committee | Nomination Committee | Risk Committee | Renumeration Committee | IT-Data Committee |
|---|---|---|---|---|---|---|
| Jukka Pertola | 9/9 | | 2/2 | | 6/6 | 3/3 |
| Torben Nielsen | 9/9 | 6/6 | 2/2 | 6/6 | | |
| Elias Bakk | 9/9 | | | | | |
| Lone Hansen | 9/9 | | | | | 3/3 |
| Jesper Hjulmand | 9/9 | 4/6 | | 4/6 | | |
| Ida Sofie Jensen | 8/9 | | | | 6/6 | 2/3 |

Members of the Supervisory Board are elected for a term of one year. Employee representatives are, however, elected for a term of four years.
a) Dependent member of the Supervisory Board.
b) Independent member of the Supervisory Board, as per the definition in Recommendations on Corporate Governance.

# Supervisory Board

**Lene Skole**[b)]
Born in 1959. Joined the Supervisory Board in 2010. Danish citizen.
**Career:** CEO of Lundbeckfonden (+ Lundbeckfond Invest A/S).
**Education:** The A.P. Møller Group International Shipping Education, Graduate Diploma in Finance and various international management programmes.
**Board seats, Chairman:** LFI Equity A/S.
**Board seats, Deputy Chairman:** Ørsted A/S, H. Lundbeck A/S, ALK-Abelló A/S and Falck A/S.
**Board member:** Tryg A/S and Tryg Forsikring A/S.
**Committee memberships:** Audit Committee and Risk Committee in Tryg, Audit, Scientific & Nomination Committee in ALK-Abelló A/S, Scientific and Remuneration Committee in H. Lundbeck A/S, Remuneration Committee in Falck A/S and Nomination and Remuneration Committee in Ørsted A/S.
**Number of shares held:** 7,025
**Change in portfolio 2018:** 0

**Tom Eileng**
Born in 1954. Employee representative. Joined the Supervisory Board in 2016. Norwegian citizen. Employed since 1986.
**Career:** Deputy chairman of Finansforbundet Tryg and Senior Commercial Adviser.
**Education:** Business Economist. Authorised adviser in life and non-life insurance.
**Board member:** Tryg A/S, Tryg Forsikring A/S and Vesta Støttefond.
**Committee memberships:** Remuneration Committee in Tryg A/S.
**Number of shares held:** 468
**Change in portfolio 2018:** +148

**Tina Snejbjerg**
Born in 1962. Employee representative. Employed since 1987. Joined the Supervisory Board in 2010. Danish citizen.
**Career:** Officer of Tryg's Personnel Department.
**Education:** Insurance training.
**Board member:** Tryg A/S and Tryg Forsikring A/S.
**Committee memberships:** Audit Committee in Tryg and the Central Board of Forsikringsforbundet.
**Number of shares held:** 898
**Change in portfolio 2018:** +148

**Anders Hjulmand**[a)]
Born in 1951. Joined the Supervisory Board in 2016. Danish citizen.
**Career:** Lawyer and partner at HjulmandKaptajn.
**Education:** LL.M.
**Board seats, Chairman:** B&E STÅL A/S, Brdr. Schlie's Fiskeeksport A/S, Conscius A/S, Danish Label Coating A/S, Friis & Moltke A/S, Nordjyske Jernbaner A/S, Palle Mørch A/S, Pava Produkter A/S, Seafood Danmark A/S, Scan Fish Danmark A/S, Thor Fisk A/S, Lerøy Schlie A/S, PSC A/S, P. Taabell & Co., Hanstholm A/S, GF Inveco A/S, PM Holding ApS and a number of subsidiaries.
**Board seats, Deputy Chairman:** TryghedsGruppen Smba, CPS A/S and Utzon Foundation.
**Board member:** Tryg A/S and Tryg Forsikring A/S, FDE Fonden, Effer Krancenter A/S, Sawo A/S and TryghedsGruppen smba.
**Number of shares held:** 3,622
**Change in portfolio 2018:** 0

**Mari Thjømøe**[b)]
Born in 1962. Joined the Supervisory Board in 2012. Norwegian citizen.
**Career:** Professional board member and independent adviser.
**Education:** MSc in Economics and Business Administration, Chartered Financial Analyst (CFA) as well as Senior Executive Programme from London Business School and Effective Board Management from Harvard Business School.
**Board seats, Chairman:** Seilsport Maritimt Forlag AS, TF Bank AB and ThjømøeKranen AS.
**Board seats, Deputy Chairman:** Norconsult A/S and Norconsult Holding.
**Board member:** Tryg A/S, Tryg Forsikring A/S, Norconsult as, Nordic Mining ASA, Forskningskonsernet Sintef, Sintef AS, Scatec Solar ASA, Hafslund E-CO AS and Ice ASA.
**Committee memberships:** Chairman of the Audit Committee in Norconsult and the Remuneration Committee in TF Bank AB. Member of Tryg's Audit Committee and Risk Committee, the Audit Committees in Scatec Solar ASA, TF Bank AB, Hafslund E-CO and Ice ASA.
**Number of shares held:** 3,900
**Change in portfolio 2018:** +600

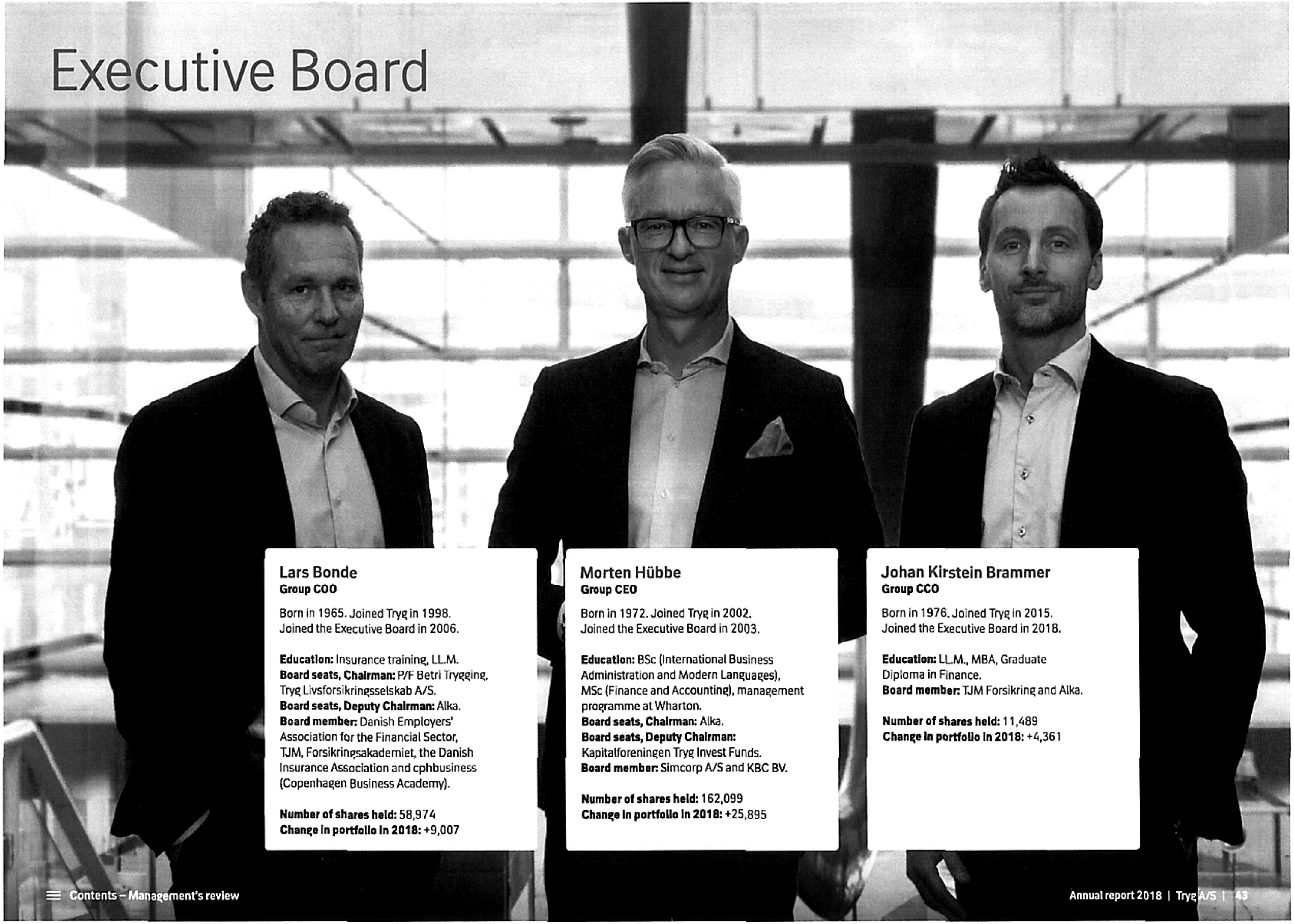
**Carl-Viggo Östlund**[b)]
Born in 1955. Joined the Supervisory Board in 2015. Swedish citizen.
**Career:** CEO of Allert Östlund AB, professional board member and independent adviser. Former CEO of the Swedish banks SBAB and Nordnet as well as the insurance company SalusAnsvar.
**Education:** BSc in International Business and Finance & Accounting.
**Board seats, Chairman:** Bridge Scandinavia Ventures AB, Creador AB, FCG Fonder AB, HappyX AB, Insiderfonder AB, Irisande Care Group AB, Hypoteket AB, Papilly AB, Ponture AB, Juvinum Food & Beverage AB, Ywonn Media Group AB.
**Board member:** DBT Capital AB, Havsgaard AB, Holmö Fastigheter AB, Tryg A/S, Tryg Forsikring A/S, Wonderbox AB.
**Committee memberships:** Remuneration Committee and IT-Data Committee in Tryg.
**Number of shares held:** 1,810
**Change in portfolio 2018:** +580

## Committee meetings overview 2018

| Name | Supervisory Board | Audit Committee | Nomination Committee | Risk Committee | Renumeration Committee | IT-Data Committee |
|---|---|---|---|---|---|---|
| Lene Skole | 9/9 | 6/6 | | 6/6 | | |
| Tom Eileng | 9/9 | | | | 6/6 | |
| Tina Snejbjerg | 8/9 | | | 6/6 | | |
| Anders Hjulmand | 9/9 | | | | | |
| Mari Thjømøe | 9/9 | 6/6 | | 6/6 | | |
| Carl-Viggo Östlund | 9/9 | | | | 6/6 | 3/3 |

Members of the Supervisory Board are elected for a term of one year. Employee representatives are, however, elected for a term of four years.
a) Dependent member of the Supervisory Board.
b) Independent member of the Supervisory Board, as per the definition in Recommendations on Corporate Governance.

# Executive Board



**Lars Bonde**
**Group COO**

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

**Education:** Insurance training, LL.M.
**Board seats, Chairman:** P/F Betri Trygging, Tryg Livsforsikringsselskab A/S.
**Board seats, Deputy Chairman:** Alka.
**Board member:** Danish Employers' Association for the Financial Sector, TJM, Forsikringsakademiet, the Danish Insurance Association and cphbusiness (Copenhagen Business Academy).

**Number of shares held:** 58,974
**Change in portfolio in 2018:** +9,007

**Morten Hübbe**
**Group CEO**

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

**Education:** BSc (International Business Administration and Modern Languages), MSc (Finance and Accounting), management programme at Wharton.
**Board seats, Chairman:** Alka.
**Board seats, Deputy Chairman:** Kapitalforeningen Tryg Invest Funds.
**Board member:** Simcorp A/S and KBC BV.

**Number of shares held:** 162,099
**Change in portfolio in 2018:** +25,895

**Johan Kirstein Brammer**
**Group CCO**

Born in 1976. Joined Tryg in 2015.
Joined the Executive Board in 2018.

**Education:** LL.M., MBA, Graduate Diploma in Finance.
**Board member:** TJM Forsikring and Alka.

**Number of shares held:** 11,489
**Change in portfolio in 2018:** +4,361

# Corporate Responsibility in Tryg

## Statutory Corporate Responsibility report

Tryg has been a signatory member to the UN Global Compact since 2008. Our 2020 Corporate Responsibility strategy focuses on three areas – Peace of mind in society, Responsible workplace and Customer relations – and is closely linked to our business model (see page 11). In 2018, Tryg's Corporate Responsibility policy was updated to further clarify its alignment with our purpose 'As the world changes, we make it easier to be tryg'[a] and to establish a closer link to our Corporate Responsibility strategy.

Claims prevention is a central part of Tryg's 2020 corporate strategy and our Corporate Responsibility efforts. Our ambition is to minimise and prevent the number of claims by integrating prevention initiatives into our insurance products.

In addition to this Corporate Responsibility section, we have published an independent Corporate Responsibility report with extended Environmental, Social and Governance (ESG) data.

**Download** the Corporate Responsibility report

### Peace of mind in society

**Nightravens**

As part of our efforts to create peace of mind in society, we are committed to running the Nightravens secretariat in Norway. The Nightravens are local groups of volunteers who walk the streets at night offering help and preventing unwanted incidents. There are more than 300 groups of Nightravens in Norway made up of a diverse mix of volunteers in terms of their nationality, gender and age.

**Lifebuoys**

Since 1952, Tryg's iconic lifebuoys have contributed to safety along the coastline, lakes and rivers in Norway. The lifebuoy is a vitally important piece of rescue equipment, and for decades, Tryg has provided lifebuoys to Norwegian society. Tryg's 43,000 lifebuoys are located from Lindesnes in southern Norway to Svalbard, the Norwegian archipelago in the Arctic Ocean.

**Safe in water**

In 2018, Tryg partnered with the Norwegian Society for Sea Rescue, Region West, to offer a course called 'Safe in water'. The course is aimed at 12 to 14-year-old schoolchildren. The courses are run eight times a year, in autumn and winter, and give the children a chance to experience being in the cold water wearing wetsuits and life jackets, while being supervised by skilled instructors. The courses focus on understanding the risks associated with water, on practising first aid and learning the key principles of self-rescue and lifesaving. Learning to throw Tryg lifebuoys is also an important part of the course.

### Responsible workplace

In 2018, Tryg conducted an internal assessment of the 17 UN Sustainable Development Goals (SDGs) and the assosiated169 targets. As one of the largest non-insurance companies in the Nordic region, we have a responsibility and an opportunity of making an impact on the SDGs and use our expertise to help realise the goals. See our 2018 independent Corporate Responsibility report for further information on methodology and selected targets.

**Workplace responsibility**

Our employees are our most valuable resources and key to providing competent and high-quality services to our customers. The well-being of our employees is vital to Tryg, as is protecting their right to a healthy and safe working environment. Through our materiality assessment, it has become clear that there is a risk that Tryg can have adverse impacts on its employees through, for example, dissatisfaction, discrimination or the physical or psychosocial working environment. To mitigate this risk, we are continuously working to improve conditions for our employees.

Tryg has collective bargaining agreements in the Scandinavian countries where more than 99% of our employees are employed. The majority of our Scandinavian employees are covered by these agreements, and the remaining employees are on individual contracts. All Tryg employees are covered according to national standards and requirements.

Acknowledging that our business must evolve and develop in the digital age, we realise that this may potentially have an adverse impact on our employees. Tryg mitigates the adverse impact through external outplacement programmes, while ensuring that many reductions in employee numbers take the form of natural departures.

**Employee satisfaction**

The annual employee satisfaction survey measures employee satisfaction and monitors

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

the development in employee satisfaction levels. Processes are in place to ensure that low-scoring departments receive clear guidance and support, and that action plans are made. In 2018, the overall employee satisfaction score was 78, up from 76 in 2017. It proofs that our efforts are working, and we will continue this focus going forward.

**A diverse company and a driver of change**

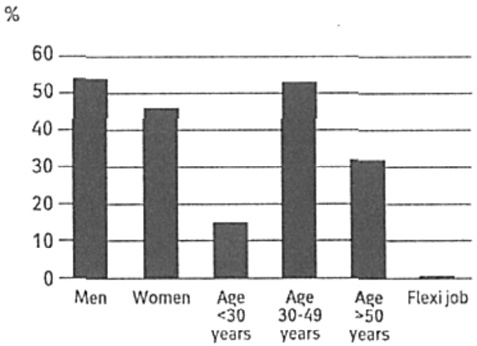
Women in management positions remain a continuous focus area in Tryg. To support our target, we focus specifically on our recruitment process, while an internal rotation programme is in place to improve conditions and career opportunities for talented women and men.

To further boost and encourage women in management positions, Tryg has an action plan, which is revised annually, outlining actions to support our target of increasing the number of women in management positions. In 2018, we raised our target from 38% to 41% in 2020. In 2018, the share of women in management positions were 33%, a decrease of 4 percentage points compared to 2017 hence we did not meet our target of 38%. Compared to 2017, the number of women in management positions decreased by three. In 2018, Tryg increased the total number of management positions and the declining in share of women in management positions is mainly due to organisational changes. When recruiting, we focus on getting the best competencies for the job. Going forward, Tryg will continue our efforts on attracting women for management positions.

❯ General action plan for Women in Management

Tryg remains a committed member of the Danish Diversity Council to help inspire and grow the number of women in management positions. To inspire positive role models in Tryg, our LeadTheFuture programme encourages female managers to act as role models by sharing their experiences and knowledge about their own career choices.

**Employee mix**




Tryg's Supervisory Board has an equal gender distribution. Read more in the Corporate Governace section on page 35-36.

In Tryg, we do not accept discrimination based on gender, age, ethnicity etc., and work actively to nourish an open-minded culture. Tryg additionally has a diverse workforce representing the society we are part of.

❯ See Tryg's Competency and diversity policy

**Strengthening our employees**

Tryg offers training, e-learning and education to our employees as well as identifying career opportunities through our People Review to ensure development and capacity building.

It is important to maintain a healthy work-life balance, and we aim to be a flexible workplace where it is possible to balance your career and family life.

**Human rights and responsible supply chain management**

Tryg respects human rights as described in the Universal Declaration of Human Rights. Our commitment is enforced through our signatory membership of the UN Global Compact and is outlined in our Corporate Responsibility policy as well as Tryg's Code of Conduct.

Our materiality assessment indicated that there is a risk of violating human and labour rights in our supply chain through our outsourcing activities. To mitigate any violations, we actively monitor our outsourcing suppliers and seek constructive dialogue. Prior to signing a supplier contract, all suppliers undergo a preapproval process. Our suppliers are required to sign our Code of Conduct which outlines our expectations for our business relations.

Tryg has established a process for auditing our outsourcing suppliers to ensure that any potential or actual adverse impacts and risks in our supply chain are handled. All outsourcing suppliers are asked to fill out a self-assessment questionnaire prior to a scheduled on-site audit. If the on-site audit reveals any potential red flags, it will lead to an action plan and follow-up dialogue. If a supplier does not comply with the requirements imposed by Tryg, we will engage in dialogue to ensure improvement. In case of repeated failed attempts at collaboration, Tryg can terminate the contract as a final resort.

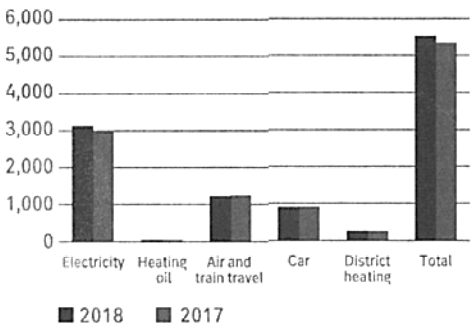
In 2018, our audits revealed no violations or red flags among our audited high-risk outsourcing suppliers.

The process continues in 2019, and all outsourcing suppliers are expected to be audited by 2020. To support the new audit process, Tryg launched a training programme for procurement employees and auditors in 2018, to build capacity for identifying actual or potential violations on site. The training sessions are held annually.

**See** Tryg's Corporate Responsibility policy and Code of Conduct

**Carbon emissions**

Tonnes




The carbon emissions chart covers both Norway and Denmark; air and train travel also include Sweden while car only applies for Denmark.

**Climate and environmental responsibility**

Tryg has a direct impact on the climate and the environment through our operations, and indirectly through our business activities. We have focused our efforts on our internal operations and on initiatives aimed at improving our footprint, while also reducing costs. Although Tryg is not an energy-intensive company since our carbon emissions are mainly associated with heating and electricity use at our offices, car and air travel, we acknowledge that we are part of the solution to minimising carbon emissions. One of the areas in which Tryg has a potential adverse impact on the environment is waste production, which is why we are committed to reducing waste.

Our materiality assessment showed that the climate and the environment are material issues for Tryg and for our stakeholders. Extreme weather events such as flooding, cloudbursts and storms present a risk to Tryg and are causing harm and concern to our customers and to society in general. Tryg's Corporate Responsibility policy further outlines our commitment to minimising our own environmental footprint.

**Climate and environmental initiatives**

Tryg has initiated a process to install more efficient and climate-friendly LED lighting at our offices, as well as installing more screens for Skype meetings to reduce air travel and offering electric cars for external meetings.

In 2018, we installed more electric chargers at our offices in Ballerup, Denmark and Bergen, Norway to encourage our employees to switch to electric cars. Tryg additionally participates in a mobility network with the Municipality of Ballerup to discuss solutions aimed at improving public transport.

We continuously work to minimise and sort our waste at local waste stations to reduce waste volumes. In 2018, several new initiatives to reduce waste at the offices in Norway, resulted in gathering and sorting of large volumes of glass and plastic.

In 2018, Tryg's estimated carbon emissions increased by 3% compared to 2017. The increase is mainly due to an ongoing renovation of our office buildings and extended opening hours and an update of our calculation method for carbon emissions. Thus, we have not achieved our target of a 1% reduction in 2018 compared to 2017. Our target for 2020 is a 2% reduction compared to 2018.

In 2019, Tryg will develop a climate and environmental action plan and focus on a waste reduction initiative at our canteen facilities to grow understanding of waste reduction.

**Eco-lighthouse in Norway**

The Eco-lighthouse is a climate and environmental certification scheme in Norway. Eight of our Norwegian offices are Eco-lighthouse-certified. We annually produce an Eco-lighthouse report to describe progress and document the policies and procedures in place to manage our impact on the climate and the environment.

**Business ethics and compliance**

Tryg is committed to running an ethical, transparent and responsible business. Our materiality assessment showed that anti-corruption, business ethics and data protection are material matters to Tryg. Tryg's Code of Conduct defines the rules, which all employees and business partners are required to adhere to. Our Tax policy and Anti-corruption policy further outlines our commitment to acting as a responsible company.

**See** Anti-corruption policy and Tax policy

**Data security and GDPR**

In 2018, the EU's General Data Protection Regulation (GDPR) came into force. Tryg is a data-driven company, and we need data to assess our customers' claims risk. This is the foundation of providing our core product: insurance. Implementing the GDPR regulation means increasing transparency on how we handle customer data and what types of data we use.

Tryg has implemented a GDPR compliance plan and appointed a Data Protection Officer (DPO) to ensure that the necessary systems and processes are in place. Our internal data breaches, process enables all employees to report any data breaches and all Tryg employees have completed mandatory e-learning on GDPR.

> **See** our Personal data policy

**Whistleblower hotline**
Tryg's whistleblower hotline is available for all our stakeholders to report any violation of our Code of Conduct or any other concerns and is handled by the chairman of the Audit Committee, assisted by Tryg's Legal and Compliance Department. In 2018, seven whistleblower cases were reported and investigated, and the necessary actions were taken.

> Tryg's whisteblower hotline

**Responsible investments**
Our materiality assessment identified responsible investments as a material issue for Tryg. We are at risk of violating international standards when investing, and we want to be transparent about our efforts to mitigate this risk. In 2017, we published our Responsible investment policy, which illustrates our belief in the importance of not violating international conventions or principles when investing.

In 2018, we updated our process for ethical screenings for potential violations of the conventions in our investment portfolio, including not only our portfolio holdings, but also the ultimate parents. We established an internal procedure for handling any such violations. We perform an ethical screening annually, and will continue our screening practice in 2019.

**Download** Tryg's responsible investment policy and Policy for execution of active ownership

## Customer relations
Ensuring competent and responsible customer relations is at the core of our business model and our ability to retain our customers year after year.

To measure satisfaction levels among our customers and to help us improve, we ask our customers to rate our performance when having been in contact with Tryg.

In 2018, our Transactional Net Promotor Score (TNPS) was 67. Our target is a score of 70 by 2020.

# Contents – Financial statements 2018

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

### Tryg Group



### Tryg A/S (parent company)



### Reporting for Q4



### Information

# 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 2018 of Tryg A/S and the Tryg Group.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the financial statements of the parent company have been prepared in accordance with the Danish Financial Business Act and the requirements of NASDAQ Copenhagen for the presentation of the financial statements of listed companies. In addition, the annual report has been presented in accordance with additional Danish disclosure requirements for the annual reports of listed financial enterprises.

In our opinion, the accounting policies applied are appropriate, and the annual report gives a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2018 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 2018.

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, 22 January 2019**

**Executive Board**

Morten Hübbe
Group CEO

Lars Bonde
Group COO

Johan Kirstein Brammer
Group CCO

Godkendt på selskabets general-forsamling den 15. marts 2019

KLAUS SØGAARD, DIRIGENT

**Supervisory Board**

Jukka Pertola
Chairman

Torben Nielsen
Deputy Chairman

Elias Bakk

Tom Eileng

Lone Hansen

Anders Hjulmand

Jesper Hjulmand

Ida Sofie Jensen

Lene Skole

Tina Snejbjerg

Mari Thjømøe

Carl-Viggo Östlund

# Independent auditor's report

## To the shareholders of Tryg A/S

**Opinion**
We have audited the consolidated financial statements and the parent financial statements of Tryg A/S for the financial year 1 January to 31 December 2018, pages 54-113, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the summary of significant accounting policies, for the Group as well as the Parent and the consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2018 and of its financial performance and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial companies.

Also, in our opinion, the parent financial statements give a true and fair view of the financial position of the Parent at 31 December 2018 and of its financial performance for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Business Act.

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

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

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Claims provisions

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

The claims provisions amount to DKK 24,847m at 31 December 2018 (2017: DKK 23,925m).

Management has specified the risks etc. related to the estimates of the claims provisions in note 1 'Risk and capital management' on pages 61-62 and in 'Accounting policies', note 30 on pages 98-99. The principles of estimating the claims provisions have been specified in 'Accounting policies', note 30 on pages 104-105, and further specified in note 1 on pages 63-66 and in note 19 on page 89.

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 factors.
- Expectations for future inflation.
- Determination of the margin included in Management's estimate of the claims provisions to address the uncertainty related to the actuarial estimates.

## How the matter was addressed in the audit

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

## Accounting for business combinations – Acquisition of Forsikrings-Aktieselskabet Alka

On 8 November 2018, Tryg Forsikring A/S has taken over Forsikrings-Aktieselskabet Alka at a total purchase price of DKK 8,477m, resulting in the recognition of goodwill of DKK 4,241m and other intangible assets of DKK 1,429m.

The allocation of the purchase price to assets and liabilities acquired relies on assumptions and estimates made by Management. Due to the significance of these assumptions and estimates and the size of the acquired business, the audit of the acquisition of Forsikrings-Aktieselskabet Alka is considered a key audit matter.

Management has specified the purchase price allocation in 'Acquisition of subsidiaries', note 27 on page 95 and the risks etc. related to the assumptions and judgements in 'Accounting policies', note 30 on page 99. The principles of accounting for business combinations have been specified in 'Accounting policies', note 30 on page 100.

In accordance with the requirements of IFRS 3 'Business Combinations', Management has prepared a purchase price allocation where they have valued the identified acquired assets and liabilities at fair value.

The most important assumptions and estimates relate to:

- Identification of acquired assets and liabilities.
- Future cash flow anticipated from the acquired customer relationship and brand value.
- Discount rate applied.

## How the matter was addressed in the audit

- We have tested the purchase price allocation prepared by Management and the identification of acquired assets and liabilities.
- We have assessed and challenged Management's assumptions and estimates used in its fair value models for identifying and measuring customer relationship and brand value.
- We have assessed and challenged Management's assumptions and estimates for future cash flow projections.
- We have consulted with Deloitte's subject matter experts regarding the valuation methodologies and assumptions applied.
- We have obtained supporting documentation of Management's estimates and key assumptions and corroborated certain information – including the applied discount rates – with third party sources.
- We have tested the mathematical accuracy of the calculations in the models.
- We have considered the impact of reasonably possible changes in key assumptions and performed sensitivity calculations to quantify the impact of potential downside changes to Management's models.

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

We were appointed auditors of Tryg A/S on 28 January 2002 for the financial year 2002 as part of the formation of the Company. However, we have been the appointed auditors of the underlying subsidiaries since before 1995. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of more than 17 years up to and including the financial year 2018.

**Statement on the management's review**
Management is responsible for the management's review.

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

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

**Management's responsibilities for the consolidated financial statements and the parent financial statements**
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial companies, and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management

determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Ballerup, 22 January 2019**
**Deloitte**
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Jens Ringbæk
State Authorised Public Accountant,
MNE no 27735

Kasper Bruhn Udam
State Authorised Public Accountant,
MNE no 29421

# Financial highlights

| DKKm | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Gross premium income** | **18,740** | **17,963** | **17,707** | **17,977** | **18,652** |
| Gross claims | -12,636 | -11,865 | -11,619 | -13,562 | -12,650 |
| Total insurance operating costs | -2,704 | -2,516 | -2,737 | -2,720 | -2,689 |
| Profit/loss on gross business | 3,400 | 3,582 | 3,351 | 1,695 | 3,313 |
| Profit/loss on ceded business | -624 | -779 | -951 | 710 | -341 |
| Insurance technical interest, net of reinsurance | -10 | -14 | -10 | 18 | 60 |
| **Technical result** | **2,766** | **2,789** | **2,390** | **2,423** | **3,032** |
| Investment return after insurance technical interest | -332 | 527 | 987 | -22 | 360 |
| Other income and costs | -172 | -77 | -157 | -91 | -90 |
| **Profit/loss before tax** | **2,262** | **3,239** | **3,220** | **2,310** | **3,302** |
| Tax | -529 | -720 | -748 | -390 | -755 |
| **Profit/loss on continuing business** | **1,733** | **2,519** | **2,472** | **1,920** | **2,547** |
| Profit/loss on discontinued and divested business after tax [a] | -2 | -2 | -1 | 49 | 10 |
| **Profit/loss** | **1,731** | **2,517** | **2,471** | **1,969** | **2,557** |
| Run-off gains/losses, net of reinsurance | 1,221 | 972 | 1,239 | 1,212 | 1,131 |
| **Statement of financial position** | | | | | |
| Total provisions for insurance contracts | 31,948 | 30,018 | 31,527 | 31,814 | 31,692 |
| Total reinsurers' share of provisions for insurance contracts | 1,415 | 1,366 | 2,034 | 3,176 | 1,938 |
| Total equity | 11,334 | 12,616 | 9,437 | 9,644 | 11,119 |
| Total assets | 56,545 | 51,367 | 49,861 | 51,281 | 52,224 |
| **Key ratios** | | | | | |
| Gross claims ratio | 67.4 | 66.1 | 65.6 | 75.4 | 67.8 |
| Net reinsurance ratio | 3.3 | 4.3 | 5.4 | -3.9 | 1.8 |
| Claims ratio, net of ceded business | 70.7 | 70.4 | 71.0 | 71.5 | 69.6 |
| Gross expense ratio | 14.4 | 14.0 | 15.7 | 15.3 | 14.6 |
| **Combined ratio** | **85.1** | **84.4** | **86.7** | **86.8** | **84.2** |
| Gross expense ratio without adjustment [b] | | | 15.5 | 15.1 | 14.4 |
| Operating ratio | 85.2 | 84.5 | 86.5 | 86.5 | 83.8 |
| Relative run-off gains/losses | 5.4 | 4.1 | 5.5 | 5.1 | 4.8 |
| Return on equity after tax (%) | 14.9 | 28.8 | 26.2 | 20.0 | 23.7 |

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

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

# Income statement

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| Note | **General Insurance** | | |
| | Gross premiums written | 18,999 | 18,358 |
| | Ceded insurance premiums | -1,362 | -1,255 |
| | Change in premium provisions | 85 | -145 |
| | Change in reinsurers' share of premium provisions | -47 | 16 |
| 3 | **Premium income, net of reinsurance** | **17,675** | **16,974** |
| 4 | **Insurance technical interest, net of reinsurance** | **-10** | **-14** |
| | Claims paid | -13,294 | -12,807 |
| | Reinsurance cover received | 466 | 1,029 |
| | Change in claims provisions | 658 | 942 |
| | Change in the reinsurers' share of claims provisions | 125 | -729 |
| 5 | **Claims, net of reinsurance** | **-12,045** | **-11,565** |
| | **Bonus and premium discounts** | **-344** | **-250** |
| | Acquisition costs | -2,104 | -1,902 |
| | Administration expenses | -600 | -614 |
| | Acquisition costs and administration expenses | -2,704 | -2,516 |
| | Reinsurance commissions and profit participation from reinsurers | 194 | 160 |
| 6 | **Insurance operating costs, net of reinsurance** | **-2,510** | **-2,356** |
| 2 | **Technical result** | **2,766** | **2,789** |

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| Note | **Investment activities** | | |
| 14 | Income from associates | 22 | 3 |
| | Income from investment property | 46 | 69 |
| 7 | Interest income and dividends | 580 | 624 |
| 8 | Value adjustments | -537 | 224 |
| 7 | Interest expenses | -140 | -107 |
| | Administration expenses in connection with investment activities | -94 | -102 |
| | **Total investment return** | **-123** | **711** |
| 4 | Return on insurance provisions | -209 | -184 |
| | **Total investment return after insurance technical interest** | **-332** | **527** |
| | Other income | 128 | 117 |
| 9 | Other costs | -300 | -194 |
| | **Profit/loss before tax** | **2,262** | **3,239** |
| 10 | Tax | -529 | -720 |
| | **Profit/loss on continuing business** | **1,733** | **2,519** |
| | Profit/loss on discontinued and divested business | -2 | -2 |
| | **Profit/loss for the year** | **1,731** | **2,517** |
| 25 | Earnings per share | 5.73 | 9.12 |

# Statement of comprehensive income

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| Note | **Profit/loss for the year** | **1,731** | **2,517** |
| | **Other comprehensive income** | | |
| | **Other comprehensive income which cannot subsequently be reclassified as profit or loss** | | |
| | Change in equalisation provision and other provisions | 0 | 4 |
| | Actuarial gains/losses on defined-benefit pension plans | -5 | -7 |
| | Tax on actuarial gains/losses on defined-benefit pension plans | 1 | 2 |
| | | -4 | -1 |
| | **Other comprehensive income which can subsequently be reclassified as profit or loss** | | |
| | Exchange rate adjustments of foreign entities for the year | -50 | -137 |
| | Hedging of currency risk in foreign entities for the year | 49 | 135 |
| | Tax on hedging of currency risk in foreign entities for the year | -11 | -30 |
| | | -12 | -32 |
| | **Total other comprehensive income** | **-16** | **-33** |
| | **Comprehensive income** | **1,715** | **2,484** |

# Statement of financial position

| Note | DKKm | 2018 | 2017 |
|---|---|---|---|
| Note | **Assets** | | |
| 11 | **Intangible assets** | **7,236** | **1,105** |
| | Operating equipment | 145 | 67 |
| | Owner-occupied property | 790 | 0 |
| 12 | **Total property, plant and equipment** | **935** | **67** |
| 13 | **Investment property** | **1,345** | **1,324** |
| 14 | Equity investments in associates | 242 | 225 |
| | **Total investments in associates** | **242** | **225** |
| | Equity investments | 1,149 | 179 |
| | Unit trust units | 1,663 | 4,852 |
| | Bonds | 38,042 | 37,151 |
| | Deposits with credit institutions | 0 | 250 |
| | Derivative financial instruments | 899 | 1,079 |
| | **Total other financial investment assets** | **41,753** | **43,511** |
| 15 | **Total investment assets** | **43,340** | **45,060** |
| | Reinsurers' share of premium provisions | 181 | 245 |
| 19 | Reinsurers' share of claims provisions | 1,234 | 1,121 |
| 16 | **Total reinsurers' share of provisions for insurance contracts** | **1,415** | **1,366** |
| | Receivables from policyholders | 1,476 | 1,471 |
| | Total receivables in connection with direct insurance contracts | 1,476 | 1,471 |
| | Receivables from insurance enterprises | 144 | 300 |
| | Other receivables | 803 | 957 |
| 15 | **Total receivables** | **2,423** | **2,728** |
| | Cash at bank and in hand | 627 | 509 |
| | **Total other assets** | **627** | **509** |
| | Interest and rent receivable | 169 | 197 |
| | Other prepayments and accrued income | 400 | 335 |
| | **Total prepayments and accrued income** | **569** | **532** |
| | **Total assets** | **56,545** | **51,367** |

| Note | DKKm | 2018 | 2017 |
|---|---|---|---|
| Note | **Equity and liabilities** | | |
| 18 | **Equity** | **11,334** | **12,616** |
| 1 | **Subordinate loan capital** | **2,868** | **2,412** |
| 19 | Premium provisions | 5,861 | 5,559 |
| 19 | Claims provisions | 24,847 | 23,925 |
| | Provisions for bonuses and premium discounts | 1,240 | 534 |
| | **Total provisions for insurance contracts** | **31,948** | **30,018** |
| 20 | Pensions and similar obligations | 277 | 290 |
| 21 | Deferred tax liability | 912 | 656 |
| 22 | Other provisions | 111 | 111 |
| | **Total provisions** | **1,300** | **1,057** |
| | Debt relating to direct insurance | 614 | 498 |
| | Debt relating to reinsurance | 169 | 454 |
| 23 | Amounts owed to credit institutions | 494 | 306 |
| 24 | Debt relating to unsettled funds transactions and repos | 3,408 | 1,711 |
| 15 | Derivative financial instruments | 740 | 746 |
| | Debt to group undertakings | 313 | 0 |
| 17 | Current tax liabilities | 118 | 194 |
| 24 | Other debt | 3,202 | 1,312 |
| | **Total debt** | **9,058** | **5,221** |
| | **Accruals and deferred income** | **37** | **43** |
| | **Total equity and liabilities** | **56,545** | **51,367** |

1 **Risk and capital management**
26 **Contractual obligations, collateral and contingent liabilities**
27 **Acquisition of activities**
28 **Related parties**
29 **Financial highlights**
30 **Accounting policies**

# Statement of changes in equity

| DKKm | Share capital | Reserve for exchange rate adjustment | Other reserves[a] | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|---|---|
| **Equity at 31 December 2017** | **1,511** | **-29** | **783** | **8,868** | **1,483** | **12,616** |
| **2018** | | | | | | |
| Profit/loss for the year | | | 18 | -283 | 1,996 | 1,731 |
| Other comprehensive income | | -12 | | -4 | | -16 |
| Total comprehensive income | 0 | -12 | 18 | -287 | 1,996 | 1,715 |
| Dividend paid | | | | | -2,980 | -2,980 |
| Purchase and sale of own shares | | | | -27 | | -27 |
| Issue of conditional and matching shares | | | | 10 | | 10 |
| **Total changes in equity in 2018** | **0** | **-12** | **18** | **-304** | **-984** | **-1,282** |
| **Equity at 31 December 2018** | **1,511** | **-41** | **801** | **8,564** | **499** | **11,334** |

| DKKm | Share capital | Reserve for exchange rate adjustment | Other reserves[a] | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|---|---|
| **Equity at 31 December 2016** | **1,413** | **3** | **822** | **5,182** | **2,017** | **9,437** |
| **2017** | | | | | | |
| Profit/loss for the year | | | -39 | -271 | 2,827 | 2,517 |
| Other comprehensive income | | -32 | | -1 | | -33 |
| Total comprehensive income | 0 | -32 | -39 | -272 | 2,827 | 2,484 |
| Nullification of own shares | -39 | | | 39 | | 0 |
| Dividend paid | | | | | -3,361 | -3,361 |
| Dividend, own shares | | | | 82 | | 82 |
| Purchase and sale of own shares | | | | -20 | | -20 |
| Issue of new shares[b] | 137 | | | 3,841 | | 3,978 |
| Issue of employee shares | | | | 10 | | 10 |
| Issue of share options and matching shares | | | | 6 | | 6 |
| **Total changes in equity in 2017** | **98** | **-32** | **-39** | **3,686** | **-534** | **3,179** |
| **Equity at 31 December 2017** | **1,511** | **-29** | **783** | **8,868** | **1,483** | **12,616** |

The total number of shares at the end of the year (302,147,991 shares).

The possible payment of dividend from Tryg Forsikring A/S to Tryg A/S is influenced by contingency fund provisions of DKK 1,617m (DKK 1,592m in 2017). The contingency fund provisions can be used to cover losses in connection with the settlement of insurance provisions or otherwise for the benefit of the insured.

a) Other reserves contains Norwegian Natural Perils Pool.

b) Cost related to the issue of new shares are deducted in proceeds recognised in retained earnings with DKK 50.3m.

# Cash flow statement

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| Note | **Cash from operating activities** | | |
| | Premiums | 18,712 | 17,600 |
| | Claims | -13,473 | -13,205 |
| | *Ceded business* | -725 | -139 |
| | Costs | -3,165 | -2,642 |
| | Change in other debt and other amounts receivable | 1,927 | 495 |
| | **Cash flow from insurance activities** | **3,276** | **2,109** |
| | Interest income | 546 | 622 |
| | Interest expenses | -138 | -107 |
| | Dividend received | 12 | 19 |
| | Taxes | -639 | -845 |
| | Other income and costs | -174 | -77 |
| | **Cash from operating activities, continuing business** | **2,883** | **1,721** |
| | Cash from operating activities, discontinued and divested business | 0 | -1 |
| | **Total cash flow from operating activities** | **2,883** | **1,720** |
| | **Investments** | | |
| | Purchase and refurbishment of property | -2 | -10 |
| | Sale of property | 117 | 2,307 |
| | Purchase/sale of equity investments and unit trust units (net) | 1,540 | -978 |
| | Purchase/sale of bonds (net) | 3,268 | -3,578 |
| | Deposits with credit institutions | 250 | -250 |
| | Purchase/sale of operating equipment (net) | -61 | -38 |
| | Acquisition of intangble assets | -5,671 | -102 |
| | Hedging of currency risk | 49 | 135 |
| | **Investments, continuing business** | **-510** | **-2,514** |
| | **Total investments** | **-510** | **-2,514** |

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| Note | **Financing** | | |
| | Issue of new shares | 0 | 3,978 |
| | Exercise of share options/purchase of own shares (net) | -17 | -4 |
| | *Subordinate loan capital* | 502 | 0 |
| | Dividend paid | -2,980 | -3,279 |
| | Change in lease liabilities | -135 | 0 |
| | Change in amounts owed to credit institutions | 188 | 128 |
| | **Financing, continuing business** | **-2,442** | **823** |
| | **Total financing** | **-2,442** | **823** |
| | **Change in cash and cash equivalents, net** | **-69** | **29** |
| | Additions relating to purchase of subsidiaries | 186 | 13 |
| | Exchange rate adjustment of cash and cash equivalents, 1 January | 1 | -8 |
| | **Change in cash and cash equivalents, gross** | **118** | **34** |
| | Cash and cash equivalents at 1 january | 509 | 475 |
| | **Cash and cash equivalents at 31 December** | **627** | **509** |

**Liabilities arising from financing activities**

| 2018 | **Subordinated loans** | **Amounts owed to credit institutions** | **Total** |
|---|---|---|---|
| Carrying amount at 1 January | 2,412 | 306 | 2,718 |
| Exchange rate adjustments | -48 | 0 | -48 |
| Amortisation | 2 | 0 | 2 |
| Cash flow | 502 | 188 | 690 |
| **Carrying amount at 31 December** | **2,868** | **494** | **3,362** |
| **2017** | | | |
| Carrying amount at 1 January | 2,567 | 178 | 2,745 |
| Exchange rate adjustments | -156 | 0 | -156 |
| Amortisation | 1 | 0 | 1 |
| Cash flow | 0 | 128 | 128 |
| **Carrying amount at 31 December** | **2,412** | **306** | **2,718** |

# Notes

## 1 Risk and capital management

**Risk management in Tryg**
The Supervisory Board defines the basis for the risk appetite through the business model and the current strategy. The Supervisory Board has regulated the management of risk activities through policies and guidelines to the business supported by underlying business processes and a power of attorney structure. The company's risk management forms the basis for the risk profile being in line with the specified risk appetite at all times. Tryg's risk profile is continuously measured, quantified and reported to the management and the Supervisory Board.

Tryg's risk management is organised into three levels of control. The first level of control is handled in the business where the company's policies are implemented, and day-to-day compliance is verified. The risk management function is the second level of control, supported by decentralised risk managers affiliated with the individual business areas. The risk management function ensures a consistent approach across the organisation, risk assessment at group level and reporting to the management and the Supervisory Board.

This involves an ongoing identification and assessment of the most significant risks in the company. Furthermore, the function prepares specific recommendations in relation to capital management, reinsurance, investment risk management and more. Tryg's risk management function is also responsible for determining the company's capital requirement. The third level consists of the internal audit which performs independent assessments of the entire control environment.

The risk management is organised systematically in the company's committee structure via the Executive Board's own risk committee and the Supervisory Board's own risk committee. The Supervisory Board's risk committee is a specialist committee with intensive focus separately on risk and capital management during the year.

The Supervisory Board's Risk 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.

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

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

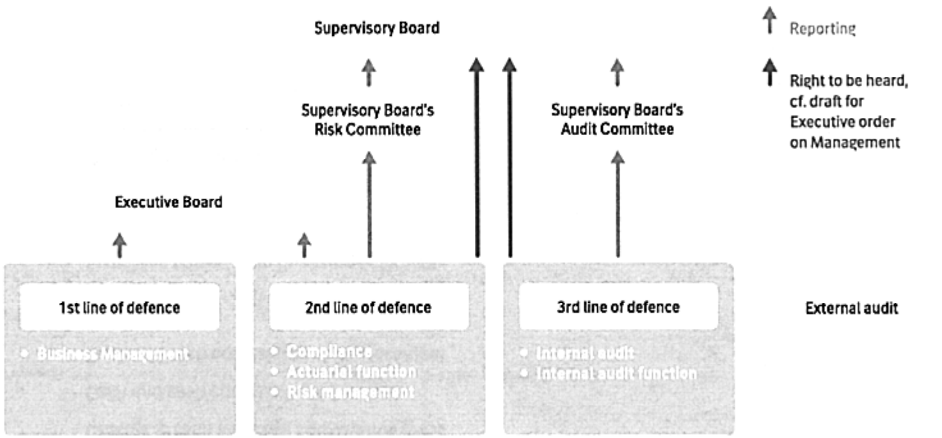
### What risk profile does Tryg want?
- Business model
- Strategy
- Policies

### How is this supported?
**Tactically**
- Policies
- Capital plan
- Contingency plan

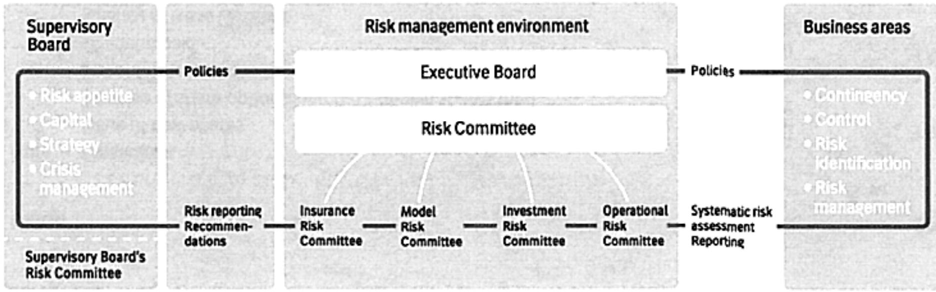
**Operationally**
- Frameworks
- Limitations
- Instructions
- Allocated capital
- Contingency plans

### How is the actual risk profile measured?
**Tactically**
- Risk reports
- Intern al controls
- Capital model
- Stress tests
- Reassurance

### Lines of defence




### Tryg's risk management environment



# Notes

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

i See table Subordinate loan capital on page 68.

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

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

Monitoring of the capital base also involves capital projections based on expected business plans within the strategic planning period and stress on selected scenarios.

**Company's Own Risk and Solvency Assessment (ORSA)**
ORSA is the company's own risk assessment based on the Solvency II principles, which implies that Tryg must assess all material risks that the company is or may be exposed to. The ORSA report also contains an assessment of whether the calculation of solvency capital requirement is reasonable and is reflecting Tryg's actual risk profile. Moreover, the projected capital requirement is also assessed over the company's strategic planning period.

Tryg's risk activities are implemented via continuous risk management processes, where the main results are reported to the Supervisory Board and its Risk Committee during the year. Therefore, the ORSA report is an annual summary document assessing all these processes.

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

**Underwriting risk**
Underwriting risk is the risk that insurance premiums will not be sufficient to cover the compensations and other costs associated with the insurance business. Underwriting risk is managed primarily through the company's insurance policy defined by the Supervisory Board, and administered through business procedures, underwriting guidelines etc. Underwriting risk is assessed in Tryg's capital model, determining the capital impact from insurance products.

Reinsurance is used to reduce the underwriting risk in situations where this can not be achieved to a sufficient degree via ordinary diversification. Tryg's reinsurance program covers both Tryg and Alka. In case of major events involving damage to buildings and contents, Tryg's reinsurance programme provides protection for up to DKK 6.75bn, which statistically is sufficient to cover at least a 250-year event. Retention for such events is DKK 168m.

In the event of a frequency of natural disasters, Tryg is covered for up to DKK 600m, after total annual retention of DKK 300m. Tryg has also taken out reinsurance for the risk of large claims occurring in sectors with very large sums insured. Tryg's largest individual building and contents risks are covered by up to DKK 2bn. Retention for large claims is DKK 100m, gradually dropping to DKK 25m. Single risks exceeding DKK 2bn are covered individually.

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

**Reserving risk**
Reserving risk relates to the risk of Tryg's insurance provisions being inadequate. The Supervisory Board lays down the overall framework for the handling of 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's results through the run-off on reserves.

Long-tailed reserves in particular are subject to interest rate and inflation risk. Interest rate risk is hedged by means of Tryg's match portfolio which corresponds to the discounted claims reserves. In order to manage the inflation risk of Danish workers' compensation claims reserves, Tryg has bought zero coupon inflation swaps. Tryg determines the claims reserves via statistical methods as well as individual assessments.

At the end of 2018, Tryg's claims reserves net of reinsurance totalled DKK 23,585m with an average duration of approximately 4 years.

**Investment risk**
The overall framework for managing investment risk is defined by the Supervisory Board in Tryg's investment policy. In overall terms, Tryg's investment portfolio is divided into a match portfolio and a free portfolio. The match portfolio corresponds to the value of the discounted claims reserves and is designed to hedge the interest rate sensitivity of these as closely as possible. Tryg carries out daily monitoring, follow-up and risk management of the Group's interest rate risk. The swap and bond portfolio is thus adjusted continuously to minimise the net interest rate risk. The free portfolio is subject to the framework defined by the Supervisory Board through the investment policy. The purpose of the free portfolio is to achieve the highest possible return relative to risk. Tryg's property portfolio constitutes the company's largest investment risk. The 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 2018, investment properties accounted for 5.7% (including property funds) and Tryg's equity portfolio accounted for 4.7% of the total investment assets.

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

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

**Operational risk**
Operational risk relates to errors or failures in internal procedures, fraud, breakdown of infrastructure, IT security and similar factors. As operational risks are mainly internal, Tryg focuses on an adequate control environment for its operations. In practice, this work is organised by means of procedures, controls and guidelines covering the various aspects of the Group's operations. The Supervisory Board defines the overall framework for managing operational risk in Tryg's Operational risk policy and in the Information Security Policy.

A special crisis management structure is set up to deal with the eventuality that Tryg is hit by major crises. This comprises a Crisis Management Team at Group level, national contingency teams at country level and finally business contingency teams in the individual areas. Tryg has prepared contingency plans to address the most important areas. In addition, comprehensive IT contingency plans have been established, primarily focusing on the business critical systems.

## Other risks

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

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

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

Emerging risk is also a part of the systematically implemented risk identification process in Tryg.

## Sensitivity analysis

| DKKm | 2018 | 2017 |
|---|---|---|
| **Insurance risk** | | |
| **Effect of 1% change in:** | | |
| Combined ratio (1 percentage point) | +/- 187 | +/- 180 |
| Major events | -100 | - 100 |
| Catastrophe event up to DKK 6.75bn | -168 | - 160 |
| **Reserving risk** | | |
| 1% change in inflation on person-related lines of business [a] | +/- 402 | +/- 408 |
| 10% error in the assessment of long-tailed lines of business (workers' compensation, motor liability, liability, accident) | +/- 1.696 | +/- 1,706 |
| **Investment risk** | | |
| **Interest rate market** | | |
| **Effect of 1 % increase in interest curve:** | | |
| Impact of interest-bearing securities | -1,079 | -1,118 |
| Higher discounting of claims provisions | 991 | 1,014 |
| Net effect of interest rate rise | -88 | -104 |
| Impact of Norwegian pension obligation [b] | 163 | 153 |
| **Equity market** | | |
| 15 % decline in equity market | -288 | -285 |
| Impact of derivatives and related thereto | 36 | 20 |
| **Real estate market** | | |
| 15 % decline in real estate markets | -372 | -257 |
| **Currrency market** | | |
| Equity: | | |
| 15 % decline in exposed currency (exclusive of EUR) relative to DKK | -1,316 | -975 |
| Impact of derivatives | 1,242 | 946 |
| Net impact of exchange rate decline | -74 | -29 |
| Technical result per year: | | |
| Impact of 15% change in NOK and SEK exchange rates relative to DKK | +/- 134 | +/- 151 |

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

**Claims provisions – estimated accumulated claims – DKKm**

| Gross | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 a) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimated accumulated claims | | | | | | | | | | | | |
| End of year | 11,985 | 13,264 | 15,421 | 15,758 | 13,316 | 13,722 | 12,564 | 14,558 | 12,755 | 12,615 | 15,405 | |
| 1 year later | 13,248 | 13,877 | 15,516 | 16,137 | 13,394 | 13,984 | 12,884 | 14,498 | 12,609 | 14,283 | | |
| 2 year later | 13,112 | 13,890 | 15,469 | 16,196 | 13,351 | 13,644 | 12,703 | 14,452 | 14,073 | | | |
| 3 year later | 13,126 | 13,693 | 15,391 | 16,149 | 13,166 | 13,478 | 12,616 | 15,823 | | | | |
| 4 year later | 13,089 | 13,596 | 15,303 | 15,975 | 12,904 | 13,457 | 13,927 | | | | | |
| 5 year later | 13,018 | 13,504 | 15,229 | 16,007 | 12,817 | 14,763 | | | | | | |
| 6 year later | 12,982 | 13,474 | 15,205 | 15,874 | 14,007 | | | | | | | |
| 7 year later | 12,727 | 13,355 | 15,115 | 17,347 | | | | | | | | |
| 8 year later | 12,606 | 13,298 | 16,328 | | | | | | | | | |
| 9 year later | 12,514 | 14,477 | | | | | | | | | | |
| 10 year later | 13,630 | | | | | | | | | | | |
| | 13,630 | 14,477 | 16,328 | 17,347 | 14,007 | 14,763 | 13,927 | 15,823 | 14,073 | 14,283 | 15,405 | 164,062 |
| Cumulative payments to date | -12,957 | -13,591 | -15,284 | -16,217 | -12,759 | -13,112 | -12,137 | -14,061 | -11,894 | -10,686 | -7,910 | -140,609 |
| Provisions before discounting, end of year | 673 | 885 | 1,043 | 1,129 | 1,248 | 1,651 | 1,790 | 1,762 | 2,180 | 3,597 | 7,494 | 23,453 |
| Discounting | -55 | -73 | -85 | -79 | -91 | -100 | -109 | -101 | -104 | -138 | -180 | -1,115 |
| Reserves from 2007 and prior years | | | | | | | | | | | | 2,509 |
| Gross provisions for claims, end of year | | | | | | | | | | | | 24,847 |

a) The diagonal for 2018 is affected by the Alka acquisition, please see below.

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimated accumulated claims regarding Alka | 1,233 | 1,265 | 1,353 | 1,655 | 1,294 | 1,435 | 1,412 | 1,450 | 1,546 | 1,590 | 1,780 | 16,013 |

**Claims provisions – estimated accumulated claims – DKKm**

| Ceded business | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 a) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimated accumulated claims | | | | | | | | | | | | |
| End of year | 151 | 275 | 647 | 1,448 | 220 | 1,132 | 270 | 2,072 | 201 | 286 | 617 | |
| 1 year later | 212 | 339 | 720 | 2,129 | 250 | 1,477 | 305 | 1,878 | 253 | 395 | | |
| 2 year later | 180 | 318 | 713 | 2,249 | 286 | 1,259 | 299 | 1,910 | 251 | | | |
| 3 year later | 171 | 277 | 691 | 2,287 | 279 | 1,253 | 295 | 1,908 | | | | |
| 4 year later | 171 | 281 | 700 | 2,235 | 267 | 1,270 | 318 | | | | | |
| 5 year later | 159 | 286 | 705 | 2,229 | 256 | 1,305 | | | | | | |
| 6 year later | 164 | 275 | 707 | 2,234 | 275 | | | | | | | |
| 7 year later | 155 | 274 | 699 | 2,623 | | | | | | | | |
| 8 year later | 155 | 273 | 760 | | | | | | | | | |
| 9 year later | 155 | 304 | | | | | | | | | | |
| 10 year later | 161 | | | | | | | | | | | |
| | 161 | 304 | 760 | 2,623 | 275 | 1,305 | 318 | 1,908 | 251 | 395 | 617 | 8,916 |
| Cumulative payments to date | -157 | -297 | -745 | -2,555 | -265 | -1,216 | -289 | -1,699 | -213 | -249 | -149 | -7,834 |
| Provisions before discounting, end of year | 4 | 7 | 15 | 67 | 9 | 88 | 30 | 209 | 37 | 146 | 468 | 1,082 |
| Discounting | 0 | 0 | 0 | 0 | 0 | 0 | -1 | -2 | 0 | -2 | -9 | -14 |
| Reserves from 2007 and prior years | | | | | | | | | | | | 167 |
| Provisions for claims, end of year | | | | | | | | | | | | 1,234 |

a) The diagonal for 2018 is affected by the Alka acquisition, please see below.

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimated accumulated claims regarding Alka | 8 | 28 | 60 | 386 | 20 | 129 | 15 | 18 | 4 | 5 | 3 | 676 |

**Claims provisions – estimated accumulated claims – DKKm**

| **Net of reinsurance** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018 a)** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimated accumulated claims | | | | | | | | | | | | |
| End of year | 11,834 | 12,989 | 14,774 | 14,311 | 13,096 | 12,590 | 12,294 | 12,486 | 12,554 | 12,329 | 14,788 | |
| 1 year later | 13,037 | 13,538 | 14,796 | 14,008 | 13,144 | 12,507 | 12,579 | 12,620 | 12,356 | 13,888 | | |
| 2 year later | 12,932 | 13,572 | 14,756 | 13,947 | 13,065 | 12,385 | 12,403 | 12,542 | 13,823 | | | |
| 3 year later | 12,955 | 13,416 | 14,700 | 13,862 | 12,887 | 12,225 | 12,320 | 13,914 | | | | |
| 4 year later | 12,918 | 13,315 | 14,603 | 13,741 | 12,637 | 12,188 | 13,609 | | | | | |
| 5 year later | 12,858 | 13,218 | 14,524 | 13,778 | 12,561 | 13,459 | | | | | | |
| 6 year later | 12,817 | 13,199 | 14,498 | 13,640 | 13,732 | | | | | | | |
| 7 year later | 12,572 | 13,081 | 14,416 | 14,724 | | | | | | | | |
| 8 year later | 12,451 | 13,024 | 15,568 | | | | | | | | | |
| *9 year later* | *12,360* | *14,173* | | | | | | | | | | |
| 10 year later | 13,469 | | | | | | | | | | | |
| | 13,469 | 14,173 | 15,568 | 14,724 | 13,732 | 13,459 | 13,609 | 13,914 | 13,823 | 13,888 | 14,788 | 155,146 |
| Cumulative payments to date | -12,799 | -13,295 | -14,540 | -13,662 | -12,494 | -11,896 | -11,848 | -12,362 | -11,680 | -10,437 | -7,762 | -132,775 |
| Provisions before discounting, end of year | 669 | 879 | 1,028 | 1,062 | 1,239 | 1,563 | 1,760 | 1,552 | 2,142 | 3,451 | 7,026 | 22,371 |
| Discounting | -54 | -73 | -85 | -79 | -91 | -100 | -108 | -100 | -104 | -136 | -171 | -1,100 |
| Reserves from 2007 and prior years | | | | | | | | | | | | 2,342 |
| *Provisions for claims,* net of reinsurance, end of the year | | | | | | | | | | | | 23,613 |

a) The diagonal for 2018 is affected by the Alka acquisition, please see below.

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimated accumulated claims regarding Alka | 1,225 | 1,237 | 1,293 | 1,268 | 1,275 | 1,305 | 1,397 | 1,432 | 1,542 | 1,586 | 1,777 | 15,337 |

The amounts in foreign currency in the table are translated to Danish kroner using the exchange rate at 31 December 2018 to prevent the impact of exchange rate fluctuations.

# Notes

[redacted]

**Claims provisions (continued)**

| DKKm | 0-1 year | 1-2 years | Expected cash flow, not discounted<br>2-3 years | > 3 years | Total |
|---|---|---|---|---|---|
| **2018** | | | | | |
| Premium provisions, gross | 5,588 | 118 | 81 | 74 | 5,861 |
| Premium provisions, ceded | -180 | 0 | 0 | 0 | -180 |
| Claims provisions, gross | 8,025 | 3,936 | 2,643 | 11,542 | 26,146 |
| Claims provisions, ceded | -642 | -229 | -138 | -246 | -1,255 |
| | **12,791** | **3,825** | **2,586** | **11,370** | **30,572** |
| **2017** | | | | | |
| Premium provisions, gross | 5,381 | 85 | 57 | 37 | 5,560 |
| Premium provisions, ceded | -245 | 0 | 0 | 0 | -245 |
| Claims provisions, gross | 7,670 | 3,791 | 2,576 | 11,278 | 25,315 |
| Claims provisions, ceded | -546 | -240 | -126 | -204 | -1,116 |
| | **12,260** | **3,636** | **2,507** | **11,111** | **29,514** |

[redacted]

# Notes

| DKKm | 2018 | 2017 |
|---|---|---|
| **Investment risk** | | |
| **Bond portfolio including interest derivatives** | | |
| Duration 1 year or less | 11,286 | 17,509 |
| Duration 1 year-5 years | 15,527 | 14,770 |
| Duration 5-10 years | 5,521 | 5,015 |
| Duration more than 10 years | 2,573 | 2,353 |
| **Total** | **34,907** | **39,647** |
| **Duration** | **1.3** | **1.3** |

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.

| | 2018 | 2017 |
|---|---|---|
| **Listed shares** | | |
| Nordic countries | 23 | 51 |
| United Kingdom | 71 | 90 |
| Rest of Europe | 318 | 274 |
| United States | 1,049 | 1,196 |
| Asia etc. | 203 | 435 |
| **Total** | **1,664** | **2,046** |
| The portfolio of unlisted shares totals. Please refer to note 15 fair value hierarchy | 1,014 | 179 |

The share portfolio includes exposure from share derivatives of DKK 240m (DKK -135m in 2017)
*Unlisted equity investments are based on an estimated market price.*

**Exposure to exchange rate risk**

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Assets and debt | Hedge | Exposure | Assets and debt | Hedge | Exposure |
| USD | 3,453 | -3,467 | -14 | 3,205 | -3,149 | 56 |
| EUR | 2,159 | -519 | 1,641 | 1,413 | -1,174 | 239 |
| GBP | 208 | -207 | 1 | 267 | -262 | 5 |
| NOK | 3,028 | -2,942 | 86 | 2,924 | -2,836 | 88 |
| SEK | 1,408 | -1,388 | 20 | 1,324 | -1,228 | 96 |
| Other | 274 | -274 | 0 | 529 | -473 | 56 |
| **Total** | | | **1,762** | | | **540** |

DKKm

**Credit risk**

| **Bond portfolio by ratings** | **2018** | **%** | **2017** | **%** |
|---|---|---|---|---|
| AAA to A | 35,760 | 94.0 | 36,831 | 99.1 |
| Other | 1,831 | 4.8 | 208 | 0.6 |
| Not rated | 451 | 1.2 | 112 | 0.3 |
| **Total** | **38,042** | **100.0** | **37,151** | **100.0** |
| **Reinsurance balances** | | | | |
| AAA to A | 1,207 | 92.6 | 953 | 92.3 |
| Other | 0 | 0.0 | 0 | 0.0 |
| Not rated | 96 | 7.4 | 80 | 7.7 |
| **Total** | **1,303** | **100.0** | **1,033** | **100.0** |

**Liquidity risk**
**Maturity of the Group's financial obligations including interest**

| 2018 | 0-1 years | 1-5 years | > 5 years | Total |
|---|---|---|---|---|
| Subordinate loan capital | 93 | 373 | 3,799 | 4,265 |
| Amounts owed to credit institutions | 494 | 0 | 0 | 494 |
| Debt relating to unsettled funds transactions and repos | 3,408 | 0 | 0 | 3,408 |
| Derivative financial instruments | 534 | 55 | 188 | 777 |
| Other debt | 4,103 | 0 | 0 | 4,103 |
| | **8,632** | **428** | **3,987** | **13,047** |
| **2017** | | | | |
| Subordinate loan capital | 92 | 369 | 3,334 | 3,795 |
| Amounts owed to credit institutions | 306 | 0 | 0 | 306 |
| Debt relating to unsettled funds transactions and repos | 1,711 | 0 | 0 | 1,711 |
| Derivative financial instruments | 576 | 49 | 153 | 778 |
| Other debt | 2,458 | 0 | 0 | 2,458 |
| | **5,143** | **418** | **3,487** | **9,048** |

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

| **Subordinate loan capital** | **Bond loan NOK 800m** | | **Bond loan NOK 1,400m** | | **Bond loan SEK 1,000m** | |
|---|---|---|---|---|---|---|
| **DKKm** | **2018** | **2017** | **2018** | **2017** | **2018** | **2017** |
| Amortised cost value of the loan recognised in statement of financial position | 595 | 603 | 1,043 | 1,056 | 723 | 753 |
| The fair value of the loan at the statement of financial position date | 633 | 659 | 1,073 | 1,080 | 747 | 796 |
| The fair value of the loan at the statement of financial position date is based on a price of | 106 | 109 | 103 | 102 | 103 | 105 |
| Total capital losses and costs at the statement of the financial position date | 2 | 3 | 3 | 4 | 3 | 4 |
| Interest expenses for the year | 30 | 29 | 41 | 43 | 17 | 20 |
| Effective interest rate | 4.8% | 4.6% | 3.7% | 3.6% | 2.3% | 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)<br>4.75 % above NIBOR 3M (from 2023) | 2.75 % above NIBOR 3M (until 2025)<br>3.75 % above NIBOR 3M (from 2025) | 2.75 % above STIBOR 3M (until 2026)<br>3.75 % above STIBOR 3M (from 2026) |

| | **Bond loan SEK 700m** | |
|---|---|---|
| **DKKm** | **2018** | **2017** |
| Amortised cost value of the loan recognised in statement of financial position | 506 | |
| The fair value of the loan at the statement of financial position date | 491 | |
| The fair value of the loan at the statement of financial position date is based on a price of | 96 | |
| Total capital losses and costs at the statement of the financial position date | 3 | |
| Interest expenses for the year | 5 | |
| Effective interest rate | 2.1% | |

| **Loan terms:** | |
|---|---|
| Lender | Listed bonds |
| Principal | SEK 700m |
| Issue price | 100 |
| Issue date | April 2018 |
| Maturity year | Perpetual |
| Loan may be called by lender as from | 2023 |
| Repayment profile | Interest-only |
| Interest structure | 2.5 % above STIBOR 3M |

The share of capital included in the calculation of the capital base totals DKK 2,739m (DKK 2,164m in 2017).

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 the loans are based on actual traded prices from Bloomberg.

| DKKm | Private | Commercial | Corporate | Sweden | Other a) | Group |
|---|---|---|---|---|---|---|
| **2 Operating segments** | | | | | | |
| **2018** | | | | | | |
| **Gross premium income** | **9,466** | **3,971** | **3,897** | **1,471** | **-65** | **18,740** |
| Gross claims | -6,198 | -2,326 | -3,114 | -1,024 | 26 | -12,636 |
| Gross operating expenses | -1,309 | -696 | -385 | -237 | -77 | -2,704 |
| Profit/loss on ceded business | -220 | -165 | -225 | -4 | -10 | -624 |
| Insurance technical interest, net of reinsurance | -5 | 0 | 0 | -5 | 0 | -10 |
| **Technical result** | **1,734** | **784** | **173** | **201** | **-126** | **2,766** |
| Other items | | | | | | -1,035 |
| **Profit/loss** | | | | | | **1,731** |
| Run-off gains/losses, net of reinsurance | 394 | 434 | 271 | 122 | 0 | 1,221 |
| Intangible assets | 1,694 | 89 | 0 | 534 | 4,919 | 7,236 |
| Equity investments in associates | | | | | 242 | 242 |
| Reinsurers' share of premium provisions | 47 | 3 | 131 | 0 | 0 | 181 |
| Reinsurers' share of claims provisions | 53 | 118 | 1,036 | 27 | 0 | 1,234 |
| Other assets | | | | | 47,652 | 47,652 |
| **Total assets** | | | | | | **56,545** |
| Premium provisions | 2,672 | 1,326 | 947 | 916 | 0 | 5,861 |
| Claims provisions | 6,259 | 6,425 | 9,352 | 2,811 | 0 | 24,847 |
| Provisions for bonuses and premium discounts | 1,036 | 164 | 26 | 14 | 0 | 1,240 |
| Other liabilities | | | | | 13,263 | 13,263 |
| **Total liabilities** | | | | | | **45,211** |

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

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

a) Amounts relating to eliminations and one-off items. Details of amounts in note 2 Geographical segments.

Other assets and liabilities are managed at Group level and are not allocated to the individual segments but are included under 'Other'.

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

a) Amounts relating to eliminations and one-off items. Details of amounts in note 2 Geographical segments.

Other assets and liabilities are managed at Group level and are not allocated to the individual segments but are included under 'Other'.

| DKKm | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **2 Geographical segments** | | | | | |
| Danish general insurance [a] | | | | | |
| **Gross premium income** | **10,430** | **9,606** | **9,467** | **9,346** | **9,361** |
| Technical result | 2,007 | 1,783 | 1,587 | 1,371 | 1,510 |
| Run-off gains/losses, net of reinsurance | 710 | 449 | 509 | 512 | 564 |
| **Key ratios** | | | | | |
| Gross claims ratio | 61.2 | 64.2 | 63.7 | 80.5 | 66.9 |
| Net reinsurance ratio | 5.5 | 3.7 | 6.0 | -9.2 | 2.1 |
| Claims ratio, net of ceded business | 66.7 | 67.9 | 69.7 | 71.3 | 69.0 |
| Gross expense ratio | 13.9 | 13.4 | 13.4 | 13.9 | 15.1 |
| **Combined ratio** | **80.6** | **81.3** | **83.1** | **85.2** | **84.1** |
| Run-off, net of reinsurance (%) | -6.8 | -4.7 | -5.4 | -5.5 | -6.0 |
| Number of full-time employees 31 December | 2,520 | 1,933 | 1,839 | 1,859 | 2,007 |
| | | | | | |
| Norwegian general insurance | | | | | |
| NOK/DKK, average rate for the period | 77.53 | 79.99 | 80.09 | 83.52 | 89.42 |
| **Gross premium income** | **6,302** | **6,272** | **6,371** | **6,766** | **7,337** |
| Technical result | 791 | 770 | 1,013 | 844 | 1,478 |
| Run-off gains/losses, net of reinsurance | 520 | 422 | 678 | 492 | 501 |
| **Key ratios** | | | | | |
| Gross claims ratio | 72.6 | 67.9 | 63.9 | 70.9 | 66.5 |
| Net reinsurance ratio | 1.2 | 5.3 | 5.1 | 2.1 | 1.4 |
| Claims ratio, net of ceded business | 73.8 | 73.2 | 69.0 | 73.0 | 67.9 |
| Gross expense ratio | 13.9 | 14.7 | 15.2 | 14.9 | 12.5 |
| **Combined ratio** | **87.7** | **87.9** | **84.2** | **87.9** | **80.4** |
| Run-off, net of reinsurance (%) | -8.3 | -6.7 | -10.6 | -7.3 | -6.8 |
| Number of full-time employees 31 December | 1,105 | 1,042 | 1,040 | 1,113 | 1,167 |

a) Includes Danish general insurance and German and Finnish guarantee insurance. The gross premium income related to German and Finnish guarantee insurance amount to DKK 54m.

# Notes

| DKKm | | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| 2 | **Geographical segments** | | | | | |
| | Swedish general insurance | | | | | |
| | SEK/DKK, average rate for the period | 72.67 | 77.24 | 78.93 | 79.69 | 82.16 |
| | **Gross premium income** | **2,073** | **2,121** | **1,888** | **1,894** | **1,975** |
| | Technical result | 94 | 236 | 40 | 328 | 44 |
| | Run-off gains/losses, net of reinsurance | -9 | 101 | 52 | 208 | 66 |
| | **Key ratios** | | | | | |
| | Gross claims ratio | 82.3 | 69.0 | 76.4 | 63.5 | 77.6 |
| | Net reinsurance ratio | -1.7 | 5.0 | 3.3 | 1.7 | 2.2 |
| | Claims ratio, net of ceded business | 80.6 | 74.0 | 79.7 | 65.2 | 79.8 |
| | Gross expense ratio | 14.6 | 14.5 | 17.8 | 17.5 | 18.4 |
| | **Combined ratio** | **95.2** | **88.5** | **97.5** | **82.7** | **98.2** |
| | Run-off, net of reinsurance (%) | 0.4 | -4.8 | -2.8 | -11.0 | -3.3 |
| | Number of full-time employees 31 December | 402 | 398 | 385 | 387 | 425 |
| | Other [b)] | | | | | |
| | **Gross premium income** | **-65** | **-36** | **-19** | **-29** | **-21** |
| | Technical result | -126 | 0 | -250 | -120 | 0 |
| | Tryg | | | | | |
| | **Gross premium income** | **18,740** | **17,963** | **17,707** | **17,977** | **18,652** |
| | Technical result | 2,766 | 2,789 | 2,390 | 2,423 | 3,032 |
| | Investment return | -332 | 527 | 987 | -22 | 360 |
| | Other income and costs | -172 | -77 | -157 | -91 | -90 |
| | Profit/loss before tax | 2,262 | 3,239 | 3,220 | 2,310 | 3,302 |
| | Run-off gains/losses, net of reinsurance | 1,221 | 972 | 1,239 | 1,212 | 1,131 |
| | **Key ratios** | | | | | |
| | Gross claims ratio | 67.4 | 66.1 | 65.6 | 75.4 | 67.8 |
| | Net reinsurance ratio | 3.3 | 4.3 | 5.4 | -3.9 | 1.8 |
| | Claims ratio, net of ceded business | 70.7 | 70.4 | 71.0 | 71.5 | 69.6 |
| | Gross expense ratio [c)] | 14.4 | 14.0 | 15.7 | 15.3 | 14.6 |
| | **Combined ratio** | **85.1** | **84.4** | **86.7** | **86.8** | **84.2** |
| | Run-off, net of reinsurance (%) | -6.5 | -5.4 | -7.0 | -6.7 | -6.1 |
| | Number of full-time employees, continuing business at 31 December | 4,027 | 3,373 | 3,264 | 3,359 | 3,599 |

b) Amounts relating to eliminations and one-off items. In 2018 cost, claims and other costs were negatively affected by DKK 75m, DKK 49m and DKK 76m. The costs are related to integration and transaction costs for the aquirement of Alka. In 2016 costs and claims were negatively affected by DKK 162m and DKK 88m respectively, mainly due to impairment of software. In 2015 costs and claims were negatively affected by DKK 80m and DKK 40m respectively due to provsioning for the efficiency programme.

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

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

| DKKm | Accident and health | | Health care | | Workers' compensation | | Motor TPL | | Motor comprehensive insurance | | Marine, aviation and cargo insurance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Gross premiums written** | **2,001** | **1,918** | **376** | **359** | **884** | **846** | **1,772** | **1,778** | **3,915** | **3,691** | **376** | **283** |
| Gross premium income | 1,951 | 1,848 | 379 | 348 | 884 | 850 | 1,771 | 1,750 | 3,781 | 3,557 | 401 | 281 |
| Gross claims | -1,157 | -1,199 | -402 | -307 | -438 | -612 | -958 | -1,063 | -2,672 | -2,413 | -208 | -261 |
| Gross operating expenses | -249 | -257 | -43 | -41 | -105 | -99 | -283 | -289 | -470 | -512 | -54 | -34 |
| Profit/loss on ceded business | -11 | -7 | -1 | -1 | -13 | -21 | -42 | -35 | -4 | -30 | -55 | -15 |
| Insurance technical interest, net of reinsurance | -2 | -2 | 0 | 0 | 0 | 0 | -1 | -1 | -2 | -3 | 0 | 0 |
| **Technical result** | **532** | **383** | **-67** | **-1** | **328** | **118** | **487** | **362** | **633** | **599** | **84** | **-29** |
| Gross claims ratio | 59.3 | 64.9 | 106.1 | 88.2 | 49.5 | 72.0 | 54.1 | 60.7 | 70.7 | 67.8 | 51.9 | 92.9 |
| **Combined ratio** | **72.6** | **79.2** | **117.7** | **100.3** | **62.9** | **86.1** | **72.4** | **79.3** | **83.2** | **83.1** | **79.1** | **110.3** |
| Claims frequency [a] | 4.5% | 5.2% | 107.1% | 113.4% | 20.8% | 19.8% | 6.0% | 5.9% | 21.4% | 21.2% | 21.3% | 27.8% |
| Average claims DKK [b] | 24,634 | 23,874 | 5,595 | 4,797 | 63,754 | 75,265 | 15,763 | 17,513 | 9,605 | 9,537 | 68,061 | 82,852 |
| Total claims | 53,060 | 55,434 | 58,510 | 57,785 | 11,779 | 11,116 | 76,710 | 74,872 | 283,335 | 260,926 | 2,492 | 3,208 |

| | Fire and contents (Private) | | Fire and contents (Commercial) | | Change of ownership | | Liability insurance | | Credit and guarantee insurance | | Tourist assistance insurance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Gross premiums written** | **4,423** | **4,342** | **2,426** | **2,427** | **79** | **66** | **1,094** | **1,032** | **470** | **445** | **720** | **692** |
| Gross premium income | 4,306 | 4,196 | 2,434 | 2,455 | 65 | 62 | 1,071 | 1,025 | 469 | 437 | 715 | 679 |
| Gross claims | -2,897 | -2,895 | -1,736 | -1,262 | -63 | -60 | -1,027 | -843 | -65 | -136 | -624 | -494 |
| Gross operating expenses | -689 | -591 | -391 | -363 | -9 | -9 | -155 | -148 | -49 | -44 | -100 | -88 |
| Profit/loss on ceded business | -152 | -157 | -167 | -318 | 0 | 0 | 28 | -68 | -167 | -77 | -3 | -1 |
| Insurance technical interest, net of reinsurance | -6 | -7 | -1 | -2 | -1 | -1 | -1 | -1 | 0 | 0 | 0 | 0 |
| **Technical result** | **562** | **546** | **139** | **510** | **-8** | **-8** | **-84** | **-35** | **188** | **180** | **-12** | **96** |
| Gross claims ratio | 67.3 | 69.0 | 71.3 | 51.4 | 96.9 | 96.8 | 95.9 | 82.2 | 13.9 | 31.1 | 87.3 | 72.8 |
| **Combined ratio** | **86.8** | **86.8** | **94.2** | **79.1** | **110.8** | **111.3** | **107.7** | **103.3** | **59.9** | **58.8** | **101.7** | **85.9** |
| Claims frequency [a] | 9.9% | 9.1% | 15.5% | 15.9% | 14.3% | 13.1% | 12.2% | 11.2% | 0.0% | 0.2% | 19.3% | 17.2% |
| Average claims DKK [b] | 8,955 | 8,911 | 65,645 | 43,226 | 21,202 | 20,475 | 71,911 | 74,485 | 2,866,734 | 367,332 | 5,723 | 6,174 |
| Total claims | 342,695 | 345,325 | 29,761 | 29,599 | 4,022 | 4,036 | 12,189 | 11,013 | 64 | 443 | 105,877 | 86,645 |

a) The claims frequency is calculated as the number of claims incurred in the year in proportion to the average number of insurance contracts in the year.
b) Average claims are total claims before run-off in the year relative to the number of claims in the year.

# Notes

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

| DKKm | Other Insurance | | Total exclusive of Group Life | | Group Life one-year policies [b] | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| **Gross premiums written** | **59** | **59** | **18,595** | **17,938** | **404** | **420** | **18,999** | **18,358** |
| Gross premium income | 91 | 57 | 18,318 | 17,545 | 422 | 418 | 18,740 | 17,963 |
| Gross claims | -58 | -10 | -12,305 | -11,555 | -331 | -310 | -12,636 | -11,865 |
| Gross operating expenses | -76 | 2 | -2,673 | -2,473 | -31 | -43 | -2,704 | -2,516 |
| Profit/loss on ceded business | -43 | -49 | -630 | -779 | 6 | 0 | -624 | -779 |
| Insurance technical interest, net of reinsurance | 3 | 2 | -11 | -15 | 1 | 1 | -10 | -14 |
| **Technical result** | **-83** | **2** | **2,699** | **2,723** | **67** | **66** | **2,766** | **2,789** |
| Gross claims ratio | 63.7 | 17.5 | 67.2 | 65.9 | 78.4 | 74.2 | 67,4 | 66.1 |
| **Combined ratio** | **194.5** | **100.0** | **85.2** | **84.4** | **84.4** | **84.4** | **85,1** | **84.4** |
| Total claims | 12 | 44 | | | | | | |

[redacted]

b) Group Life, one-year policies related to Norwegian Group Life and Alka Group Life. Result of Alka Life is included from 8 November 2018.

# Notes

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 3 | **Premium income, net of reinsurance** | | |
| | Direct insurance | 19,037 | 18,168 |
| | *Indirect insurance* | *50* | *45* |
| | | 19,087 | 18,213 |
| | Unexpired risk provision | -3 | 0 |
| | | 19,084 | 18,213 |
| | Ceded direct insurance | -1,409 | -1,229 |
| | Ceded indirect insurance | 0 | -10 |
| | | **17,675** | **16,974** |

| **Direct insurance, by location of risk** | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Gross** | **Ceded** | **Gross** | **Ceded** |
| Denmark | 10,542 | -645 | 9,622 | -537 |
| Other EU countries | 2,095 | -186 | 2,161 | -187 |
| Other countries [a] | 6,397 | -578 | 6,385 | -505 |
| | **19,034** | **-1,409** | **18,168** | **-1,229** |

a) Mainly Norway

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 4 | **Insurance technical interest, net of reinsurance** | | |
| | Return on insurance provisions | 209 | 184 |
| | Discounting transferred from claims provisions | -219 | -198 |
| | | **-10** | **-14** |
| 5 | **Claims, net of reinsurance** | | |
| | Claims | -13,872 | -12,804 |
| | Run-off previous years, gross | 1,236 | 939 |
| | | -12,636 | -11,865 |
| | Reinsurance cover received | 606 | 267 |
| | Run-off previous years, reinsurers' share | -15 | 33 |
| | | **-12,045** | **-11,565** |

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 6 | **Insurance operating costs, net of reinsurance** | | |
| | Commissions regarding direct insurance contracts | -227 | -259 |
| | *Other acquisition costs* | *-1,877* | *-1,643* |
| | Total acquisition costs | -2,104 | -1,902 |
| | Administration expenses | -600 | -614 |
| | Insurance operating costs, gross | -2,704 | -2,516 |
| | Commission from reinsurers | 194 | 160 |
| | | **-2,510** | **-2,356** |
| | ***Administative expenses include fee to the auditors appointed by the annual general meeting:*** | | |
| | Deloitte | -24 | -6 |
| | | **-24** | **-6** |
| | ***The fee is divided into:*** | | |
| | Statutory audit | -3 | -3 |
| | Other audit assignments | -1 | -1 |
| | Tax advice | -1 | -1 |
| | Other services | -19 | -1 |
| | | **-24** | **-6** |
| | Expenses have been incurred for the Group's Internal Audit Department. | -9 | -9 |

Fees for non-audit services provide by Deloitte Statsautoriseret Revisionspartnerselskab to the Group amount to DKK 19m and consist of declaration tasks, including review of interim balances, objective tax advice in relation to the investment area and consulting services mainly related to strategies, claim system and data centre, as well as other general accounting, consulting services and tax advice.

# Notes

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 6 | **Insurance operating costs, gross, classified by type** | | |
| | Commissions | -227 | -249 |
| | Staff expenses | -1,740 | -1,509 |
| | Other staff expenses | -179 | -166 |
| | Office expenses, fees and headquarter expenses | -612 | -500 |
| | IT operating and maintenance costs, software expenses | -260 | -222 |
| | Depreciation, amortisation and impairment losses and write-downs | -69 | -98 |
| | Other income | 383 | 228 |
| | | **-2,704** | **-2,516** |

Total lease expenses amount to DKK 0m (DKK 26m in 2017). Please refer to note 12 and 24 regarding lease recognised costs according to IFRS 16.

| | 2018 | 2017 |
|---|---|---|
| ***Insurance operating costs and claims include the following staff expenses:*** | | |
| staff expenses: | | |
| Salaries and wages | -2,227 | -1,926 |
| Commision | -9 | -7 |
| Allocated share options and matching shares | -10 | -6 |
| Pension plans [a] | -301 | -280 |
| Other social security costs | -6 | -5 |
| Payroll tax | -470 | -410 |
| | **-3,023** | **-2,634** |

a) In 2018 defined benefit plans were included with DKK 35m (DKK 49m in 2017).

Remuneration for the Supervisory Board and Executive Board is disclosed in note 28 'Related parties'.

| | 2018 | 2017 |
|---|---|---|
| **Average number of full-time employees during the year (continuing business)** | **3,914** | **3,315** |

# Notes

DKKm

## 6 Matching shares and conditional shares

| 2018 | Total numbers: Executive Board | Risk-takers | Other | Total | Fair value: Average per matching share at grant date DKK | Total value at time of allocation DKKm | Average per matching share at 31 Dec. DKK | Total fair value at 31 Dec. DKKm |
|---|---|---|---|---|---|---|---|---|
| Allocated in 2018 | 30,444 | 29,835 | 37,321 | 97,600 | 144 | 14 | 164 | 16 |
| **Matching shares allocated in 2018 at 31.12.18** | **30,444** | **29,835** | **37,321** | **97,600** | **144** | **14** | **164** | **16** |
| Allocated in 2011-2017 | 150,338 | 180,944 | 18,896 | 350,178 | 105 | 37 | 164 | 57 |
| Category changes and addition | 8,963 | -121,306 | 112,343 | 0 | 105 | 0 | 164 | 0 |
| Cancelled | -14,205 | -3,788 | -9,449 | -27,442 | 105 | -3 | 164 | -4 |
| Exercised | -87,640 | -8,945 | -84,485 | -181,070 | 105 | -19 | 164 | -30 |
| **Matching shares allocated in 2011-2017 at 31.12.18** | **57,456** | **46,905** | **37,305** | **141,666** | **105** | **15** | **164** | **23** |
| **Number of Matching shares exercisable 31 Dec. 2018** | **0** | **0** | **0** | **0** | | | | |

| 2017 | Executive Board | Risk-takers | Other | Total | Average per matching share at grant date DKK | Total value at time of allocation DKKm | Average per matching share at 31 Dec. DKK | Total fair value at 31 Dec. DKKm |
|---|---|---|---|---|---|---|---|---|
| Allocated in 2017 | 27,060 | 39,747 | 18,896 | 85,703 | 127 | 11 | 155 | 13 |
| **Matching shares allocated in 2017 at 31.12.17** | **27,060** | **39,747** | **18,896** | **85,703** | **127** | **11** | **155** | **13** |
| Allocated in 2011-2016 | 123,278 | 141,197 | 0 | 264,475 | 98 | 26 | 155 | 41 |
| Category changes and addition | 1,835 | -113,257 | 112,343 | 921 | 98 | 0 | 155 | 0 |
| Cancelled | -9,360 | -3,045 | -8,856 | -21,261 | 98 | -2 | 155 | -3 |
| Exercised | -74,275 | 0 | -61,840 | -136,115 | 98 | -13 | 155 | -21 |
| **Matching shares allocated in 2011-2016 at 31.12.17** | **41,478** | **24,895** | **41,647** | **108,020** | **98** | **11** | **155** | **17** |
| **Number of Matching shares exercisable 31 Dec. 2017** | **0** | **0** | **0** | **0** | | | | |

In 2011-2018, Tryg entered into an agreement on matching shares for the Executive Board, Risk-takers and Other employees as a consequence of the Group's remuneration policy. Executive Board, Risk-takers and Other employees are allocated one share in Tryg A/S for each share they acquires in Tryg A/S at market rate for liquid cash at a contractually agreed sum over the 3- or 4-year maturation period.

In 2018, the reported fair value of matching shares for the Group amounted to DKK 7m (DKK 5m in 2017). At 31 December 2018, a total amount of DKK 29m was recognised for matching shares.

**Conditional shares**

In 2017 and 2018, Tryg allocated conditional shares in accordance with the Group's remuneration policy. The beneficiaries will receive shares in Tryg A/S if certain conditions are fulfilled over a 2 to 3 year vesting period. In 2018, the fair value of Conditional shares is prorated relative to the vesting period and recognised in the income statement amounted to DKK 3m (DKK 1m in 2017). The maximum obligation for Tryg is 100,776 shares in Tryg A/S.

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 7 | **Interest and dividends** | | |
| | *Interest income and dividends* | | |
| | Dividends | 12 | 19 |
| | Interest income, bonds | 568 | 601 |
| | Interest income, other | 0 | 4 |
| | | 580 | 624 |
| | *Interest expenses* | | |
| | Interest expenses subordinate loan capital and credit institutions | -88 | -89 |
| | Interest expenses, other | -52 | -18 |
| | | -140 | -107 |
| | | **440** | **517** |
| 8 | **Value adjustments** | | |
| | *Value adjustments concerning financial assets or liabilities at fair value with value adjustment in the income statement:* | | |
| | Equity investments | -64 | -35 |
| | Unit trust units | -224 | 460 |
| | Share derivatives | 12 | -8 |
| | Bonds | -364 | -148 |
| | Interest derivatives | -38 | -96 |
| | | -678 | 173 |
| | *Value adjustments concerning assets or liabilities that cannot be attributed to IAS 39:* | | |
| | Investment property | 147 | 9 |
| | Owner-occupied property | -1 | 0 |
| | Discounting | 5 | 123 |
| | Other statement of financial position items | -10 | -81 |
| | | 141 | 51 |
| | | **-537** | **224** |

Exchange rate adjustments concerning financial assets or liabilities which cannot be stated at fair value total DKK -17m (DKK 127m in 2017).

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 9 | **Other costs** | | |

Other costs DKK -300m (DKK -194m in 2017). The increase can be attributed to one-off costs related to the acquisition of Alka DKK 76m and depreciations related to trademarks, customer relationships and agricultural portfolio DKK 34m.

| | | 2018 | 2017 |
|---|---|---|---|
| 10 | **Tax** | | |
| | Tax on accounting profit/loss | -498 | -712 |
| | Difference between Danish and foreign tax rates | -19 | -42 |
| | Tax adjustment, previous years | 4 | -47 |
| | Adjustment of non-taxable income and costs | -31 | 80 |
| | Change in valuation of tax assets | 12 | 0 |
| | Change in tax rate | 3 | 1 |
| | | **-529** | **-720** |
| | **Effective tax rate** | **%** | **%** |
| | Tax on accounting profit/loss | 22 | 22 |
| | Difference between Danish and foreign tax rates | 1 | 1 |
| | Tax adjustment, previous years | 0 | 2 |
| | Adjustment of non-taxable income and costs | 1 | -3 |
| | Change in valuation of tax assets | -1 | 0 |
| | | 23 | 22 |

DKKm

## 11 Intangible assets

| | Goodwill | Trademarks and customer relations | Software [a] | Assets under construction [a] | Total |
|---|---|---|---|---|---|
| **2018** | | | | | |
| **Cost** | | | | | |
| Cost at 1 January | 656 | 300 | 1,528 | 352 | 2,836 |
| Exchange rate adjustments | -16 | -9 | -5 | -1 | -31 |
| Transferred to assets held for sale | 0 | 0 | 0 | 0 | 0 |
| Transferred from assets under construction | 0 | 0 | 16 | -16 | 0 |
| Additions for the year [b] | 4,241 | 1,739 | 37 | 326 | 6,343 |
| Disposals for the year | 0 | -49 | 0 | 0 | -49 |
| Cost at 31 December | 4,881 | 1,981 | 1,576 | 661 | 9,099 |
| **Amortisation and write-downs** | | | | | |
| Amortisation and write-downs at 1 January | -104 | -171 | -1,364 | -92 | -1,731 |
| Exchange rate adjustments | 0 | 6 | 5 | 0 | 11 |
| Amortisation for the year | 0 | -34 | -83 | 0 | -117 |
| Impairment losses and write-downs for the year | 0 | 0 | -16 | -10 | -26 |
| Amortisation and write-downs at 31 December | -104 | -199 | -1,458 | -102 | -1,863 |
| **Carrying amount at 31 December** | **4,777** | **1,782** | **118** | **559** | **7,236** |

DKKm

## 11 Intangible assets (continued)

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

a) Hereof proprietary software DKK 524m (DKK 336m at 31 December 2017).
b) Hereof trademarks and customer realtionships related to Alka DKK 1.4bn and total goodwill.

DKKm

11 **Intangible assets (continued)**

**Impairment test**

*Goodwill*

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

*Primary assumptions for impairment test:*

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

**Alka**

The impairment test at year-end for Alka is based on the valuation at the time of acquisition due to the short period of ownership, and lack of indications of impairment since closing. Goodwill recognised DKK 4,241m. Please refer to note 27.

**Obos**

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

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

At 31 December 2018, 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.

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

The impairment test shows a calculated value in use of approximately DKK 0.4bn (0.3bn) relative to a recognised goodwill of DKK 49m (51m) and Equity of DKK 0.2bn (0.2bn) and does not indicate any impairment in 2018. According to the sensitivity informations below a change in the required return rate will have the highst effect on the equity. An increase in the required return of approx. 7% will result in a write down of goodwill.

| DKKm | 2018 | 2017 |
|---|---|---|
| **11 Intangible assets (continued)** | | |
| - Earned premium assumed CAGR 0-10 years | 10% | 10% |
| - Earned premium assumed CAGR > 10 years | 2% | 2% |
| - Required return before tax | 9% | 15% |
| - Expected level of Combined ratio | 90% | 91% |
| **Sensitivity information** | | |
| *Impact on equity from the following changes:* | | |
| CAGR +1.0 percentage point (0-10 years) | 24 | 15 |
| CAGR -1.0 percentage point (0-10 years) | -22 | -14 |
| Required return +1.0 percentage point | -55 | -153 |
| Required return -1.0 percentage point | 52 | 193 |
| Combined ratio +1.0 percentage point | -37 | -142 |
| Combined ratio -1.0 percentage point | 37 | 143 |

**Moderna**

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

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

At 31 December 2018, management performed an impairment test of the carrying amount of goodwill based on the allocation of the cost of goodwill to the cash-generating unit. Moderna portfolio consists from 1 January 2017 of Moderna, Securator and Skandia, which was prior to this date three separate cash-generating units. The reasons behind the merger of Securator and Skandia into Moderna, is that they are managed together as part of the Swedish business and reported under the segment 'Sweden'.

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

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

The impairment test shows a calculated value in use of approximately DKK 1.7bn (1.2bn) relative to a recognised goodwill of DKK 0.5bn (0.5bn) and Equity of DKK 0.7bn (0.8bn) and does not indicate any impairment in 2018. According to the sensitivity informations below a change in the required return rate will have the highst effect on the equity. A increase in the required return of approx. 6% will result in a write down of goodwill.

# Notes

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 11 | **Intangible assets (continued)** | | |
| | - Earned premium assumed CAGR 0-10 years | 3% | 2% |
| | *- Earned premium assumed CAGR > 10 years* | 2% | 1% |
| | - Required return before tax | 11% | 13% |
| | - Expected level of Combined ratio | 92% | 92% |
| | | | |
| | **Sensitivity information** | | |
| | *Impact on equity from the following changes:* | | |
| | CAGR +1.0 percentage point (0-10 years) | 34 | 18 |
| | CAGR -1.0 percentage point (0-10 years) | -29 | -17 |
| | Required return +1.0 percentage point | -280 | -147 |
| | *Required return -1.0 percentage point* | 384 | 185 |
| | Combined ratio +1.0 percentage point | -163 | -107 |
| | Combined ratio -1.0 percentage point | 164 | 107 |

**Trademarks and customer relations**

As at 31 December 2018 management performed a test of the carrying amounts of customer relations as an integral part of the Obos portfolio goodwill test.

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

DKKm

11 **Intangible assets (continued)**

**Software and assets under construction**

*As at 31 December 2018 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 26m (DKK 38m) due to revaluation of the groups it-systems. The write-down is due to the IT development cost beeing higher than the future cash flows. 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.

**12 Property, plant and equipment**

| DKKm | Operating equipment | Leases ROU equipment [a] | Owner-occupied property [b] | Leases ROU 'Group-occupied property [c] | Total |
|---|---|---|---|---|---|
| **2018** | | | | | |
| **Cost** | | | | | |
| Cost at 1 January | 273 | 50 | 0 | 739 | 1,062 |
| Exchange rate adjustments | -3 | 0 | 0 | -10 | -13 |
| Additions for the year | 62 | 14 | 0 | 54 | 130 |
| Addition, purchase of Alka | 0 | 0 | 112 | 0 | 112 |
| Disposals for the year | 0 | 0 | 0 | -21 | -21 |
| Cost at 31 December | 332 | 64 | 112 | 762 | 1,270 |
| **Accumulated depreciation and value adjustments** | | | | | |
| Accumulated depreciation and value adjustments at 1 January | -206 | 0 | 0 | 0 | -206 |
| Exchange rate adjustments | 0 | 0 | 0 | 0 | 0 |
| Depreciation for the year | -25 | -20 | 0 | -84 | -129 |
| Accumulated depreciation and value adjustments at 31 December | -231 | -20 | 0 | -84 | -335 |
| **Carrying amount at 31 December** | **101** | **44** | **112** | **678** | **935** |
| **2017** | | | | | |
| **Cost** | | | | | |
| Cost at 1 January | 239 | 0 | 0 | 0 | 239 |
| Exchange rate adjustments | -4 | 0 | 0 | 0 | -4 |
| Additions for the year | 40 | 0 | 0 | 0 | 40 |
| Disposals for the year | -2 | 0 | 0 | 0 | -2 |
| Cost at 31 December | 273 | 0 | 0 | 0 | 273 |
| **Accumulated depreciation and value adjustments** | | | | | |
| Accumulated depreciation and value adjustments at 1 January | -190 | 0 | 0 | 0 | -190 |
| Exchange rate adjustments | 2 | 0 | 0 | 0 | 2 |
| Depreciation for the year | -18 | 0 | 0 | 0 | -18 |
| Accumulated depreciation and value adjustments at 31 December | -206 | 0 | 0 | 0 | -206 |
| **Carrying amount at 31 December** | **67** | **0** | **0** | **0** | **67** |

a) Lease assets (Right of use-assets(ROU)) equipment only consists of leases of vehicles with a lease term of three to four years. The monthly amounts are fixed and there are no option for purchase or extension. Short term leases are not recognised as Right of use-assets.

b) A valuation of the owner-occupied property has been carried out. The impairment test did not indicate any impairment.

c) Lease assets (Right of use-assets), Group occupied property concists of leases of offices buildings. Contract terms are from 2 to 18 years and with yearly rent adjustments. Tryg has no lease contracts with variable lease payments based on sale or similar.

# Notes

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 13 | **Investment property** | | |
| | Fair value at 1 January | 1,324 | 2,323 |
| | Exchange rate adjustments | -5 | -27 |
| | Additions for the year | 19 | 10 |
| | Disposals for the year | -148 | -1,015 |
| | Value adjustments for the year | 141 | 33 |
| | Reversed on sale | 14 | 0 |
| | **Fair value at 31 December** | **1,345** | **1,324** |

Total rental income for 2018 is DKK 87m (DKK 88m in 2017).

Total expenses for 2018 are DKK 20m (DKK 20m in 2017). Of this amount, expenses for non-let property total DKK 0m (DKK 0m in 2017), total expenses for the income-generating investment property are DKK 20m (DKK 20m in 2017). External experts were involved in valuing the majority of the investment properties.

| **Return percentages, weighted average** | 2018 | 2017 |
|---|---|---|
| Business property | 5.0 | 6.4 |
| Office property | 6.9 | 7.9 |
| Residential property | 3.2 | 6.0 |
| **Total** | **5.7** | **7.0** |

**Sensitivity**

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

| **Impacts on the fair value of properties:** | 2018 | 2017 |
|---|---|---|
| Increase in applied rate of return of 0.25% | -46 | -58 |
| Decrease in applied rate of return of 0.25% | 49 | 63 |
| Decrease in net rental income of 3% | -40 | -41 |
| Decrease in occupancy rate of 3% | -8 | -8 |

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 14 | **Equity investments in associates** | | |
| | **Cost** | | |
| | Cost at 1 January | 215 | 201 |
| | Additions for the year | 13 | 14 |
| | Disposals for the year | -2 | 0 |
| | Cost at 31 December | 226 | 215 |
| | **Revaluations at net asset value** | | |
| | Revaluations at 1 January | 10 | 17 |
| | Dividend received, this year | 0 | -10 |
| | Value adjustments for the year | 6 | 3 |
| | Revaluations at 31 December | 16 | 10 |
| | **Carrying amount at 31 December** | **242** | **225** |

DKKm

**14 Equity investments in associates (continued)**
Shares in associates according to the latest annual report:

| Name and registered office | Assets | Liabilities | Equity | Revenue | Profit/loss for the year | Ownership share in % |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| Ejendomsselskabet af 1. marts 2006 P/S, Denmark | 1,190 | 224 | 966 | 68 | 150 | 25 |
| **2017** | | | | | | |
| Ejendomsselskabet af 1. marts 2006 P/S, Denmark | 1,121 | 222 | 899 | 67 | 68 | 25 |

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

Ejendomsselskabet af 1. marts 2006 P/S, Denmark is sold in January 2019

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 15 | **Financial assets** | | |
| | Financial assets at fair value with value adjustments in the income statement | 41,694 | 43,434 |
| | Derivative financial instruments at fair value used for hedge accounting with value adjustment in other comprehensive income | 59 | 77 |
| | Receivables measured at amortised cost with value adjustment in the income statement | 3,050 | 3,237 |
| | **Total financial assets** | **44,803** | **46,748** |

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 | 740 | 746 |
| | Financial liabilities at amortised cost with value adjustment in the income statement | 11,186 | 6,887 |
| | **Total financial liabilities** | **11,926** | **7,633** |

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.

15 **Financial assets (Continued)**

**The Fair value hierarchy**

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

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

Valuation based on significant non-observable input (level 3): The valuation of certain financial instruments is based substantially on non-observable input. Such instruments include unlisted shares, unit trust investments and some unlisted bonds. The fair value of Investment property is also based on non-observable input. Please refer to note 13 and accounting policies section Investment property.

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

DKKm

15 **Financial assets (Continued)**

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

| | Quoted market price | Observable input | Non-observable input | Total |
|---|---|---|---|---|
| **2018** | | | | |
| Investment property | 0 | 0 | 1,345 | 1,345 |
| Equity investments | 135 | 899 | 115 | 1,149 |
| Unit trust units | 1,663 | 0 | 0 | 1,663 |
| Bonds | 30,678 | 7,302 | 62 | 38,042 |
| Derivative financial instruments, assets | 0 | 899 | 0 | 899 |
| Derivative financial instruments, debt | 0 | -740 | 0 | -740 |
| | **32,476** | **8,360** | **1,522** | **42,358** |
| **2017** | | | | |
| Investment property | 0 | 0 | 1,324 | 1,324 |
| Equity investments | 0 | 0 | 179 | 179 |
| Unit trust units | 4,622 | 229 | 1 | 4,852 |
| Bonds | 18,343 | 18,808 | 0 | 37,151 |
| Deposits with credit institutions | 0 | 250 | 0 | 250 |
| Derivative financial instruments, assets | 0 | 1,079 | 0 | 1,079 |
| Derivative financial instruments, debt | 0 | -746 | 0 | -746 |
| | **22,965** | **19,620** | **1,504** | **44,089** |

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

| DKKm | 2018 | 2017 |
|---|---|---|
| Financial instruments transferred from quoted market prices to observable input | 3,114 | 950 |
| Financial instruments transferred from observables or non-observables input to quoted market prices | 11,115 | 1,379 |
| Financial instruments transferred from non-observables to observable prices | 0 | 0 |

15 **Financial assets (Continued)**

| DKKm | 2018 | 2017 |
|---|---|---|
| *Financial instruments measured at fair value in the statement of financial position on the basis of non-observable input:* | | |
| Carrying amount at 1 January | 1,504 | 2,381 |
| Exchange rate adjustments | -5 | -31 |
| Addition purchase Alka | 138 | 0 |
| Gains/losses in the income statement[a] | 210 | -8 |
| Purchases | 18 | 178 |
| Sales | -343 | -1,016 |
| **Carrying amount at 31 December** | **1,522** | **1,504** |
| Gains/losses in the income statement for assets held at the statement of financial position date recognised in value adjustments | 75 | -39 |

a) Hereof realised DKK 41m.

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 -521m (DKK -386m in 2017).

**Derivative financial instruments**

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

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Nominal | Fair value in statement of financial position | Nominal | Fair value in statement of financial position |
| Interest derivatives | 23,415 | 138 | 28,037 | 184 |
| Share derivatives | 235 | 10 | -135 | 10 |
| Exchange rate derivatives | 4,127 | 11 | 9,121 | 139 |
| Derivatives according to statement of financial position | 27,777 | 159 | 37,023 | 333 |
| Inflation derivatives, recognised in claims provisions | 7,346 | -521 | 3,311 | -386 |
| Total derivative financial instruments | 35,123 | -362 | 40,334 | -53 |
| Due after less than 1 year | 8,108 | -1,158 | 13,455 | 134 |
| Due within 1 to 5 years | 15,187 | 254 | 10,498 | -26 |
| Due after more than 5 years | 11,828 | 542 | 16,381 | -161 |

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

| DKKm | | | |
|---|---|---|---|

15 **Financial assets (Continued)**

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

*Gains and losses on hedges charged to other comprehensive income:*

| 2018 | Gains | Losses | Net |
|---|---|---|---|
| Gains and losses at 1 January | 2,903 | -2,742 | 161 |
| Value adjustments for the year | 197 | -148 | 49 |
| **Gains and losses at 31 December** | **3,100** | **-2,890** | **210** |

| 2017 | Gains | Losses | Net |
|---|---|---|---|
| Gains and losses at 1 January | 2,652 | -2,626 | 26 |
| Value adjustments for the year | 251 | -116 | 135 |
| **Gains and losses at 31 December** | **2,903** | **-2,742** | **161** |

**Value adjustments**

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

| | 2018 | 2017 |
|---|---|---|
| Value adjustments at 1 January | -152 | -15 |
| Value adjustment for the year | -50 | -137 |
| **Value adjustments at 31 December** | **-202** | **-152** |

| DKKm | 2018 | 2017 |
|---|---|---|
| 15 **Financial assets (Continued)** | | |
| **Receivables** | | |
| *Total receivables in connection with direct insurance contracts* | 1,476 | 1,471 |
| Receivables from insurance enterprises | 144 | 300 |
| Unsettled transactions | 611 | 0 |
| Reverse repos | 0 | 602 |
| Other receivables | 192 | 355 |
| | **2,423** | **2,728** |
| ***Specification of write-downs on receivables from insurance contracts:*** | | |
| Write-downs at 1 January | 115 | 117 |
| Exchange rate adjustments | -1 | -5 |
| Write-downs and reversed write-downs for the year | 25 | 3 |
| **Write-downs at 31 December** | **139** | **115** |

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 52m (DKK 42m in 2017).

Other receivables do not contain overdue receivables

16 **Reinsurer's share**

Impairment test

As at 31 December 2018, management performed a test of the carrying amount of total reinsurers' share of provisions for insurance contracts and receivables. The impairment test resulted in impairment charges totalling DKK 0m (DKK 0m in 2017). 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.

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| **17** | **Current tax** | | |
| | Net current tax at 1 January | -194 | -317 |
| | Exchange rate adjustments | 2 | 6 |
| | Purchase or sale of activity | -7 | 0 |
| | Current tax for the year | -583 | -666 |
| | Current tax on equity entries | -12 | -30 |
| | Adjustment of current tax in respect of previous years | 37 | -32 |
| | Tax paid for the year | 639 | 845 |
| | **Net current tax at 31 December** | **-118** | **-194** |
| | *Current tax is recognised in the statement of finansiel position as follows:* | | |
| | Under liabilities, current tax | -118 | -194 |
| | **Net current tax** | **-118** | **-194** |

| | | Shares outstanding | | Own shares | |
|---|---|---|---|---|---|
| **18** | **Equity** | | | | |
| | **Number of shares** | | | | |
| | **Number of shares of DKK 5 (1,000)** | **2018** | **2017** | **2018** | **2017** |
| | Number of shares at 1 January | 301,945 | 274,595 | 203 | 7,946 |
| | Bought during the year | -382 | -211 | 382 | 211 |
| | Sold during the year | 0 | 27,400 | 0 | 0 |
| | Cancellation in connection with buyback programme | 0 | 0 | 0 | -7,793 |
| | Used in connection with exercise of incentive programme | 180 | 161 | -180 | -161 |
| | **Number of shares at 31 December** | **301,743** | **301,945** | **405** | **203** |
| | Number of shares as a percentage of issued shares at 31 December | 99.87 | 99.93 | 0.13 | 0.07 |
| | Nominal value at 31 december (DKKm) | 1,509 | 1,510 | 2 | 1 |

Pursuant to the authorisation granted by the shareholders, Tryg may acquire up to a total face value 151m DKK of the share capital in the period up until 31 December 2019. Own shares are acquired for use in the Group's incentive programme.

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| **18** | **Solvency II – Own funds** | | |
| | Equity according to annual report | 11,334 | 12,616 |
| | Proposed dividend | -499 | -1,483 |
| | Intangible assets | -7,236 | -1,105 |
| | Profit margin, solvency purpose | 1,408 | 970 |
| | Taxes | 311 | 0 |
| | Subordinate loan capital | 2,740 | 2,164 |
| | **Solvency II – Own funds** | **8,058** | **13,162** |
| **19** | **Premium provisions** | | |
| | Premium provision at 1 January | 5,559 | 5,487 |
| | Addition on acquisition of Alka and Troll portfolio (2017 Obos) | 454 | 79 |
| | Value adjustments of provisions, beginning of year | -59 | -132 |
| | Paid in the financial year | 18,820 | 17,991 |
| | Change in premiums in the financial year | -18,921 | -17,868 |
| | Exchange rate adjustments | 8 | 2 |
| | **Premium provisions at 31 December** | **5,861** | **5,559** |

DKKm

**19 Claims provisions**

| | Gross | Ceded | Net of reinsurance |
|---|---|---|---|
| **2018** | | | |
| Claims provisions at 1 January | 23,925 | -1,121 | 22,804 |
| Addition, purchase of Alka and Troll portfolio | 1,626 | -37 | 1,589 |
| Value adjustments of provisions , beginning of year | -209 | 10 | -199 |
| | 25,342 | -1,148 | 24,194 |
| Paid in the financial year in respect of the current year | -7,132 | 250 | -6,882 |
| Paid in the financial year in respect of prior years | -6,125 | 310 | -5,815 |
| | -13,257 | 560 | -12,697 |
| Change in claims in the financial year in respect of the current year | 13,678 | -664 | 13,014 |
| Change in claims in the financial year in respect of prior years | -1,105 | 18 | -1,087 |
| | 12,573 | -646 | 11,927 |
| Discounting and exchange rate adjustments | 189 | 0 | 189 |
| **Claims provisions at 31 December** | **24,847** | **-1,234** | **23,613** |

DKKm

**19 Claims provisions (continued)**

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

# Notes

| DKKm | 2018 | 2017 |
|---|---|---|
| **20 Pensions and similar obligations** | | |
| Jubilees | 47 | 42 |
| **Recognised liability** | **47** | **42** |
| *Defined-benefit pension plans:* | | |
| Present value of pension obligations funded through operations | 40 | 65 |
| Present value of pension obligations funded through establishment of funds | 1,065 | 1,068 |
| Pension obligation, gross | 1,105 | 1,133 |
| Fair value of plan assets | 875 | 885 |
| **Pension obligation, net** | **230** | **248** |
| *Specification of change in recognised pension obligations:* | | |
| Recognised pension obligation at 1 January | 1,133 | 1,268 |
| Exchange rate adjustments | -16 | -95 |
| Present value of pensions earned during the year | 30 | 33 |
| Capital cost of previously earned pensions | 19 | 16 |
| Actuarial gains/losses | -4 | -39 |
| Paid during the period | -57 | -50 |
| **Recognised pension obligation at 31 December** | **1,105** | **1,133** |
| *Change in carrying amount of plan assets:* | | |
| Carrying amount of plan assets at 1 January | 885 | 960 |
| Exchange rate adjustments | -10 | -73 |
| Investments in the year | 31 | 83 |
| Estimated return on pension funds | 14 | 2 |
| Actuarial gains/losses | -8 | -50 |
| Paid during the period | -37 | -37 |
| **Carrying amount of plan assets at 31 December** | **875** | **885** |
| **Total pensions and similar obligations at 31 December** | **230** | **248** |
| **Total recognised obligation at 31 December** | **277** | **290** |

| DKKm | 2018 | 2017 |
|---|---|---|
| **20 Pensions and similar obligations (continued)** | | |
| *Specification of pension cost for the year:* | | |
| Present value of pensions earned during the year | 26 | 28 |
| Interest expense on accrued pension obligation | 18 | 17 |
| Expected return on plan assets | -14 | -2 |
| Accrued employer contributions | 5 | 6 |
| **Total year's cost of defined-benefit plans** | **35** | **49** |
| The premium for the following financial years is estimated at | 35 | 36 |
| Number of active persons | 442 | 450 |
| Number of pensioners | 588 | 605 |
| Average expected remaining service time (years) | 7.00 | 8.00 |
| **Estimated distribution of plan assets:** | **%** | **%** |
| Shares | 10 | 10 |
| Bonds | 77 | 79 |
| Property | 12 | 10 |
| Other | 1 | 1 |
| Average return on plan assets | 1.7 | 0.2 |
| Weighted average duration of the defined benefit obligation (years) | 13 | 13 |
| **Assumptions used** | **%** | **%** |
| Discount rate | 2.0 | 1.7 |
| Estimated return on pension funds | 2.0 | 1.7 |
| Salary adjustments | 2.8 | 2.5 |
| Pension adjustments | 0.8 | 0.4 |
| G adjustments | 2.5 | 2.3 |
| Turnover | 7.0 | 7.0 |
| Employer contributions | 19.1 | 19.1 |
| Mortality table | K2013 | K2013 |

| DKKm | | 2018 | 2017 |
|---|---|---|---|

**20 Sensitivity information**

The sensitivity analysis is based on a change in one of the assumptions, assuming that all other assumptions remain constant. In reality, this is rarely the case, and changes to some assumptions may be subject to covariance. The sensitivity analysis has been carried out using the same method as the actuarial calculation of the pension provisions in the statement of financial position.

| | 2018 | 2017 |
|---|---|---|
| *Impact on equity from the following changes:* | | |
| Interest rate increase of 0.3 percentage point | 49 | 46 |
| Interest rate decrease of 0.3 percentage point | -52 | -49 |
| Pay increase rate, increase of 1 percentage point | -76 | -92 |
| Pay increase rate, decrease of 1 percentage point | 66 | 78 |
| Turnover, increase of 2 percentage point | 30 | 22 |
| Turnover, decrease of 2 percentage point | -36 | -26 |

**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 Livsforsikringsselskapet Nordea Liv AS 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 12m, which is about 1,9 % of the annual premium in FPK (2017). FPK writes in its interim report for 2018 that it had a collective consolidation ratio of 141 at 30 June 2018 (consolidation ratio of 140 at 30 June 2017). The collective consolidation ratio is defined as the fair value of the plan assets relative to the total collective pension obligations.

**21 Deferred tax**

| DKKm | 2018 | 2017 |
|---|---|---|
| **Tax asset** | | |
| Operating equipment | 9 | 8 |
| Debt and provisions | 77 | 51 |
| | **86** | **59** |
| **Tax liability** | | |
| Intangible rights | 389 | 25 |
| Land and buildings | 105 | 130 |
| Bonds | -61 | 15 |
| Contingency funds | 565 | 545 |
| | **998** | **715** |
| **Deferred tax** | **912** | **656** |
| **Development in deferred tax** | | |
| Deferred tax at 1 January | 656 | 702 |
| Exchange rate adjustments | -9 | -48 |
| Change in deferred tax relating to change in tax rate | -3 | -1 |
| Change in deferred tax previous years | 33 | 13 |
| Purchase or sale of activity | 288 | 0 |
| Change in capitalised tax loss | 38 | 0 |
| Change in deferred tax recognised in income statement | -91 | -10 |
| **Deferred tax at 31 December** | **912** | **656** |
| Tax value of non-capitalised tax loss | | |
| Denmark | 16 | 16 |

The loss in Tryg A/S cannot be utilised in the Danish joint taxation scheme. The loss can be carried forward indefinitely.

The losses are not recognised as tax assets until it has been substantiated that the company can generate sufficient future taxable income to offset the tax 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 13m (DKK 25m at 31 December 2017).

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 22 | **Other provisions** | | |
| | Other provisions at 1 January | 111 | 125 |
| | Exchange rate adjustment | -1 | -4 |
| | Change in provisions | 1 | -10 |
| | **Other provisions 31 December** | **111** | **111** |

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 22m and use of existing restructuring provisions amounts to DKK 24m. The balance as at 31 December 2018 amounts to DKK 102m (DKK 104m at 31 December 2017).

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 23 | **Amounts owed to credit institutions** | | |
| | Overdraft facilities | 494 | 306 |
| | | **494** | **306** |

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 24 | **Debt relating to unsettled funds transactions and repos** | | |
| | Unsettled fund transactions | 611 | 1,611 |
| | Repo debt | 2,797 | 100 |
| | | 3,408 | 1,711 |

Unsettled fund transactions include debt for bonds purchased in 2017 and 2018, however, with settlement in 2018 and 2019, respectively. Financial instruments comprised by repo agreements, meaning financial instruments sold before the balance sheet date and repurchased after the balancesheet date, remains recognised in the balance sheet, while the received amount is recognised as Repo debt.

| DKKm | | 2018 |
|---|---|---|
| 24 | **Other Debt** | |
| | Debt related to Leasing are included in Other Debt. | |
| | Please refer to note 12 for specification of ROU assets. | |
| | **Maturity of undiscounted lease liabilities** | |
| | Due 1 year or less | 131 |
| | Due 1 year-5 years | 346 |
| | Due more than 5 years | 496 |
| | **Total Lease liabilities 31 December** | **973** |
| | Hereof future cashflow options | 4 |
| | **Amounts recognised in statement of cashflow** | |
| | Total cash out-flow for leases | 135 |
| | **Amounts recognised in income statement** | |
| | Interest on lease liabilities | -38 |
| | Expenses relating to short team-leases | 0 |
| | **Implementation of IFRS 16 1 January 2018** [a] | |
| | Lease liabilities at 31 December 2017 [b] | 1,003 |
| | Adjustment at initial application of IFRS 16 | 71 |
| | Initial application at 1 January 2018 | 1,074 |
| | Discounting | -285 |
| | **Lease liabilities recognised in statement of financial position at 1 January** | **789** |
| | Weighted average incremental borrowing rate at initial application | 5.2% |

a) Please refer to Note 30 Accounting policies for further description
b) Please refer to Note 26 Contractual obligations

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 25 | **Earnings per share** | | |
| | Profit/loss from continuing business | 1,733 | 2,519 |
| | Profit/loss on discontinued and divested business | -2 | -2 |
| | Profit/loss for the year | 1,731 | 2,517 |
| | Average number of shares (1,000) | 302,043 | 276,080 |
| | Diluted number of shares (1,000) | 302,043 | 279,080 |
| | Earnings per share, continuing business | 5.74 | 9.12 |
| | Diluted earnings per share, continuing business | 5.74 | 9.12 |
| | Earnings per share | 5.73 | 9.12 |
| | Diluted earnings per share | 5.73 | 9.12 |

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

**Contractual obligations**

| | Obligations due by period | | | | |
|---|---|---|---|---|---|
| **2018** | **<1 year** | **1-3 years** | **3-5 years** | **> 5 years** | **Total** |
| Other contractual obligations[a)] | 335 | 210 | 45 | 4 | 594 |
| | **335** | **210** | **45** | **4** | **594** |
| **2017** | | | | | |
| Operating leases | 120 | 197 | 134 | 552 | 1,003 |
| Other contractual obligations | 867 | 40 | 6 | 0 | 913 |
| | **987** | **237** | **140** | **552** | **1,916** |

a) Other contractual obligations mainly consists of IT and outsourcing agreements
Please refer to note 12 for lease agreements recognised as ROU.

**2018**

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

Tryg is comitted to invest in some Investmentfunds. The commitment amounts to DKK 263m and are expected called during 2019.

**2017**

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

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 26 | **Contractual obligations, collateral and contingent liabilities (continued)** | | |

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

***Tryg Forsikring A/S, Tryg Livsforsikring A/S, Forsikrings-Aktieselskabet Alka and Forsikings-Aktieselskabet Alka Liv II have registered the following assets as having been held as security for the insurance provisions:***

| | 2018 | 2017 |
|---|---|---|
| Equity investments | 413 | 14 |
| Unit trust units | 0 | 1,759 |
| Bonds | 27,011 | 36,000 |
| Deposits with credit institutions | 0 | 250 |
| Interest and rent receivable | 144 | 197 |
| Equity investments in and receivables from Group undertakings which have been eliminated in the consolidated financial statements | 8,388 | 2,529 |
| **Total** | **35,956** | **40,749** |

DKKm

**26 Contractual obligations, collateral and contingent liabilities (continued)**
**Offsetting and collateral in relation to financial assets and obligations**

| | Gross amount before offsetting | Offsetting | According to the statement of financial position | Collateral which is not offset in the statement of financial position: Bonds as collateral for repos/ reverse repos | Collateral in cash | Net amount |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| **Assets** | | | | | | |
| Reverse repos | 0 | 0 | 0 | 0 | -4 | -4 |
| Derivative financial instruments | 899 | 0 | 899 | 0 | -874 | 25 |
| Inflation derivatives, recognised in claims provisions | 3 | 0 | 3 | 0 | -3 | 0 |
| | **902** | **0** | **902** | **0** | **-881** | **21** |
| **Liabilities** | | | | | | |
| Repo debt | 2,797 | 0 | 2,797 | -2,797 | -2 | -2 |
| Derivative financial instruments | 740 | 0 | 740 | 0 | -740 | 0 |
| Inflation derivatives, recognised in claims provisions | 525 | 0 | 525 | 0 | -525 | 0 |
| | **4,062** | **0** | **4,062** | **-2,797** | **-1,267** | **-2** |
| **2017** | | | | | | |
| **Assets** | | | | | | |
| Reverse repos | 602 | 0 | 602 | -602 | 0 | 0 |
| Derivative financial instruments | 1,079 | 0 | 1,079 | 0 | -1,058 | 21 |
| Inflation derivatives, recognised in claims provisions | 19 | 0 | 19 | 0 | -15 | 4 |
| | **1,700** | **0** | **1,700** | **-602** | **-1,073** | **25** |
| **Liabilities** | | | | | | |
| Repo debt | 100 | 0 | 100 | -100 | -1 | -1 |
| Derivative financial instruments | 746 | 0 | 746 | 0 | -718 | 28 |
| Inflation derivatives, recognised in claims provisions | 405 | 0 | 405 | 0 | -411 | -6 |
| | **1,251** | **0** | **1,251** | **-100** | **-1,130** | **21** |

**Contingent liabilities**
Companies in the Tryg Group are party to a number of disputes.

Management believes that the outcome of these disputes will not affect the Group's financial position significantly beyond the obligations recognized in the statement of financial position at 31 December 2018.

DKKm

27 **Acquisition of activities**

**2018**

***Alka***

In December 2017 Tryg agreed to acquire Forsikrings-Aktieselskabet Alka (Alka). The transaction was approved as per 5 November 2018 with closing 8 November 2018, whereby Tryg acquired 100% of the shares in Alka and its subsidiaries. The acquisition affects the Financial statement from 8 November 2018. The resultat will be recognised under Private Denmark and Commercial Denmark.

**FDM**

Tryg acquired FDM's insurance portfolio at 1 January 2018. In October 2017, Tryg began selling insurance products to FDM's customers, and by 1 January 2018, all current customers had been transferred to Tryg. *The result will be recognised under Private Denmark.*

**Troll**

In February 2018 Tryg and Troll Forsikring made a declaration of intent whereby Tryg would acquire Troll Forsikring AS. The agreement meant that Tryg would acquire the production and distribution of the insurances sold to Troll's policyholders. The agreements was signed in February and the acquisition was approved by the Danish and Norwegian FSA in March 2018.

| **Net assets acquired** | **Alka** | **Troll** | **2018** | **OBOS 2017** |
|---|---|---|---|---|
| **Assets** | | | | |
| Intangible assets | 1,429 | 0 | 1,429 | 51 |
| Tangible assets | 112 | 0 | 112 | 0 |
| Financial assets | 5,638 | 42 | 5,680 | 121 |
| Total reinsurance of provisions | 19 | 64 | 83 | 49 |
| Receivables, other assets and accrued income | 277 | 83 | 360 | 113 |
| **Liabilities** | | | | |
| Total provisions for insurance contracts | 2,387 | 83 | 2,470 | 143 |
| Debt and accruals and deferred income | 852 | 54 | 906 | 74 |
| **Net assets acquired** | **4,236** | **52** | **4,288** | **117** |
| hereof cash | 145 | 42 | 187 | 13 |
| **Purchase price** | **8,477** | **55** | **8,532** | **168** |
| Purchase price in cash | 8,332 | 13 | 8,345 | 155 |
| **Goodwill** | **4,241** | **3** | **4,244** | **51** |

27 **Acquisition of subsidiaries**

The Group has incurred transaction and advisory costs of DKK 76m 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 Brands, Customer relations and to expected synergies between the portfolios in the acquired activities and the Group's existing activities, which are not separately identifiable.

The Goodwill acquired is not tax deductible. Alka is included going forward from 8 November 2018, with a premium of approx. DKK 385m and a technical result of approx. DKK 60m. If the activities were included with a full year, the premium income would amount to approx. DKK 2.300m and the technical result would be approx. DKK 300m.

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.

**2017**

**OBOS**

In February 2017 Tryg and OBOS BLL signed an agreement whereby Tryg acquired OBOS' insurance activities and shares in OBOS Forsikring AS and integrated them into its Norwegean business. The acquisition affects the Financial statement from 1 June 2017:

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

# Notes

| DKKm | 2018 | 2017 |
|---|---|---|

**28 Related parties**

The group has no related parties with a decisive influence other than the parent company, TryghedsGruppen smba and the subsidiaries of TryghedsGruppen smba (other related parties). Related parties with significant influence include the Supervisory Board, the Executive Management and their members' family.

| | 2018 | 2017 |
|---|---|---|
| **Premium income** | | |
| - Parent company (TryghedsGruppen smba) | 0.5 | 0.4 |
| - Key management | 0.0 | 0.3 |
| - Other related parties | 4.5 | 2.2 |
| **Claims payments** | | |
| - Key management | 0.0 | 0.1 |
| - Other related parties | 0.4 | 1.0 |

**Specification of remuneration**

| 2018 | Number of persons | Base salary | Share-based Variable salary[a)] | Cash Variable salary | Pension | Total |
|---|---|---|---|---|---|---|
| Supervisory Board | 13 | 8 | 0 | 0 | 0 | 8 |
| Executive Board | 4 | 25 | 3 | 3 | 6 | 37 |
| Risk-takers investment functions | 6 | 8 | 0 | 1 | 1 | 10 |
| Risk-takers staff functions | 17 | 23 | 1 | 3 | 3 | 30 |
| Risk-takers independent control functions | 4 | 6 | 0 | 1 | 1 | 7 |
| Risk-takers other functions | 18 | 35 | 3 | 6 | 4 | 48 |
| | **62** | **105** | **7** | **13** | **15** | **140** |

a) Total expenses in 2018 for matching shares and conditional shares allocated in 2018 and previous year.

For matching shares and conditional shares allocated to Executive Board in 2019 for fiscal year 2018, see Section 'Corporate governance' in Management review.

| Of which retired: | Number of persons | Severance pay |
|---|---|---|
| Supervisory Board | 1 | 0 |
| Executive Board | 1 | 0 |
| Risk-takers | 5 | 0 |
| | **7** | **0** |

DKKm

**28 Related parties (continued)**

| 2017 | Number of persons | Base salary | Share-based Variable salary[a)] | Cash Variable salary | Pension | Total |
|---|---|---|---|---|---|---|
| Supervisory Board | 14 | 8 | 0 | 0 | 0 | 8 |
| Executive Board | 3 | 20 | 3 | 0 | 5 | 28 |
| Risk-takers investment functions | 6 | 9 | 1 | 2 | 1 | 13 |
| Risk-takers staff functions | 15 | 23 | 1 | 2 | 3 | 29 |
| Risk-takers independent control functions | 3 | 4 | 0 | 0 | 1 | 5 |
| Risk-takers other functions | 19 | 41 | 4 | 7 | 6 | 58 |
| | **60** | **105** | **9** | **11** | **16** | **141** |

a) Total expenses in 2017 for matching shares programs allocated in 2017 and previous year.

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

DKKm

28 **Related parties (continued)**

Fees are charges incurred during the financial year. Variable salary includes the charges for matching shares and conditional shares, which are recognised over 4 years. Reference is made to section 'Corporate governance' of the management's review on the corresponding disbursements. The Executive Board and risk-takers are included in incentive programmes. Please refer to note 6 for information concerning this.

The members of the Supervisory Board in Tryg A/S are paid with a fixed remuneration and are not covered by the incentive schemes.

The Executive Board is paid a fixed remuneration, car allowance and pension. The variable salary is awarded in the form of sharebased remuneration and cash, see 'Corporate governance'.

Each member of the Executive Board is entitled to 12 months' notice and severance pay equal to 12 months' salary plus pension contribution (Group CEO is entitled to severance pay equal to 18 months' salary). If a change of control clause is actioned CEO and COO are instead entitled to Severance pay equal to 36 months' salary and CFO to 24 months' salary and a notice period of 6 months.

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

**Parent company**
**TryghedsGruppen smba**
TryghedsGruppen smba controls 60% of the shares in Tryg A/S.

**2018**
In 2018 Tryg Forsikring A/S paid Tryg A/S DKK 1,437m and Tryg A/S paid TryghedsGruppen smba DKK 1,788m in dividends. Further Tryg A/S also made a capital contribution of DKK 2,000m to Tryg Forsikring. In 2018, TryghedsGruppen smba has invested DKKm 313 in 'Kapitalforeningen Tryg Invest'. The amount is recognised under Other Financial investment assets and Debt to Group undertakings.

**2017**
Tryg transferred DKK 40m to TryghedsGruppen regarding commitment fee related to capital increase in december 2017. The transactions between TryghedsGruppen smba and Tryg A/S is conducted on an arm's length basis.

**Intra-group transactions**
Administration fee, etc. is fixed on a cost-recovery basis. Intra-group accounts are offset and carry interest on market terms. The companies in the Tryg Group have entered into reinsurance contracts on market terms. Transactions with Group undertakings have been eliminated in the consolidated financial statements in accordance with the accounting policies.

DKKm

29 **Financial highlights**

Please refer to page 54.

# Notes

## 30 Accounting policies

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as per adopted by the EU on 31 December 2018 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.

### Change in accounting policies

**IFRS 16, Leases**

Tryg has implemented IFRS 16 one year ahead of its effective date and will consequently recognise lease assets (Right of Use-asset) and lease liabilities in the balance sheet. The implementation of IFRS 16 has no significant impact on either profit or loss or equity. Lease assets recognised comprise ' Group-occupied property' and 'Operating equipment'. Lease liabilities are recognised in the line item 'Other debt'. Early application of IFRS 16 is only possible because Tryg also applies IFRS 15 'Revenue from Contracts with Customers', however applying IFRS 15 have no significant impact on the statement of financial position or profit or loss due to the fact that our income is primarily related to premiums accounted for under IFRS 4. Tryg has elected not to implement regarding intangibles, short term and low value lease contracts. The total impact on the balance sheet 1 January 2018, using the modified retrospective approach was;

| | |
|---|---|
| **Assets** | |
| Total property, plant and equipment | 789 |
| Total assets | 789 |
| | |
| **Equity and liabilities** | |
| Total debt | 789 |
| Total equity and liabilities | 789 |

In addtion please see note 24.

As a consequence of applying the modified retrospective approach comparative figures has not been restated.

**Other**

Going forward from 01.01.2018 Tryg has classified depreciation related to some intangible assets, such as customer relationship and distribution. The reclassification has not affected Profit and Loss or Equity but depreciation related to said items will be presented in the line item 'other costs' instead of the line item 'Acquisition costs and administration expenses' where they were previously presented.

Comparative figures have not been restated due to immateriality.

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

### Accounting regulation

**Implementation of changes to accounting standard and interpretation in 2018**

The International Accounting Standards Board (IASB) has issued several 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 2018 that will have a significant impact on the group. See below regarding IFRS 9 'Financial instruments'

There has not been implemented any new or amended standards and interpretations that have affected the group significantly.

**Future orders, standards and interpretations that the group has not implemented and which have still not entered into force but could affect the group significantly:**

- IFRS 9 'Financial Instruments' [a]
- IFRS 17 'Insurance Contracts' [b]

a) enters into force for the accounting year commencing 1 January 2018 – Insurance companies are allowed to postpone the implementation to 1 January 2022 if certain criteria are met.
b) enters into force for the accounting year commencing 1 January 2022.

The implementation of IFRS 9 'financial instruments' is not expected to significantly change the group's financial position.

Regarding IFRS 9 the assessment of no significant impact on the statement of financial position or profit and loss is based on the assumption that Tryg already carry all financial instruments at fair value through profit and loss. The implementation of IFRS 9, will not effect Tryg's recognition and measurement. Tryg has postponed the implementation of IFRS 9 to 1 January 2022 when IFRS 17 Insurance Contracts will be applicable. Tryg can postpone IFRS 9 due to the fact that our activities are predominantly connected with insurance and that our liabilities connected with insurance is relatively greater than 80 per cent of the total liabilities. The impact of IFRS 17 is currently being assessed and is expected to be concluded in due course in time of the implementation date.

The changes will be implemented going forward from the effective date.

### 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
- Business Combinations
- 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 several uncertainty factors.

Claims provisions are management's best estimate based on actuarial and statistical projections of claims and administration of claims including a margin incorporating the uncertainty related to the range of actuarial scenarios and other short and long-term risks not reflected in standard actuarial models. The projections are based on Tryg's knowledge of historical developments, payment patterns, reporting delays, duration of the claims settlement process and other factors that might influence future developments in the liabilities.

The Group makes claims provisions, in addition to provisions for known claims, which cover estimated compensation for losses that has incurred, but are not yet reported to the Group (known as IBNR reserves) and future developments in claims which are known to the

# Notes

Group but are not finally settled. Claims provisions also include direct and indirect claims settlement costs or loss adjustment expenses that arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to Tryg.

The calculation of the claims provisions is therefore inherently uncertain and, by necessity, relies upon the making of certain assumptions as regards factors such as court decisions, amendments to legislation, social inflation and other economic trends, including inflation. The Group's actual liability for losses may therefore be subject to material positive or negative deviations relative to the initially estimated claims provisions.

Claims provisions are discounted. As a result, initial changes in discount rates or changes in the duration of the claims provisions could have positive or negative effects on earnings. Discounting affects the motor third-party liability, general third-party liability, workers' compensation classes, including sickness and personal accidents, 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. 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, 13 and 15.**

**Business Combinations**
In Business Combinations, significant assessments are made when considering the fair value of the assets required and liabilities assumed and when identifying intangible assets, such as Trademarks, Customer relations and goodwill as part of the transactions.

**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 several 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 A/S (the parent company) and the enterprises (subsidiaries) controlled by the parent company. The parent company is regarded as controlling an enterprise when it

- exercises a controlling influence over the relevant activities in the enterprise in question,
- is exposed to or has the right to a variable return on its investment, and
- can exercise its controlling influence to affect the variable return.

Enterprises in which the Group directly or indirectly holds between 20% and 50% of the voting rights and exercises significant influence but no controlling influence are classified as associates.

*Basis of consolidation*
The consolidated financial statements are prepared on the basis of the financial statements of Tryg A/S and its subsidiaries. The consolidated financial statements are prepared by combining items of a uniform nature. The financial statements used for the consolidation are prepared in accordance with the Group's accounting policies.

On consolidation, intra-group income and costs, intra-group accounts and dividends, and gains and losses arising on transactions between the consolidated enterprises are eliminated.

Items of subsidiaries are fully recognised in the consolidated financial statements.

*Business combinations*
Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the date of acquisition and the date of formation, respectively. The date of acquisition is the date on which control of the acquired enterprise actually passes to Tryg. Divested or discontinued enterprises are recognised in the consolidated statement of comprehensive income up to the date of disposal or the settlement date. The date of disposal is the date on which control of the divested enterprise actually passes to a third party.

The purchase method is applied for new acquisitions if the Group gains control of the acquired enterprise. Subsequently, identifiable assets, liabilities and contingent liabilities in the acquired enterprises are measured at fair value at the date of acquisition. Non-current assets which are acquired with the intention of selling them are, however, measured at fair value less expected selling costs. Restructuring costs are recognised in the pre-acquisition balance sheet only if they constitute an obligation for the acquired enterprise. The tax effect of revaluations is taken into account. The acquisition price of an enterprise consists of the fair value of the price paid for the acquired enterprise. If the final determination of the price is conditional upon one or more future events, such events are recognised at their fair values at the date of acquisition. Costs relating to the acquisition are recognised in the income statement as incurred.

Any positive balances (goodwill) between the acquisition price of the acquired enterprise, the value of minority interests in the acquired enterprise and the fair value of previously acquired equity investments, on the one hand, and the fair value of the acquired assets, liabilities and contingent liabilities, on the other hand, are recognised as an asset under intangible assets, and are tested for impairment at least once a year. If the carrying amount of the asset exceeds its recoverable amount, it is impaired to the lower recoverable amount.

In the event of negative balances (negative goodwill), the calculated fair values, the calculated acquisition price of the enterprise, the value of minority interests in the acquired enterprise and the fair value of previously acquired equity investments are revalued. If the balance is still negative, the amount is recognised as income in the income statement.

If, at the date of acquisition, there is uncertainty as to the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the acquisition price, initial recognition is based on a preliminary determination of values. The preliminarily determined values may be adjusted or additional assets or liabilities may be recognised up to 12 months after the acquisition, provided that new information has come to light regarding matters existing at the date of acquisition which would have affected the determination of the values at the date of acquisition, had such information been known.

Generally, 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 Tryg are Private, Commercial, Corporate and Sweden. Private encompasses the sale of insurances to private individuals in Denmark and Norway. Commercial encompasses the sale of insurances to small and medium sized businesses, in Denmark and Norway. Corporate sells insurances to industrial clients primarily in Denmark, Norway and Sweden. In addition, Corporate handles all business involving brokers. Sweden encompasses the sale of insurance products to private individuals in Sweden as well as sale of Product insurances in the Nordic region.

Geographical information is presented on the basis of the economic environment in which the Tryg Group operates. The geographical areas are Denmark, Norway and Sweden.

Segment income and segment costs as well as segment assets and liabilities comprise those items that can be directly attributed to each individual segment and those items that can be allocated to the individual segments on a reliable basis. Unallocated items primarily comprise assets and liabilities concerning investment activity managed at Group level.

**Key ratios**
Earnings per share (EPS) are calculated according to IAS 33. This and other key ratios are calculated in accordance with Recommendations and Ratios issued by the The Danish Finance Society and the Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds issued by the Danish Financial Supervisory Authority.

## Income statement

**Premiums**
Premium income represents gross premiums written during the year, net of reinsurance premiums and adjusted for changes in premium provisions, corresponding to an accrual of premiums to the risk period of the policies, and in the reinsurers' share of the premium provisions.

Premiums are calculated as premium income in accordance with the risk exposure over the cover period, calculated separately for each individual insurance contract. The calculation is generally based on the pro rata method, although this is adjusted for an unevenly divided risk between lines of business with strong seasonal variations or for policies lasting many years.

The portion of premiums received on contracts that relate to unexpired risks at the statement of financial position date is reported under premium provisions.

The portion of premiums paid to reinsurers that relate to unexpired risks at the statement of financial position date is reported as the reinsurers' share of premium provisions.

**Technical interest**
According to the Danish FSA's executive order, technical interest is presented as a calculated return on the year's average insurance liability provisions, net of reinsurance. The calculated interest return for grouped classes of risks is calculated as the monthly average provision plus an actual interest from the present yield curve for each individual group of risks. The interest is applied according to the expected run-off pattern of the provisions.

Insurance technical interest is reduced by the portion of the increase in net provisions that relates to unwinding.

**Claims**
Claims are claims paid during the year and adjusted for changes in claims provisions less the reinsurers' share. In addition, the item includes run-off gains/losses in respect of previous years. The portion of the increase in provisions which can be ascribed to unwinding is transferred to insurance technical interest.

Claims are shown inclusive of direct and indirect claims handling costs, including costs of inspecting and assessing claims, costs to combat and mitigate damage and other direct and indirect costs associated with the handling of claims incurred.

Changes in claims provisions due to changes in yield curve and exchange rates are recognised as a price adjustment. Tryg hedges the risk of changes in future pay and price figures for provisions for workers' compensation. Tryg uses zero coupon inflation swaps acquired with a view to hedging the inflation risk. Value adjustments of these swaps are included in claims, thereby reducing the effect of changes to inflation expectations under claims.

**Bonus and premium discounts**
Bonus 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.

**Share-based payment**
The Tryg Group's incentive programmes comprise share option programmes, employee shares and matching shares.

**Employee shares**
According to established rules, the Group's employees can be granted a bonus in the form of employee shares. When the bonus is granted, employees can choose between receiving shares or cash. The expected value of the shares will be expensed over the vesting period. The scheme will be treated as a complex financial instrument, consisting of the right to cash settlement and the right to request delivery of shares. The difference between the value of shares and the cash payment is recognised in equity and is not remeasured. The remainder is treated as a liability and is remeasured until the time of exercise, such that the total recognition is based on the actual number of shares or the actual cash amount.

**Matching shares**
Members of Executive Board and other senior employees have been allocated shares in accordance with the 'Matching shares' scheme. Under Matching shares, the individual Executive Board member or other senior employee is allocated one share in Tryg A/S for each share he or she acquires in Tryg A/S at the market rate for certain liquid cash at a contractually agreed sum in connection with the Matching share programme.

The holder acquires the shares in the open window following publication of the annual report for the previous year. The shares (matching shares) are provided free of charge, three or four years after the time of purchase of the investment Shares. The holder may not sell the shares until six months after the matching time.

The shares are recognised at market value and are accrued over the four and tree year maturation period, based on the market price at the time of acquisition. Recognition is from the end of the month of acquisition under staff expenses with a balancing entry directly in equity. If the holder retires during the maturation period but remains entitled to shares, the remaining expense is recognised in the current accounting year.

**Investment activities**
Income from associates includes the Group's share of the associates' net profit.

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

Interest and dividends represent interest earned and dividends received during the financial year. Realised and unrealised investment gains and losses, including gains and losses on derivative financial instruments, value adjustment of investment property, foreign currency translation adjustments and the effect of movements in the yield curve used for discounting, are recognised as value adjustments.

Investment management charges represent expenses relating to the management of investments including salary and management fees on the investment area.

**Other income and expenses**
Other income and expenses include income and expenses which cannot be ascribed to the Group's insurance portfolio or investment assets, including the sale of products for Velliv, Pension & Livsforsikring A/S and depreciations of intangibles assets identified in Business combinations.

**Discontinued and divested business**
Discontinued and divested business is consolidated in one item in the income statement. Discontinued and divested business includes gross premiums, gross claims, gross costs, profit/loss on ceded business, insurance technical interest net of reinsurance, investment return after insurance technical interest, other income and costs and tax in respect of the discontinued business. Any reversal of earlier impairment is recognised under other income and costs.

The statement of financial position items concerning discontinued activities are reported unchanged under the respective entries whereas assets and liabilities concerning divested activities are consolidated under one item as assets held for sale and liabilities held for sale.

The comparative figures, including five-year financial highlights and key ratios, have been restated to reflect discontinued business. Discontinued and divested business in the income statement includes the profit/loss after tax of the run-off for the marine hull business and the divested activities in the Finnish branch. Discontinued business also comprises the Tryg Forsikring A/S run-off business.

## Statement of financial position

**Intangible assets**

**Goodwill**

Goodwill was acquired in connection with acquisition of business. Goodwill is calculated as the difference between the cost of the undertaking and the fair value of acquired identifiable assets, liabilities and contingent liabilities at the time of acquisition. Goodwill is allocated to the cash-generating units under which management manages the investment and is recognised under intangible assets. Goodwill is not amortised but is tested for impairment at least once per year.

**Trademarks and customer relations**

Trademarks and customer relations have been identified as intangible assets on acquisition. The intangible assets are recognised at fair value at the time of acquisition and amortised on a straight-line basis over the expected economic lifetime of 5–15 years.

**Software**

Acquired computer software licences are capitalised on the basis of the costs incidental to acquiring and bringing to use the specific software. The costs are amortised based on an estimated economic lifetime of up to 4 years.

Costs for group developed software that are directly connected with the production of identifiable and unique software products, where there is sufficient certainty that future earnings will exceed the costs in more than one year, are reported as intangible assets. Direct costs include personnel costs for software development and directly attributable relevant fixed costs. All other costs connected with the development or maintenance of software are continuously charged as expenses.

After completion of the development work, the asset is amortised according to the straight-line method over the assessed economic lifetime, though over a maximum of 4 years. The amortisation basis is reduced by any impairment and write-downs.

**Assets under construction**

Group-developed intangibles are recorded under the entry 'Assets under construction' until they are put into use, whereupon they are reclassified as software and are amortized in accordance with the amortization periods stated above.

**Fixed assets**

**Operating equipment**

Fixtures and operating equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost encompasses the purchase price and costs directly attributable to the acquisition of the relevant assets until the time when such assets are ready to be brought into use.

Depreciation of operating equipment is calculated using the straight-line method over its estimated economic lifetime as follows:

- IT, 4-8 years
- Vehicles, 5 years
- Furniture, fittings and equipment, 5-10 years

Leasehold improvements are depreciated over the expected economic lifetime, however maximally the term of the lease.

Gains and losses on disposals and retired assets are determined by comparing proceeds with carrying amounts. Gains and losses are recognised in the income statement. When revalued assets are sold, the amounts included in the revaluation reserves are transferred to retained earnings.

**Leasing**

**Right-of-use assets**

At inception of a contract, Tryg assesses whether a contract is, or contains, a lease. It has the following prerequisites:

- The underlying asset is identifiable
- The group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use
- The group has the right to direct the use of the asset

Tryg recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, excluding short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

At inception or on reassessment of a contract that contains lease components, Tryg allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

Right-of-use asset (ROU asset) and lease liability are recognised at the lease commencement date. The ROU asset is initially measured the cost, which comprises the initial amount of the lease liability adjusted for

- lease payments made at or before the commencement date
- any initial direct cost incurred
- estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset
- lease incentives received

ROU assets are tested for impairment.

**Lease liability**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, Tryg uses its incremental borrowing rate. Subsequently, the lease liability is measured at amortised cost using the effective interest method and is presented as part of other debt. It is remeasured when there is a change in future lease payments. A corresponding adjustment is made to the carrying amount of the ROU asset.

**Land and buildings**

Land and buildings are divided into owner-occupied property and investment property. The Group's owner-occupied properties consist of an office building in Høje Taastrup and a small number of summer house. 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 based on 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.

**Investment property**
Properties held for renting yields that are not occupied by the Group are classified as investment properties.

Investment property is recognised at fair value. Fair value is based on market prices, adjusted for any differences in the nature, location or maintenance condition of specific assets. If this information is not available, the Group uses alternative valuation methods such as discounted cash flow projections and recent prices in the market.

The fair value is calculated on the basis of market-specific rental income per property and typical operating expenses for the coming year. The resulting operating income is divided by the required return on the property in per cent, which is adjusted to reflect market interest rates and property characteristics, corresponding to the present value of a perpetual annuity. The value is subsequently adjusted with the value in use of the return on prepayments and deposits and adjustments for specific property issues such as vacant premises or special tenant terms and conditions. **Cf. note 15 and 13.**

Changes in fair values are recorded in the income statement.

**Impairment test for intangible assets, property and operating equipment**
Operating equipment and intangible assets are assessed at least once per year to ensure that the depreciation method and the depreciation period that is used are connected to the expected economic lifetime. This also applies to the salvage value. Write-down is performed if impairment has been demonstrated.

Goodwill is tested annually for impairment, or more often if there are indications of impairment, and impairment testing is performed for each cash-generating unit to which the asset belongs. The present value is normally established using budgeted cash flows based on business plans. The business plans are based on past experience and expected market developments.

**Equity investments in Group undertakings**
The parent company's equity investments in subsidiaries are recognised and measured using the equity method. The parent company's share of the enterprises' profits or losses after elimination of unrealised intra-group profits and losses is recognised in the income statement. In the statement of financial position, equity investments are measured at the pro rata share of the enterprises' equity.

Subsidiaries with a negative net asset value are recognised at zero value. Any receivables from these enterprises are written down by the parent company's share of such negative net asset value where the receivables are deemed irrecoverable. If the negative net asset value exceeds the amount receivable, the remaining amount is recognised under provisions if the parent company has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Net revaluation of equity investments in subsidiaries is taken to reserve for net revaluation under equity if the carrying amount exceeds cost.

The results of foreign subsidiaries are based on translation of the items in the income statement using average exchange rates for the period unless they deviate significantly from the transaction day exchange rates. Income and costs in domestic enterprises denominated in foreign currencies are translated using the exchange rates applicable on the transaction date. Statement of financial position items of foreign subsidiaries are translated using the exchange rates applicable at the statement of financial position date.

When it is assessed that the parent company no longer has control over the subsidiary, it will be transferred to either assets held for sale or unquoted shares and when sold, it will be derecognised.

**Equity investments in associates**
Associates are enterprises in which the Group has significant influence but not control, generally in the form of an ownership interest of between 20% and 50% of the voting rights. Equity investments in associates are measured using the equity method so that the carrying 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 it's 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 because of changes in the fair value for the category financial assets at fair value are recognised in the income statement in the period in which they arise.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired, or if they have been transferred, and the Group has also transferred substantially all risks and rewards of ownership. Financial assets are recognised and derecognised on a trade date basis, the date on which the Group commits to purchase or sell the asset.

The fair values of quoted securities are based on stock exchange prices at the statement of financial position date. For securities that are not listed on a stock exchange, or for which no stock exchange price is quoted that reflects the fair value of the instrument, the fair value is determined using valuation techniques. These include the use of similar recent arm's length transactions, reference to other similar instruments or discounted cash flow analysis.

**Derivative financial instruments and hedge accounting**
The Group's activities expose it to financial risks, including changes in share prices, foreign exchange rates, interest rates and inflation. Forward exchange contracts and currency swaps are used for currency hedging of portfolios of shares, bonds, hedging of foreign entities and insurance statement of financial position items. Interest rate derivatives in the form of futures, forward contracts, repos, swaps and FRAs are used to manage cash flows and interest rate risks related to the portfolio

of bonds and insurance provisions. Share derivatives in the form of futures and options are used from time to time to adjust share exposures.

Derivative financial instruments are reported from the trading date and are measured in the statement of financial position at fair value. Positive fair values of derivatives are recognised as derivative financial instruments under assets. Negative fair values of derivatives are recognised under derivative financial instruments under liabilities. Positive and negative values are only offset when the company is entitled or intends to make net settlement of more financial instruments.

Calculation of value is generally performed based on rates supplied by Danske Bank with relevant information providers and is checked by the Group's valuation technicians. Discounting based on market interest rates is applied in the case of derivative financial instruments involving an expected future cash flow.

Recognition of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of investments in foreign entities. Changes in the fair value of derivatives that are designated and qualify as net investment hedges in foreign entities and which provide effective currency hedging of the net investment are recognised in other comprehensive income. The net asset value of the foreign entities estimated at the beginning of the financial year is hedged 90-100% by entering into short-term forward exchange contracts according to the requirements of hedge accounting. Changes in the fair value relating to the ineffective portion are recognised in the income statement. Gains and losses accumulated in equity are included in the income statement on disposal of the foreign entity.

**Reinsurers' share of provisions for insurance contracts**
Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurers' share of provisions for insurance contracts. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as assets and reported as reinsurers' share of provisions for insurance contracts.

Amounts receivable from reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Changes due to unwinding are recognised in insurance technical interest. Changes due to changes in the yield curve or foreign exchange rates are recognised as price adjustments.

The Group continuously assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to it's 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 because 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).

**Own shares**
The purchase and sale sums of own shares and dividends thereon are taken directly to retained earnings under equity. Own shares include shares acquired for incentive programmes and share buyback programme.

Proceeds from the sale of own shares in connection with the exercise of share options or matching shares are taken directly to equity.

**Subordinate loan capital**
Subordinate loan capital is recognised initially at fair value, net of transaction costs incurred. Subordinate loan capital is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the borrowing period using the effective interest method.

**Provisions for insurance contracts**
Premiums written are recognised in the income statement (premium income) proportionally over the period of coverage and, where necessary, adjusted to reflect any time variation of the risk. The portion of premiums received on in-force contracts that relates to unexpired

risks at the statement of financial position date is reported as premium provisions. Premium provisions are generally calculated according to a best estimate of expected payments throughout the agreed risk period; however, as a minimum as the part of the premium calculated using the pro rata temporis principle until the next payment date. Adjustments are made to reflect any risk variations. This applies to gross as well as ceded business.

Claims and claims handling costs are expensed in the income statement as incurred based on the estimated liability for compensation owed to policyholders or third parties sustaining losses at the hands of the policyholders. They include direct and indirect claims handling costs that arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Group. Claims provisions are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported and the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The provisions include claims handling costs.

Claims provisions are discounted. Discounting is based on a yield curve reflecting duration applied to the expected future payments from the provision. Discounting affects the motor liability, professional liability, workers' compensation and personal accident and health insurance classes, in particular.

Provisions for bonuses and premium discounts etc. represent amounts expected to be paid to policyholders in view of the claims experience during the financial year.

Claims provisions are determined for each line of business based on actuarial methods. Where such business lines encompass more than one business area, short-tailed claims provisions are distributed based on number of claims reported while long-tailed claims provisions are distributed based on premiums earned. The models currently used are Chain-Ladder, Bornhuetter-Ferguson, the Loss Ratio method. Chain-Ladder techniques are used for lines of business with a stable run-off pattern. The Bornhuetter-Ferguson method, and sometimes the Loss Ratio method, are used for claims years in which the previous run-off provides insufficient information about the future run-off performance.

The provision for annuities under workers' compensation insurance is calculated on the basis of a mortality corresponding to the G82 calculation basis (official mortality table).

In some instances, the historic data used in the actuarial models is not necessarily predictive of the expected future development of claims. For example, this is the case with legislative changes where an a priori estimate is used for premium increases related to the expected increase in claims. In connection with legislative changes, the same estimate is used for determining the change in the level of claims. Subsequently, this estimate is maintained until new loss history materialises which can be used for re-estimation.

Several assumptions and estimates underlying the calculation of the claims provisions are mutually dependent. Most importantly, this can be expected to be the case for assumptions relating to interest rates and inflation.

Workers' compensation is an area in which explicit inflation assumptions are used, with annuities for the insured being indexed based on the workers' compensation index. An inflation curve that reflects the market's inflation expectations plus a real wage spread is used as an approximation to the workers' compensation index.

For other lines of business, the inflation assumptions, because present only implicitly in the actuarial models, will cause a certain lag in predicting the level of future losses when a change in inflation occurs. On the other hand, the effect of discounting will show immediately as a consequence of inflation changes to the extent that such changes affect the interest rate.

Other correlations are not deemed to be significant.

**Liability adequacy test**

Tests are continuously performed to ensure the adequacy of the insurance provisions. In performing these tests, current best estimates of future cash flows of claims, gains and direct and indirect claims handling costs are used. Any deficiency results in an increase in the relevant provision, and the adjustment is recognised in the income statement.

**Employee benefits**

Pension obligations

The Group operates various pension schemes. The schemes are funded through contributions to insurance companies or trustee-administered funds. In Norway, the Group operates a defined-benefit plan. In Denmark, the Group operates a defined-contribution plan. A defined-contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. In Sweden, the Group complies with the industry pension agreement, FTP-Planen. FTP-Planen is primarily a defined-benefit plan as regards the future pension benefits. Försäkringsbranschens Pensionskassa (FPK) is unable to provide sufficient information for the Group to use defined-benefit accounting. The plan is therefore accounted for as a defined-contribution plan.

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

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

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

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

**Other employee benefits**

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

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

**Income tax and deferred tax**

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

Deferred tax is measured according to the statement of financial position liability method on all timing differences between the tax and accounting value of assets and liabilities. Deferred income tax is measured using the tax rules and tax rates that apply in the relevant countries on the statement of financial position date when the deferred tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets, including the tax value of tax losses carried forward, are recognised to the extent that it is probable that future taxable profit will be realised against which the temporary differences can be offset.

Deferred income tax is provided on temporary differences concerning investments, except where Tryg controls when the temporary difference will be realised, and it is probable that the temporary difference will not be realised in the foreseeable future.

**Other provisions**

Provisions are recognised when the Group has a legal or constructive obligation because 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.

Debt related to leasing and the external investors share of Kapitalforeningen Tryg invest are included in Other debt.

**Cash flow statement**

The consolidated cash flow statement is presented using the direct method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and end of the financial year. No separate cash flow statement has been prepared for the parent company because it is included in the consolidated cash flow statement.

Cash flows from operating activities are calculated whereby major classes of gross cash receipts and gross cash payments are disclosed.

Cash flows from investing activities comprise payments in connection with the purchase and sale of intangible assets, property, plant and equipment as well as financial assets and deposits with credit institutions.

Cash flows from financing activities comprise changes in the size or composition of Tryg's share capital and related costs as well as the raising of loans, repayments of interest-bearing debt and the payment of dividends.

Cash and cash equivalents comprise cash and demand deposits.

# Income statement for Tryg A/S
(parent company)

| Note | DKKm | 2018 | 2017 |
|---|---|---|---|
| | **Investment activities** | | |
| 1 | Income from Group undertakings | 1,783 | 2,577 |
| | Interest income | 0 | 1 |
| | Administration expenses in connection with investment activities | -1 | -6 |
| | Total investment return | 1,782 | 2,572 |
| 2 | Other expenses | -65 | -71 |
| | **Profit/loss before tax** | **1,717** | **2,501** |
| 3 | Tax | 14 | 16 |
| | **Profit/loss for the year** | **1,731** | **2,517** |
| | **Proposed distribution for the year:** | | |
| | Dividend | 1,996 | 2,827 |
| | Transferred to reserve for net revaluation according to the equity method | 347 | -1,026 |
| | Transferred to retained earnings | -612 | 716 |
| | | **1,731** | **2,517** |

| Note | DKKm | 2018 | 2017 |
|---|---|---|---|
| | **Statement of comprehensive income** | | |
| | Profit/loss for the year | 1,731 | 2,517 |
| | Other comprehensive income | | |
| | **Other comprehensive income which cannot subsequently be reclassified as profit or loss** | | |
| | Change in equalisation provision and other provisions | 0 | 4 |
| | Actuarial gains/losses on defined-benefit pension plans | -5 | -7 |
| | Tax on actuarial gains/losses on defined-benefit pension plans | 1 | 2 |
| | | -4 | -1 |
| | **Other comprehensive income which can subsequently be reclassified as profit or loss** | | |
| | Exchange rate adjustments of foreign entities for the year | -50 | -137 |
| | Hedging of currency risk in foreign entities for the year | 49 | 135 |
| | Tax on hedging of currency risk in foreign entities for the year | -11 | -30 |
| | | -12 | -32 |
| | **Total other comprehensive income** | **-16** | **-33** |
| | **Comprehensive income** | **1,715** | **2,484** |

# Statement of financial position for Tryg A/S
## (parent company)

| Note | DKKm | 2018 | 2017 |
|---|---|---|---|
| | **Assets** | | |
| 4 | **Intangible assets** | **1** | **0** |
| 5 | Equity investments in Group undertakings | 11,407 | 9,076 |
| | **Total investments in Group undertakings** | **11,407** | **9,076** |
| | **Total investment assets** | **11,407** | **9,076** |
| | Receivables from Group undertakings | 0 | 3,532 |
| | **Total receivables** | **0** | **3,532** |
| 6 | Current tax assets | 14 | 17 |
| | **Total other assets** | **14** | **17** |
| | **Total prepayments and accrued income** | **1** | **0** |
| | **Total assets** | **11,422** | **12,625** |

| DKKm | 2018 | 2017 |
|---|---|---|
| **Equity and liabilities** | | |
| **Equity** | **11,334** | **12,616** |
| Debt to Group undertakings | 76 | 0 |
| Other debt | 12 | 9 |
| **Total debt** | **88** | **9** |
| **Total equity and liabilities** | **11,422** | **12,625** |

7 **Deferred tax assets**
8 **Own funds**
9 **Contractual obligations, contingent liabilities and collateral**
10 **Related parties**
11 **Reconciliation of profit/loss and equity**
12 **Accounting policies**

# Statement of changes in equity
## (parent company)

| DKKm | Share capital | Revaluation reserves | Retained earnings | Proposed dividend | Total |
|---|---|---|---|---|---|
| **Equity at 31 December 2017** | **1,511** | **2,081** | **7,541** | **1,483** | **12,616** |
| **2018** | | | | | |
| Profit/loss for the year | | 347 | -612 | 1,996 | 1,731 |
| Other comprehensive income | | -16 | | | -16 |
| Total comprehensive income | 0 | 331 | -612 | 1,996 | 1,715 |
| Dividend paid | | | | -2,980 | -2,980 |
| Dividend own shares | | | 0 | | 0 |
| Purchase and sale of own shares | | | -27 | | -27 |
| Issue of share options and matching shares | | | 10 | | 10 |
| **Total changes in equity in 2018** | **0** | **331** | **-629** | **-984** | **-1,282** |
| **Equity at 31 December 2018** | **1,511** | **2,412** | **6,912** | **499** | **11,334** |
| | | | | | |
| **Equity at 31 December 2016** | **1,413** | **3,140** | **2,867** | **2,017** | **9,437** |
| **2017** | | | | | |
| Profit/loss for the year | | -1,026 | 716 | 2,827 | 2,517 |
| Other comprehensive income | | -33 | | | -33 |
| Total comprehensive income | 0 | -1,059 | 716 | 2,827 | 2,484 |
| Nullification of own shares | -39 | 39 | | | 0 |
| Dividend paid | | | | -3,361 | -3,361 |
| Dividend, own shares | | | 82 | | 82 |
| Purchase and sale of own shares | | | -20 | | -20 |
| Issue of new shares[a)] | 137 | | 3,841 | | 3,978 |
| Issue of employee shares | | | 10 | | 10 |
| Issue of share options and matching shares | | | 6 | | 6 |
| **Total changes in equity in 2017** | **98** | **-1,059** | **4,674** | **-534** | **3,179** |
| **Equity at 31 December 2017** | **1,511** | **2,081** | **7,541** | **1,483** | **12,616** |

Proposed dividend per share is calculated as the total dividend proposed by the Supervisory Board after the end of the financial year divided by the total number of shares at the end of the year (302,147,991 shares).

a) Cost related to the issue of new shares are deducted in proceeds recognised in retained earnings with DKK 50,3m.

# Notes

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| **1** | **Income from Group undertakings** | | |
| | Tryg Invest A/S | 1 | 2 |
| | Tryg Forsikring A/S | 1,782 | 2,575 |
| | | **1,783** | **2,577** |
| **2** | **Other expenses** | | |
| | Administration expenses | -65 | -71 |
| | | **-65** | **-71** |

Remuneration for the Executive Board is paid partly by Tryg A/S and partly by Tryg Forsikring A/S and is charged to Tryg A/S via the cost allocation. Refer to Note 6 for the Tryg Group for a specification of the audit fee.

| | | 2018 | 2017 |
|---|---|---|---|
| | Average number of full-time employees for the year | 13 | 17 |
| **3** | **Tax** | | |
| | Reconciliation of tax costs | | |
| | Tax on profit/loss for the year | 14 | 17 |
| | Tax adjustments, previous years | 0 | -1 |
| | | **14** | **16** |
| | **Effective tax rate** | **%** | **%** |
| | Tax on profit/loss for the year | 22 | 22 |
| | Tax adjustment, previous years | 0 | -1 |
| | | **22** | **21** |

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| **4** | **Intangible assets** | | |
| | Assets under construction | | |
| | Cost | | |
| | Cost at 1 January | 0 | 0 |
| | Additions for the year | 1 | 0 |
| | Cost at 31 December | 1 | 0 |
| | **Amortisation and write-downs** | | |
| | Amortisation and write-downs at 1 January | 0 | 0 |
| | Amortisation for the year | 0 | 0 |
| | Amortisation and write-downs at 31 December | 0 | 0 |
| | **Carrying amount at 31 December** | **1** | **0** |
| **5** | **Equity investments in Group undertakings** | | |
| | **Cost** | | |
| | Cost at 1 January | 6,995 | 6,987 |
| | Additions for the year | 2,000 | 8 |
| | Cost at 31 December | 8,995 | 6,995 |
| | **Revaluation and impairment to net asset value** | | |
| | Revaluation and impairment at 1 January | 2,081 | 3,140 |
| | Revaluations for the year | 1,768 | 2,545 |
| | Dividend paid | -1,437 | -3,604 |
| | Revaluation and impairment at 31 December | 2,412 | 2,081 |
| | **Carrying amount at 31 December** | **11,407** | **9,076** |

# Notes

| DKKm | | | |
|---|---|---|---|

**5 Equity investments in Group undertakings**

| Name, registered office and activity | Ownership share in % | Profit/loss | Equity |
|---|---|---|---|
| **2018** | | | |
| Tryg Invest A/S, Ballerup | 100 | 1 | 11 |
| Tryg Forsikring A/S, Ballerup | 100 | 1,782 | 11,395 |
| **2017** | | | |
| Tryg Invest A/S, Ballerup | 100 | 2 | 10 |
| Tryg Forsikring A/S, Ballerup | 100 | 2,575 | 9,066 |

| DKKm | 2018 | 2017 |
|---|---|---|
| **6 Current tax assets** | | |
| Tax receivable at 1 January | 17 | 15 |
| Current tax for the year | 14 | 17 |
| Adjustment of current tax in respect of previous years | 0 | -1 |
| Tax paid for the year | -17 | -14 |
| ***Tax receivable at 31 December*** | **14** | **17** |
| **7 Deferred tax assets** | | |
| Capitalised tax losses | | |
| Tryg A/S | 0 | 0 |
| **Tax value of non-capitalised tax losses** | | |
| Tryg A/S | 16 | 16 |

The loss in Tryg A/S can only be utilised in Tryg A/S. The loss can be carried forward indefinitely. The losses are not recognised as tax assets until it has been substantiated that the company can generate sufficient future taxable income to offset the tax losses.

**8 Own funds**

From 2016, Tryg A/S calculates solvency ratio and own funds on Group level according to Solvency II rules. Please refer to note 18 in the Tryg Group on Solvency II own funds.

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

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

Companies in the Tryg Group are party to a number of disputes in Denmark, Norway and Sweden. Management believes that the outcome of these disputes will not affect the Group's financial position over and above the receivables and liabilities recognised in the statement of financial position at 31 December 2018.

DKKm

## 10 Related parties

Tryg A/S has no related parties with a controlling influence other than the parent company, TryghedsGruppen smba. Related parties with a significant influence include the Supervisory Board, the Executive Board and their members' related family.

**Specification of remuneration**

| 2018 | Number of persons | Base salary | Share-based variable salary a) | Cash variable salary | Pension | Total |
|---|---|---|---|---|---|---|
| Supervisory Board | 13 | 8 | 0 | 0 | 0 | 8 |
| Executive Board | 4 | 25 | 3 | 3 | 6 | 37 |
| Risk-takers | 4 | 6 | 0 | 0 | 1 | 7 |
| | **21** | **39** | **3** | **3** | **7** | **52** |

a) Total expenses in 2018 for matching shares progams allocated in 2018 and previous year.

For matching shares allocated to Executive Board in 2018 for fiscal year 2017, see Section 'Corporate governance' in Management review.

| Of which retired | Number of persons | Severance pay |
|---|---|---|
| Supervisory Board | 1 | 0 |
| Executive Board | 1 | 0 |
| | **2** | **0** |



## 10 Related parties (continued)

| 2017 | Number of persons | Base salary | Share-based variable salary a) | Cash variable salary | Pension | Total |
|---|---|---|---|---|---|---|
| Supervisory Board | 14 | 8 | 0 | 0 | 0 | 8 |
| Executive Board | 3 | 20 | 3 | 0 | 5 | 28 |
| Risk-takers | 4 | 6 | 0 | 0 | 1 | 7 |
| | **21** | **34** | **3** | **0** | **6** | **43** |

a) Total expenses in 2017 for matching shares progams allocated in 2017 and previous year.

| Of which retired | Number of persons | Severance pay |
|---|---|---|
| Supervisory Board | 1 | 0 |
| Executive Board | 0 | 0 |
| | **1** | **0** |

Fees are charges incurred during the financial year. Variable salary includes the charges for matching shares, which are recognised over 4 years. Reference is made to section 'Corporate governance' of the management's review on the corresponding disbursements. The Executive Board and risk-takers are included in incentive programmes. Please refer to note 6 for the Tryg Group.

The members of the Supervisory Board in Tryg A/S are paid with a fixed remuneration and are not covered by the incentive schemes.

The Executive Board is paid a fixed remuneration, car allowance and pension. The variable salary is awarded in the form of sharebased remuneration and cash, see 'Corporate governance'.

Each member of the Executive Board is entitled to 12 months' notice and severance pay equal to 12 months' salary plus pension contribution (Group CEO is entitled to severance pay equal to 18 months' salary). If a change of control clause is actioned CEO and COO are instead entitled to Severance pay equal to 36 months' salary and CFO to 24 months' salary and a notice period of 6 months.

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

# Notes

| DKKm | | 2018 | 2017 |
|---|---|---|---|
| 10 | **Parent company** | | |
| | **TryghedsGruppen smba** | | |
| | TryghedsGruppen smba controls 60% of the shares in Tryg A/S. | | |
| | **Transactions with Group undertakings and associates** | | |
| | Tryg A/S exercises full control over Tryg Forsikring A/S and Tryg Invest A/S. In 2018 Tryg Forsikring A/S paid Tryg A/S DKK 1,437m and Tryg A/S paid TryghedsGruppen smba DKK 1,788m in dividends. Further Tryg A/S also made a capital contribution of DKK 2,000m to Tryg Forsikring. | | |
| | **Intra-group trading involved** | | |
| | - Providing and receiving services | 13 | 14 |
| | - Intra-group accounts | 76 | 3,530 |
| | Administration fee, etc. is settled on a cost-recovery basis. Intra-group accounts are offset and carry interest on market terms. | | |
| 11 | **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. | | |
| | There is no difference in profit/loss or equity recognised after Danish FSA and IFRS. | | |
| 12 | **Accounting policies** | | |
| | Please refer to Tryg Group's accounting policies. | | |

# Q4 2018 Quarterly outline

| DKKm | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 | Q4 2016 |
|---|---|---|---|---|---|---|---|---|---|
| **Private** | | | | | | | | | |
| **Gross premium income** | **2,679** | **2,309** | **2,257** | **2,221** | **2,203** | **2,211** | **2,178** | **2,206** | **2,235** |
| Technical result | 531 | 467 | 483 | 253 | 394 | 463 | 440 | 268 | 366 |
| **Key ratios** | | | | | | | | | |
| Gross claims ratio | 64.2 | 63.5 | 62.2 | 72.4 | 65.7 | 62.7 | 63.8 | 71.8 | 67.9 |
| Net reinsurance ratio | 2.4 | 2.2 | 2.5 | 2.2 | 2.6 | 3.1 | 2.0 | 1.9 | 1.8 |
| Claims ratio, net of reinsurance | 66.6 | 65.7 | 64.7 | 74.6 | 68.3 | 65.8 | 65.8 | 73.7 | 69.7 |
| Gross expense ratio | 13.5 | 13.9 | 13.9 | 14.0 | 13.7 | 13.2 | 13.9 | 14.2 | 13.9 |
| **Combined ratio** | **80.1** | **79.6** | **78.6** | **88.6** | **82.0** | **79.0** | **79.7** | **87.9** | **83.6** |
| Combined ratio exclusive of run-off | 83.0 | 84.9 | 83.5 | 92.4 | 84.2 | 82.6 | 83.3 | 92.4 | 86.3 |
| **Commercial** | | | | | | | | | |
| **Gross premium income** | **1,044** | **994** | **978** | **955** | **977** | **971** | **949** | **965** | **972** |
| Technical result | 270 | 174 | 169 | 171 | 138 | 175 | 171 | 183 | 166 |
| **Key ratios** | | | | | | | | | |
| Gross claims ratio | 52.2 | 61.0 | 59.7 | 61.9 | 66.3 | 61.1 | 62.9 | 60.6 | 58.3 |
| Net reinsurance ratio | 4.5 | 4.3 | 4.2 | 3.6 | 3.7 | 3.2 | 1.4 | 2.7 | 8.0 |
| Claims ratio, net of reinsurance | 56.7 | 65.3 | 63.9 | 65.5 | 70.0 | 64.3 | 64.3 | 63.3 | 66.3 |
| Gross expense ratio | 17.5 | 17.2 | 18.8 | 16.5 | 15.9 | 17.7 | 17.6 | 17.7 | 16.5 |
| **Combined ratio** | **74.2** | **82.5** | **82.7** | **82.0** | **85.9** | **82.0** | **81.9** | **81.0** | **82.8** |
| Combined ratio exclusive of run-off | 89.6 | 93.3 | 92.3 | 89.5 | 94.9 | 92.4 | 88.0 | 89.5 | 92.2 |
| **Corporate** | | | | | | | | | |
| **Gross premium income** | **987** | **991** | **977** | **942** | **965** | **975** | **942** | **970** | **966** |
| Technical result | -117 | 63 | 109 | 118 | 60 | 91 | 156 | 79 | 9 |
| **Key ratios** | | | | | | | | | |
| Gross claims ratio | 92.7 | 96.8 | 58.8 | 70.7 | 74.6 | 69.3 | 59.2 | 67.2 | 84.3 |
| Net reinsurance ratio | 8.8 | -12.3 | 20.5 | 6.4 | 9.1 | 11.1 | 13.9 | 14.4 | 4.2 |
| Claims ratio, net of reinsurance | 101.5 | 84.5 | 79.3 | 77.1 | 83.7 | 80.4 | 73.1 | 81.6 | 88.5 |
| Gross expense ratio | 10.3 | 9.3 | 9.6 | 10.3 | 10.1 | 10.1 | 10.5 | 10.1 | 10.6 |
| **Combined ratio** | **111.8** | **93.8** | **88.9** | **87.4** | **93.8** | **90.5** | **83.6** | **91.7** | **99.1** |
| Combined ratio exclusive of run-off | 106.3 | 108.2 | 95.0 | 100.4 | 100.2 | 94.1 | 91.5 | 98.7 | 111.6 |

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# Q4 2018 Quarterly outline

| DKKm | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 | Q4 2016 |
|---|---|---|---|---|---|---|---|---|---|
| **Sweden** | | | | | | | | | |
| **Gross premium income** | **361** | **411** | **375** | **324** | **355** | **420** | **383** | **329** | **337** |
| Technical result | 38 | 57 | 85 | 21 | 30 | 60 | 43 | 38 | 23 |
| **Key ratios** | | | | | | | | | |
| Gross claims ratio | 71.7 | 69.6 | 61.6 | 76.5 | 73.0 | 70.7 | 70.5 | 69.6 | 72.7 |
| Net reinsurance ratio | 0.3 | 0.2 | 0.3 | 0.3 | 0.6 | 0.0 | 0.8 | 0.0 | 0.0 |
| Claims ratio, net of reinsurance | 72.0 | 69.8 | 61.9 | 76.8 | 73.6 | 70.7 | 71.3 | 69.6 | 72.7 |
| Gross expense ratio | 17.2 | 16.1 | 14.7 | 16.7 | 17.7 | 14.8 | 17.0 | 18.5 | 20.2 |
| **Combined ratio** | **89.2** | **85.9** | **76.6** | **93.5** | **91.3** | **85.5** | **88.3** | **88.1** | **92.9** |
| Combined ratio exclusive of run-off | 95.3 | 94.7 | 89.7 | 98.1 | 97.2 | 92.9 | 90.6 | 99.3 | 101.2 |
| **Other** [a] | | | | | | | | | |
| **Gross premium income** | **-18** | **-9** | **-16** | **-22** | **-12** | **-1** | **-11** | **-12** | **-6** |
| Technical result | -126 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -250 |
| **Tryg** | | | | | | | | | |
| **Gross premium income** | **5,053** | **4,696** | **4,571** | **4,420** | **4,488** | **4,576** | **4,441** | **4,458** | **4,504** |
| Technical result | 596 | 761 | 846 | 563 | 622 | 789 | 810 | 568 | 314 |
| Investment return | -330 | 79 | -90 | 9 | 86 | 87 | 131 | 223 | 598 |
| Other income and costs | -117 | -15 | -21 | -19 | -23 | -16 | -26 | -12 | -112 |
| Profit/loss before tax | 149 | 825 | 735 | 553 | 685 | 860 | 915 | 779 | 800 |
| Profit/loss | 110 | 627 | 568 | 426 | 527 | 671 | 714 | 605 | 560 |
| **Key ratios** | | | | | | | | | |
| Gross claims ratio | 69.0 | 69.9 | 61.3 | 69.4 | 68.5 | 64.4 | 63.4 | 67.9 | 72.0 |
| Net reinsurance ratio | 3.6 | 0.0 | 6.0 | 3.7 | 3.8 | 4.6 | 4.0 | 5.0 | 3.1 |
| Claims ratio, net of reinsurance | 72.6 | 69.9 | 67.3 | 73.1 | 72.3 | 69.0 | 67.4 | 72.9 | 75.1 |
| Gross expense ratio | 15.6 | 13.9 | 14.1 | 14.0 | 13.7 | 13.6 | 14.3 | 14.4 | 18.0 |
| **Combined ratio** | **88.2** | **83.8** | **81.4** | **87.1** | **86.0** | **82.6** | **81.7** | **87.3** | **93.1** |
| Combined ratio exclusive of run-off | 92.3 | 92.5 | 88.2 | 93.7 | 90.9 | 88.0 | 86.7 | 93.7 | 99.8 |

a) Amounts relating to eliminations and one-off items are included under 'Other'. Please refer to note 2 Geographical segments.

> **Download** a further detailed version of the presentation at tryg.com/uk > investor > Downloads > tables

# Q4 2018 Geographical segments

| DKKm | Q4 2018 | Q4 2017 | 2018 | 2017 |
|---|---|---|---|---|
| **Danish general insurance [a]** | | | | |
| **Gross premium income** | **2,931** | **2,448** | **10,430** | **9,606** |
| Technical result | 555 | 495 | 2,007 | 1,783 |
| Run-off gains/losses, net of reinsurance | 178 | 134 | 710 | 449 |
| **Key ratios** | | | | |
| Gross claims ratio | 63.7 | 64.3 | 61.2 | 64.2 |
| Net reinsurance ratio | 3.7 | 2.8 | 5.5 | 3.7 |
| Claims ratio, net of ceded business | 67.4 | 67.1 | 66.7 | 67.9 |
| Gross expense ratio | 13.6 | 12.5 | 13.9 | 13.4 |
| **Combined ratio** | **81.0** | **79.6** | **80.6** | **81.3** |
| Run-off, net of reinsurance (%) | -6.1 | -5.5 | -6.8 | -4.7 |
| Number of full-time employees 31 December | | | 2,520 | 1,933 |
| **Norwegian general insurance** | | | | |
| NOK/DKK, average rate for the period | 77.84 | 77.65 | 77.53 | 79.99 |
| **Gross premium income** | **1,629** | **1,535** | **6,302** | **6,272** |
| Technical result | 242 | 140 | 791 | 770 |
| Run-off gains/losses, net of reinsurance | 98 | 123 | 520 | 422 |
| **Key ratios** | | | | |
| Gross claims ratio | 66.0 | 72.2 | 72.6 | 67.9 |
| Net reinsurance ratio | 5.3 | 3.6 | 1.2 | 5.3 |
| Claims ratio, net of ceded business | 71.3 | 75.8 | 73.8 | 73.2 |
| Gross expense ratio | 14.0 | 15.2 | 13.9 | 14.7 |
| **Combined ratio** | **85.3** | **91.0** | **87.7** | **87.9** |
| Run-off, net of reinsurance (%) | -6.0 | -8.0 | -8.3 | -6.7 |
| Number of full-time employees 31 December | | | 1,105 | 1,042 |

a) Includes Danish general insurance and German and Finnish guarantee insurance. The gross premium income related to German and finnish guarantee insurance amount to DKK 54m

| DKKm | Q4 2018 | Q4 2017 | 2018 | 2017 |
|---|---|---|---|---|
| **Swedish general insurance** | | | | |
| SEK/DKK, average rate for the period | 72.12 | 76.17 | 72.67 | 77.24 |
| **Gross premium income** | **511** | **517** | **2,073** | **2,121** |
| Technical result | -75 | -13 | 94 | 236 |
| Run-off gains/losses, net of reinsurance | -69 | -38 | -9 | 101 |
| **Key ratios** | | | | |
| Gross claims ratio | 96.9 | 76.0 | 82.3 | 69.0 |
| Net reinsurance ratio | 1.2 | 11.2 | -1.7 | 5.0 |
| Claims ratio, net of ceded business | 98.1 | 87.2 | 80.6 | 74.0 |
| Gross expense ratio | 16.4 | 15.1 | 14.6 | 14.5 |
| **Combined ratio** | **114.5** | **102.3** | **95.2** | **88.5** |
| Run-off, net of reinsurance (%) | 13.5 | 7.4 | 0.4 | -4.8 |
| Number of full-time employees 31 December | | | 402 | 398 |
| **Other [b]** | | | | |
| **Gross premium income** | **-18** | **-12** | **-65** | **-36** |
| Technical result | -126 | 0 | -126 | 0 |
| **Tryg** | | | | |
| **Gross premium income** | **5,053** | **4,488** | **18,740** | **17,963** |
| Technical result | 596 | 622 | 2,766 | 2,789 |
| Investment return | -330 | 86 | -332 | 527 |
| Other income and costs | -117 | -23 | -172 | -77 |
| Profit/loss before tax | 149 | 685 | 2,262 | 3,239 |
| Run-off gains/losses, net of reinsurance | 207 | 219 | 1,221 | 972 |
| **Key ratios** | | | | |
| Gross claims ratio | 69.0 | 68.5 | 67.4 | 66.1 |
| Net reinsurance ratio | 3.6 | 3.8 | 3.3 | 4.3 |
| Claims ratio, net of ceded business | 72.6 | 72.3 | 70.7 | 70.4 |
| Gross expense ratio [c] | 15.6 | 13.7 | 14.4 | 14.0 |
| **Combined ratio** | **88.2** | **86.0** | **85.1** | **84.4** |
| Run-off, net of reinsurance (%) | -4.1 | -4.9 | -6.5 | -5.4 |
| Number of full-time employees, continuing business at 31 December | | | 4,027 | 3,373 |

b) Amounts relating to eliminations and one-off items. In 2018 Cost, Claims and Other Costs were negatively affected by DKK 75m, DKK 49m, DKK 76m. The costs are related to integration and transactions costs for the aquirement of Alka. In 2016 costs and claims were negatively affected by DKK 162m and DKK 88m respectively, mainly due to impairment of software.
c) Adjustment of gross expense ratio included only in 'Tryg'. The adjustment is explained in a footnote to Financial highlights.

[redacted]

# Other key figures

[redacted]

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| **Share performance** | | | | | |
| Earnings per share (DKK) | 5.73 | 9.12 | 8.84 | 6.91 | 8.74 |
| Diluted earnings per share (DKK) | 5.73 | 9.12 | 8.84 | 6.91 | 8.73 |
| Earnings per share of continuing business (DKK) | 5.74 | 9.12 | 8.84 | 6.74 | 8.70 |
| Number of shares (1,000) | 301,743 | 301,945 | 274,595 | 282,316 | 289,120 |
| Average number of shares (1,000) | 302,043 | 276,080 | 279,399 | 285,073 | 292,521 |
| Diluted average number of shares (1,000) | 302,043 | 276,080 | 279,399 | 285,101 | 292,788 |
| Share price (DKK) | 163.90 | 155.20 | 127.70 | 137.40 | 137.80 |
| Net asset value per share (DKK) | 37.56 | 41.78 | 34.37 | 34.16 | 38.46 |
| Market price/net asset value | 4.4 | 3.7 | 3.7 | 4.0 | 3.6 |
| Ordinary dividend per share (DKK) | 6.60 | 6.40 | 6.20 | 6.00 | 5.80 |
| Extraordinary dividend per share (DKK) | | 3.31 | 3.54 | | |
| Price/Earnings | 28.6 | 17.0 | 14.4 | 20.4 | 15.8 |
| [redacted] | | | | | |
| Number of full-time employess, continued business, at 31 December | 4,027 | 3,373 | 3,264 | 3,359 | 3,599 |

Key ratios are calculated in accordance with 'Recommendations & Financial Ratios' issued by the Danish Society of Financial Analysts.

[redacted]

[redacted]

[redacted]

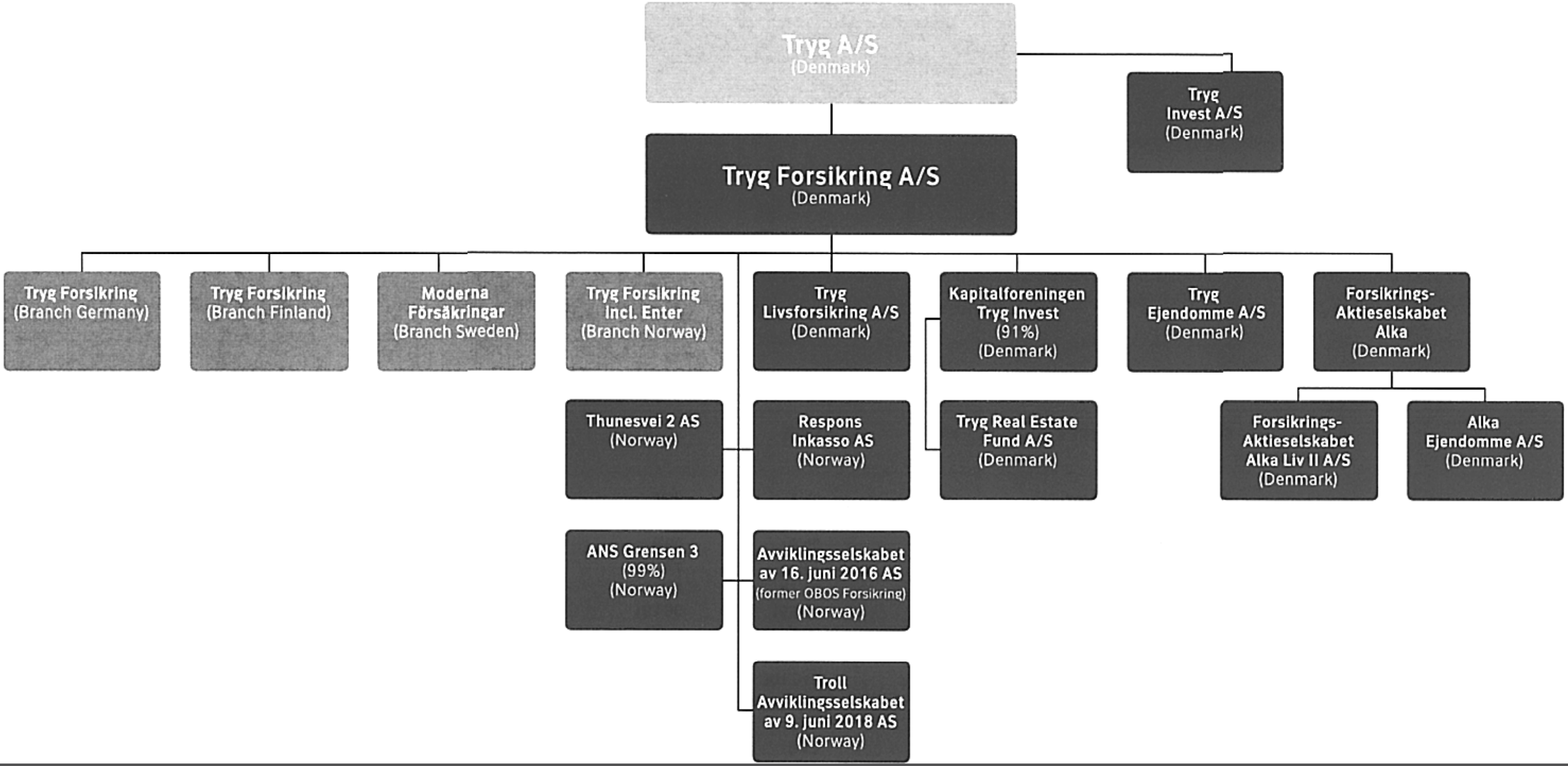
[redacted]

[redacted]



[redacted]

# Group chart




Group chart at 1 January 2019. Companies and branches are wholly owned by Danish owners and domiciled in Denmark, unless otherwise stated.

Company Branch

# Glossary

**The financial highlights and key ratios of Tryg have been prepared in accordance with the executive order issued by the Danish Financial Supervisory Authority on the financial reports for insurance companies and multi-employer occupational pension funds, and also comply with 'Recommendations & Ratios' issued by the Danish Finance Society.**

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

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

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

**Diluted average number of shares**
Average number of shares adjusted for number of share options which may potentially dilute.

**Discounting**
Expresses recognition in the financial statements of expected future payments at a value below the nominal amount, as the recognised amount carries interest until payment. The size of the discount depends on the market-based discount rate applied and the expected time to payment.

**Dividend per share**

$$\frac{\text{Proposed dividend}}{\text{Number of shares at year-end}}$$

**Earnings per share**

$$\frac{\text{Profit or loss for the year x 100}}{\text{Average number of shares}}$$

**Earnings per share of continuing business**

$$\frac{\text{Diluted earnings from continuing business after tax}}{\text{Diluted average number of shares}}$$

**Gross claims ratio**

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

**Gross expense ratio without adjustment**

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

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

**Market price/net asset value**

$$\frac{\text{Share price}}{\text{Net asset value per share}}$$

**Net asset value per share**

$$\frac{\text{Equity at year-end}}{\text{Number of shares at year-end}}$$

**Net reinsurance ratio**

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

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

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

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

**Own funds**
Equity plus share of qualifying solvency debt and profit margin (solvency purpose), less intangible assets, tax asset and proposed dividend.

***Price/Earnings***

$$\frac{\text{Share price}}{\text{Earnings per share}}$$

**Relative run-off result**
Run-off gains/losses net of reinsurance divided by claims provisions net of reinsurance beginning of year.

**Return on equity after tax (%)**

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

**Run-off gains/losses**
The difference between the claims provisions at the beginning of the financial year (adjusted for foreign currency translation adjustments and discounting effects) and the sum of the claims paid during the financial year and the part of the claims provisions at the end of the financial year pertaining to injuries and damage occurring in earlier financial years.

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

**Solvency ratio**
Ratio between own funds and capital requirement.

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

**Total reserve ratio**
Reserve ratio, claims provisions + premium provisions divided by premium income.

**Unwinding**
Unwinding of discounting takes place with the passage of time as the expected time to payment is reduced. The closer the time of payment, the smaller the discount. This gradual increase of the provision is not recognised under claims, but under technical interest in the income statement.

# Product overview

Being one of the largest insurance companies in the Nordic region, Tryg offers a broad range of insurance products to both private individuals and businesses. Tryg continuously develops new products and adapts existing peace of mind solutions to customer requirements and developments in society. Also, Tryg focuses strongly at all times on striking a better balance between price and risk.

Tryg sells its products primarily via its own sales channels such as call centres, the Internet, tied agents, franchisees (Norway), interest organisations, car dealers, real estate agents, insurance brokers and Nordea branches. Moreover, Tryg engages in international cooperation with the AXA Group. It is an important element of Tryg's distribution strategy to be available in places where customers want it and that most distribution takes place via the company's own sales channels.

## Motor insurance

Motor insurance accounts for 30% of total premium income and comprises mandatory third-party liability insurance providing cover for injuries to a third party or damage to a third party's property, and a voluntary comprehensive insurance policy that provides cover for damage to the customer's own vehicle from collision, fire or theft.

In Denmark, motor insurance taken out by concept customers includes Tryg's roadside assistance, such as towing and battery jump-start.

## Fire and contents – Private

Fire and contents insurance for private customers represents 23% of total premium income and includes, for example, house and contents insurance.

House insurance covers damage to properties caused by, for example, fire, storm or water, legal assistance and the customer's liability as owner of the property. The contents insurance covers loss of or damage to private household contents and covers in and outside of the home. Moreover, the insurance includes liability and legal assistance, to which can be added a number of supplementary covers, for example cover of sudden damage and damage to electronic equipment.

## Personal accident insurance

Personal accident insurance accounts for 11% of total premium income and covers accidental bodily injury and death resulting from accidents.

Compensation takes the form of a lump sum intended to help the customer cope with the financial consequences of an accident, thereby making their daily lives easier. The insurance can include a number of supplementary covers, including treatment by a physiotherapist or chiropractor.

## Fire and contents – Commercial

Commercial fire and contents insurance, which includes building insurance, represents 13% of total premium income and covers the loss of or damage to the buildings, stock or equipment of commercial customers. Moreover, Tryg provides cover for operating losses in connection with covered claims.

## Workers' compensation insurance

Workers' compensation insurance accounts for 5% of total premium income and covers employees against bodily injury sustained at work (in Norway, also occupational diseases). Workers' compensation insurance is mandatory and covers a company's employees (except for public sector employees and persons working for sole proprietors).

## General third-party liability insurance

General third-party liability insurance represents 6% of total premium income and covers various types of liability, including claims incurred by a company arising from the conduct of its business or in connection with its products, and third-party liability for professionals.

## Health insurance

Health insurance represents 2% of total premium income. The insurance covers the costs of examinations, treatment, medicine, surgery and rehabilitation at a private health facility.

# Disclaimer

Certain statements in this annual report are based on the beliefs of our management as well as assumptions made by and information currently available to management. Statements regarding Tryg's future operating results, financial position, cash flows, business strategy, plans and future objectives other than statements of historical fact can generally be identified by the use of words such as 'targets', 'believes', 'expects', 'aims', 'intends', 'plans', 'seeks', 'will', 'may', 'anticipates', 'would', 'could', 'continues' or similar expressions.

A number of different factors may cause the actual performance to deviate significantly from the forward-looking statements in this annual report, including but not limited to general economic developments, changes in the competitive environment, developments in the financial markets, extraordinary events such as natural disasters or terrorist attacks, changes in legislation or case law and reinsurance.

Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, Tryg's actual financial condition or results of operations could materially differ from that described herein as anticipated, believed, estimated or expected. Tryg is not under any duty to update any of the forward-looking statements or to conform such statements to actual results, except as may be required by law.

**Read more** in the chapter Capital and risk management on pages 31-32, and in Note 1 on page 60-68, for a description of some of the factors which may affect the Group's performance or the insurance industry.