



Annual report 2012

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Tryg is the second-largest insurance company in the Nordic region. We are the largest player in Denmark and the third-largest in Norway. In Sweden, we are the fifth-largest insurance company.

We offer a broad range of insurance products to both private individuals and businesses.

Our 4,000 employees provide peace of mind for almost 3 million customers.

Learn more

-  Reference to further information at tryg.com
-  Reference to further information in the annual report



Find more QR codes in the annual report. If you have installed a QR reader on your smartphone, you can access reports and websites containing further information about Tryg by scanning the QR code.

Income overview

DKKm	Q4 2011	Q4 2012	2011	2012
Gross premium income	4,950	5,076	19,948	20,314
Technical result	310	648	1,572	2,492
Investment return after insurance technical interest	144	5	61	585
Profit/loss before tax	467	638	1,603	3,017
Profit/loss on continuing business	338	394	1,148	2,180
Profit/loss	344	404	1,140	2,208
Run-off gains/losses, net of reinsurance	331	237	944	1,015
Key figures				
Total equity			9,007	10,979
Return on equity after tax (%)			13.1	22.1
Number of shares, year-end (1,000)			60,373	60,695
Earnings per share of 25 DKK			18.9	36.5
Net asset value per share (DKK)			149.2	180.9
Dividend per share (DKK)			6.52	26.0 ^{a)}
Price/Earnings			16.8	11.8
Premium growth in local currencies	-0.5	-0.5	3.6	0.1
Gross claims ratio	78.5	70.2	79.1	72.2
Net reinsurance ratio	-0.9	0.9	-2.5	-0.4
Claims ratio, net of ceded business	77.6	71.1	76.6	71.8
Gross expense ratio	16.9	16.3	16.6	16.4
Combined ratio	94.5	87.4	93.2	88.2
Combined ratio exclusive of run-off	101.2	92.1	97.9	93.2
Run-off, net of reinsurance (%)	-6.7	-4.7	-4.7	-5.0
Large claims, net of reinsurance (%)	6.2	4.3	2.7	2.3
Weather claims, net of reinsurance (%)	4.5	2.2	3.6	1.8
Combined ratio by business area				
Private	92.6	86.8	92.7	87.7
Commercial	85.7	82.6	92.1	83.7
Corporate	98.5	90.7	91.2	87.7
Sweden	113.5	87.5	102.9	95.3

a) Proposed dividend.

The results of Tryg's Finnish branch are included under discontinuing business as the business is no longer part of the continuing business. The comparative figures have been restated accordingly. The profit/loss on discontinued and divested business appears from the financial statements.

Chairman of the Supervisory Board: A satisfactory year



2012 was a satisfactory year with good results. Important strategic initiatives were implemented in the course of the year, including a new dividend policy, renewal of the partnership agreement with Nordea and the divestment of the Finnish business activities.

Profit for the year

At the beginning of 2012, the Supervisory Board and the Executive Management set a return on equity target of 20%. With Morten Hübbe at the helm, we made a significant change of direction towards a stronger focus on profitability, increased price differentiation and a clear division of responsibility for results. The Supervisory Board is pleased to note that in 2012 Tryg achieved a return on equity of 22.1% and satisfactory growth in profit, borne by a strong profit for the insurance business and an unusually high investment return. The good results were created concurrently with the satisfactory implementation of a number of strategic measures. Further improvements in results are needed, but the activities launched are beginning to bear fruit.

Dividend and capital

In 2012, a focus area for the Supervisory Board was creating a basis for stable results and stable dividends for shareholders, while at the same time maintaining a solid capital base which is deemed key to customer confidence. According to the new dividend policy, adopted by the Supervisory Board and announced in December 2012, the aim is to distribute 60-90% of the profit after tax, while at the same time aspiring for a steady increase in dividend in nominal terms. It is important that the new dividend policy is competitive and on a par with the policies of Tryg's competitors in the Nordic region. For 2012, the Supervisory Board proposes a dividend of DKK 26 per share or the distribution of total dividend of DKK 1,594m, corresponding to 72% of the profit for the year. In 2012, there was a lot of focus on the tax payments of Danish companies and their corporate social responsibility. Tryg contributes

approximately DKK 800m in the form of taxes and other duties, while much of the dividend is distributed via TryghedsGruppen, Tryg's principal shareholder, for charitable purposes and activities aimed at creating peace of mind.

Optimisation of the capital structure is an important focus area, which is why it has been decided to arrange a new subordinate loan of DKK 800m, to repay the existing loan of EUR 65m and to initiate the extraordinary buyback of treasury shares totalling DKK 800m. The purpose is a capital reduction, and a corresponding reduction in equity.

In 2012, the Supervisory Board focused, in particular, on risks, and Tryg established a process which ensures that all significant risks are reported and factored in when determining the Individual Solvency Requirement.

Divestment of Finnish activities and new agreement with Nordea

In early 2012, Tryg announced that the Group's Finnish business was undergoing a strategic audit, as the business had not attained the size and business volume required to operate profitably after 10 years on the market. In November 2012, Tryg sold its Finnish business to If.

At the same time, Tryg's strategic partnership with Nordea in Denmark and Norway was strengthened following the renewal of its agreement with Nordea to better accommodate Tryg's focus on profitability. In Sweden and Finland, the agreement has been terminated by mutual agreement. As regards pensions, Tryg will continue to sell Nordea's pension products in Denmark and Norway.

New Chairman

After 16 years on the Supervisory Board and seven years as Chairman of Tryg, it is with sadness but also considerable pride that I will be handing over to my successor in April, in the definite knowledge that a stable foundation has been created for the future Tryg. My years as Chairman have been marked by many exciting challenges, the listing of Tryg in 2005 as one of the greatest. Moreover, the change of direction achieved in recent years has been tremendously positive for Tryg's customers, employees and shareholders. The many new initiatives have been necessary and ensure that Tryg can maintain its strong market position. I would like to express my sincere thanks to Tryg's shareholders, management and employees and wish you all a promising future.

A handwritten signature in black ink, appearing to read 'M. Olufsen'.

Mikael Olufsen
Chairman

Group CEO: Tryg's success depends on people



Despite the enduringly uncertain macroeconomic situation in Europe, the considerable changes introduced internally in Tryg contributed to the return of markedly improved results for 2012 with a profit before tax of DKK 3,017m.

Strategy and results

Creating peace of mind and value must be at the core of everything we do, and Tryg aims to do just that. This means that we must be the best in the industry when it comes to insurance, people and earnings. All three elements are fundamental to creating peace of mind and value for our customers, employees and shareholders. In 2012, we further specified our financial targets, which must, among other things, be achieved through increased price differentiation, increased segmentation, claims prevention and improved procurement of claims services. The phase which Tryg is now entering will focus on improvements through hard internal work.

The results for 2012 very clearly show that Tryg is on the right track. The profit before tax was up at DKK 3,017m in 2012 from DKK 1,603m in 2011, while the combined ratio totalled 88.2 against 93.2 in 2011. The improved results were strongly aided by a small number of weather claims and an unusually high investment return. Also, we achieved the targets for 2012 set out in our cost-cutting programme, which must reduce costs and claims costs by DKK 1bn in the period leading up to 2015.

Ambitious financial targets

In 2012, Tryg specified its financial targets with a combined ratio of 90 or less from Q3 2013 and an expense ratio of under 15 in 2015, while the target of a 20% return on equity was maintained. The targets must be achieved by strengthening our competitiveness and striking a better balance between price and risk. With regard to

claims, we want to intensify our claims prevention efforts and improve the procurement of claims services.

In 2011, Commercial was established as a separate business area with a view to directing particular focus on profitability. Profitability is improved through risk-based pricing, optimised sales channels and improved processes. In Sweden, we are continuing our work to strike a better balance between growth and profitability by optimising sales and streamlining business processes.

Our success depends on people

Based on the commitment and dedicated efforts of our employees, Tryg creates good results. Consequently, we must focus on creating the best possible conditions for our employees to develop their competences and potential and for ensuring a high level of employee satisfaction. I am proud that – despite the many changes which have been introduced in recent times – Tryg still ranks above average in the employee satisfaction survey conducted by the financial sector. In 2012, we combined our staff functions Communication, HR, Marketing and Legal to create a new area – People & Reputation – which is represented on the Group Executive Management. The new area will ensure a strong focus on employee activities by the Group Executive Management and strengthen the services provided by the staff functions, ensuring that Tryg can be best at insurance, people and earnings.

In 2012, CSR activities continued to focus on reducing the risk of climate-related claims and reducing the company's CO₂ emissions. As a large company, we are aware of our corporate social responsibilities, and CSR plays a natural role in our daily activities.

The progress realised in 2012 can largely be ascribed to the initiatives introduced in recent years. The result is a stronger Tryg resting on solid foundations from which we can generate further growth, and create peace of mind and value for customers, employees and shareholders in the coming years.

A handwritten signature in black ink, appearing to read 'Morten Hübbe'. The signature is fluid and cursive, written over a white background.

Morten Hübbe
Group CEO

Highlights of the year



Tryg closed NASDAQ stock exchange

The Tryg share did well on the Danish stock exchange in 2011, and in February 2012, Group CEO Morten Hübbe was invited to close trading at the NASDAQ stock exchange in New York.



Prestigious workplace

Tryg was the highest-ranked financial business on the list of the most prestigious Danish workplaces in a YouGov survey conducted for the newspaper Ugebladet A4.



Improved Customer Service results

In Norway, Tryg improved results markedly in 2012 compared with last year's customer service survey and still ranks as one of the best companies.



Roadside assistance in Commercial and Corporate

From mid-April, Commercial and Corporate customers were offered peace of mind for drivers of vans up to 3,500 kg on the roads. Commercial and Corporate customers using Tryg Roadside Assistance will, among other things, be given assistance on the spot, assistance in case of a breakdown and free recovery. Like Private customers, these customers may now also choose Extended Tryg Roadside Assistance, which includes a number of additional services such as wheel change.



Strongest insurance brand in Denmark

Tryg is the strongest insurance brand in Denmark according to the 2012 brand index for FinansWatch. The survey looks into brand perception based on the following parameters: quality, impression, value for money, willingness to recommend the brand to others, reputation and customer satisfaction. Tryg was also the second-strongest financial brand, surpassed only by ATP.



Tryg insured Danish Olympic delegation

Tryg insured the Danish delegation at the London Olympics. About 300 people, including athletes, coaches, TEAM Danmark employees and invited guests, were covered by Tryg's travel insurance.

S&P confirms 'A-' rating

Standard & Poor's confirmed Tryg's and Tryg Garanti's 'A-' rating in their annual assessment of both companies.

Capital Markets Day in London and specified targets

On Tryg's Capital Markets Day in London, which was attended by international investors, analysts and financial journalists, the management presented specified financial targets, with a combined ratio of 90 or below from Q3 2013 and an expense ratio below 15 in 2015 by cutting expenses and reducing claims costs by a total of DKK 1 bn.

Changes in Group Executive Management

Kjerstin Fyllingen left her position as Group Executive Vice President for Commercial and as Country Manager Norway. Rikke Larsen was appointed Group Executive Vice President for People & Reputation, which covers, among other things, HR, legal and a number of other staff areas.

Lifebuoy's 60th anniversary

The lifebuoy is a symbol of peace of mind in the Nordic countries, and in Norway 33,000 lifebuoyes are dispersed along the coastline. Its 60th anniversary was celebrated with events all over Norway, where lifebuoyes were handed out to local communities, organisations and private individuals.

Renewed agreement with Nordea

Tryg's strategic partnership with Nordea was strengthened with the renewal of our agreement for another five-year term for Denmark and Norway. The partnership agreement was amended to better accommodate Tryg's profitability focus. As regards pensions, Tryg will continue to sell Nordea pension products in Denmark and Norway. There was consensus that the agreement would not be renewed in Sweden.

July

August

September

October

November

December



Finnish business sold

In 2012, the Group's Finnish business was subjected to a strategic audit, as the business had not attained the expected size and business volume required to operate profitably after 10 years on the market. In November, Tryg sold the Finnish business to If for EUR 15m.

New contents insurance

A new contents insurance product, offering a tariff that better reflects the risk, was introduced in Denmark. The new contents insurance product has no maximum sum insured, since it is Tryg's responsibility to ensure that the sum insured is correct. Thus, the customers are no longer requested to state the total value of their belongings.



New dividend policy

Tryg changed its dividend policy with the distribution of the profit for the year 2012. In future, the annual dividend will consist of a 60-90% cash payment of the profit after tax.



Peace of mind after accidents In the 2012 skiing season, Tryg dispatched six air ambulances to pick up injured skiers. Every time we fill an air ambulance instead of sending injured skiers home by scheduled flights, we provide peace of mind and an enhanced sense of security for our customers. At the same time, we save money and improve our financial performance, thus serving the interests of our customers and our business.



Carsten Kristoffersen was injured in a skiing accident in Canazei, Italy. He first contacted Tryg on Monday, was informed which plane would take him home on Tuesday, and was flown back to Denmark on Thursday.

‘I don’t think it could have been done any quicker,’ Carsten says, ‘but I wish I had known how my insurance policy worked before I went on holiday. It would have saved me a lot of worry and hassle if I had looked into how the social insurance card covers and where cover is provided under my own insurance.’

Strategy and Key Performance Indicators

Creating peace of mind and value must be at the core of everything we do, and Tryg aims to do just that. This means that we must be the best in the industry when it comes to insurance, people and earnings. All three elements are fundamental to creating peace of mind and value for our customers, employees and shareholders.

It's all about creating peace of mind

We create peace of mind and value for customers, employees and shareholders.

In order to provide peace of mind and create value for customers, employees and shareholders, Tryg must be a financially well-run business. In 2012, a set of clearly defined financial targets were announced to the market. The financial targets include a return on equity of 20% after tax, a combined ratio of 90 or less, to be achieved from Q3 2013, and an expense ratio of under 15 in 2015. To ensure continuous improvements in earnings, and to create the foundation for a strengthened market position and improved competitiveness, Tryg has defined a number of focus areas:

- Increased price differentiation and 'time to market'.
- Commercial back on track.
- Solid foundation in Sweden.
- Competitive level of expenses and claims costs.
- Simplification of products and systems.

Increased price differentiation and 'time to market'

Profitable insurance products depend on the right balance being struck between price and risk. Tryg's tariffs and segmentation models are continuously being improved and updated. In 2012, Tryg focused in particular on risks and on our ability to respond quickly to changes in risk scenarios. This focus will be maintained in the coming years. This resulted in the launch in 2012 of a new contents insurance product with several additional tariff criteria, thus offering prices which more accurately reflect the risks involved. In terms of price differentiation, the aim is to match or exceed the level of our competitors by 2015 for most of our products. The correlation between price and risk is also impacted by claims prevention. Claims prevention serves the dual purpose of shielding customers from the inconvenience caused by damage or injury and at the same time reducing Tryg's claims costs by preventing damage or injury from happening as well as minimising the effects of such events.

Commercial back on track

Commercial was set up as an independent business area in Tryg in 2011, increasing focus on commercial customers as well as internal process optimisation. The purpose was to considerably improve the profitability of Commercial activities via targeted initiatives. Commercial improved its profitability significantly in 2012. Focus areas in 2012 and in the years to come will be improved risk-based pricing, increased segmentation, cost cuts, optimisation of distribution channels and automated processes.

Solid foundation in Sweden

In Sweden, Tryg is focusing on striking a better balance between growth and profitability. In order to achieve this, the coming years will see the implementation of three strategic phases: Establishing our position, producing results and creating profitable growth. Tryg focuses on the optimisation of sales and claims, improved risk-based pricing and increasing business process efficiency.

Competitive level of expenses and claims costs

In the past five years, Tryg has had a stable expense ratio during a period of high premium income growth. During the same period, several of Tryg's competitors have improved their expense ratios. In response, Tryg has established an ambitious target of reducing expenses and claims costs in the period leading up to 2015.

Simplification of products and systems

Tryg continuously works to simplify its products. Companies acquired by Tryg during the past decades are now an integrated part of the company, and some products originating from these acquisitions constitute part of Tryg's portfolio and are different from the products that Tryg currently sells to its customers. As part of the simplification process, measures have been launched to reduce the number of products and systems.

Key Performance Indicators (KPIs)

Tryg has determined a number of KPIs which are used to measure and follow up on the objectives and targets laid down in the company strategy. Tryg has defined a number of ambitious financial targets to be met by 2015, but to achieve this, KPIs have also been determined for customers and employees, as there is a clear link between customer and employee satisfaction and the financial results.

Financial KPIs

Tryg's targets include a 20% return on equity and a similar target for the insurance business of a combined ratio of 90 or less, to be

It is our responsibility as a company to ensure that our employees possess or develop competences which make them attractive in the labour market in times of mounting job insecurity. In return, our employees must be ready to develop their competences in step with company needs.

achieved from Q3 2013. A necessary precondition for achieving this degree of profitability is a strong focus on the profitability of operations. Cost-efficiency is crucial to the company's long-term competitiveness, and Tryg wants to achieve an expense ratio below 15 in 2015 and a DKK 1bn reduction in expenses and claims costs in 2015. This entails cost cuts of DKK 400m across business areas and staff functions. Tryg has launched a programme aimed at reducing claims costs by DKK 600m, primarily through the improved procurement of claims services and improved processes. **1** The financial KPIs, return on equity, combined ratio and expense ratio are described under results on page 16.

Customer satisfaction and peace of mind

Tryg must provide peace of mind for customers from day one and in such a way that they continue to prefer Tryg as their peace-of-mind

provider. Tryg therefore wants to be better than its competitors when it comes to customer satisfaction.

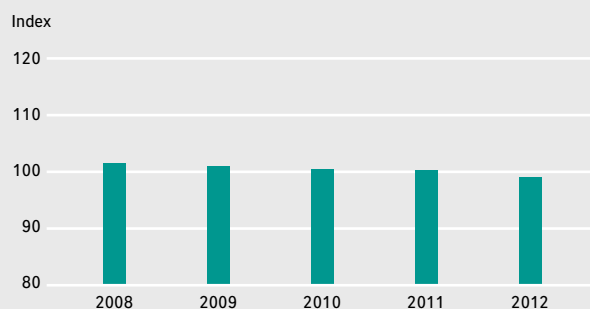
Focus must be on customer experience, and customers must be guaranteed a correct premium based on risk factors. Continued focus must be on claims handling, claims prevention and high product and service standards. Tryg meets customers on their terms by increasingly communicating digitally and by supplying services which are available to customers wherever they are. The KPIs, which are used to assess how satisfied customers are with Tryg, include customer satisfaction and customer retention.

Competent employees

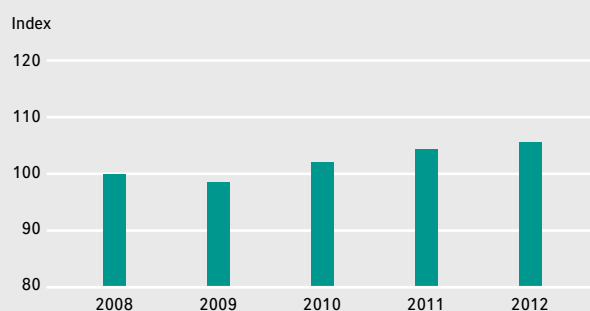
Competent and highly committed employees are a precondition for achieving Tryg's objectives. Tryg wants to be among the companies with the highest level of employee satisfaction in the financial sector in the Nordic region. An attractive workplace focusing on competence development and skilled managers is the key to achieving this. We focus on developing our managers and employee competences in accordance with Tryg's strategy. At a time when there is a keen focus on costs, we attach importance to not hampering investments in competence development, but to strengthening such investments.

Employee satisfaction is measured both externally and internally based on regular surveys. In 2012, Tryg maintained a high level of employee satisfaction, and once again did better than the financial sector as a whole, which was very positive. The high level of employee satisfaction was maintained during a period marked by a number of restructurings which involved job cuts.

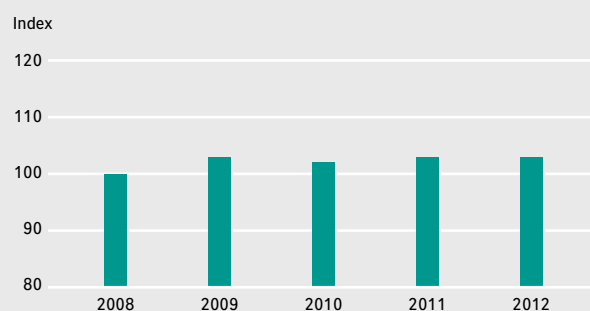
Customer retention



Customer satisfaction



Employee satisfaction



Customers

As a peace-of-mind provider, Tryg wants to supply comprehensive solutions characterised by simplicity. Being available to customers as and when required is an important part of Tryg's distribution strategy, as is a desire for most of the distribution to take place via the company's own sales channels. Tryg's business areas are divided into Private, Commercial, Corporate and Sweden.

Sales to and the servicing of private customers in Denmark are handled via call centres and the Internet, via Tryg's own agents, group agreements, car dealers, estate agents and Nordea's branches. In Norway, sales and services are handled in the same way as in Denmark, but with the addition of franchisees who are independent sellers of Tryg's products. The Private customer segment is Tryg's largest business area with revenue in 2012 of DKK 9,733m being generated in Denmark and Norway.

The Commercial segment encompasses the sale of insurance products to small and medium-sized businesses, which means businesses with 0-4 employees (small) and up to 50 employees (medium-sized). In Denmark, sales and services are handled by Tryg's own agents and sector agreements. In Norway, the segment is serviced by franchisees and Tryg's own agents. In Norway, group agreements have also been made with various associations. The Commercial customer segment generated revenue of DKK 3,687m in 2012.

Corporate customers are mainly large enterprises, and in Denmark and Norway Tryg sells insurance via its own sales team and through insurance brokers. For customers requiring an international insurance programme, Tryg's partnership with the AXA Group enables the offering of complete insurance solutions. In addition, the Corporate business area handles all activities involving brokers. Consequently, medium-sized businesses using brokers are also included in the Corporate segment. Corporate is Tryg's second-largest business area and generated revenue of DKK 5,258m in 2012.

In Sweden, insurance products for private customers are sold via the Moderna brand, through own agents, customer centres and the Internet. An important distribution channel is also dealers who sell insurance products as part of their sales of consumer products. These include both boat and motorcycle dealers and shops selling electronics. In 2012, the business area posted revenue of DKK 1,654m.

Important elements in Tryg's distribution strategy are being available to customers and for primary distribution to take place via own sales

channels. Tryg makes it possible and easy for customers to take out insurance online, report a claim electronically, request quotes and calculate prices. So far, experience from the Nordic region shows that the Internet is a valuable tool for informing and advising customers and for servicing customers, for example in connection with a claim. Sales are primarily effected through personal contact between the customer and the company, for example by phone.

Products and differentiation

With a view to improving profitability and increasing transparency for customers, focus is on the sharper pricing of risk based on the inclusion of a number of relevant pricing parameters. Consequently, price differentiation is a continuous focus area for Tryg. In 2012, Tryg launched a new contents insurance product with tariffs which more accurately reflect the risks involved. The result is improved competitiveness in relation to customers. The new contents insurance product has no maximum sum insured. The customer therefore no longer has to assess the total value of household contents, which very few customers are able to do reliably. To obtain cover, customers only have to indicate items worth more than DKK 50,000. Everything else is generally covered. This provides peace of mind, and in future the customer only has to actively and specifically consider items of special value.

The many initiatives within pricing and product development and the streamlining of operations are helping Tryg to maintain its strong position in the Nordic market. People's insurance needs change in the course of their lives. Consequently, private customers are treated differently depending on which stage of life they are at. Life stages are characterised by differences in activity levels, form of cohabitation, working life, financial position and required level of peace of mind. Focus on this means that Tryg can offer advice and solutions which are tailored to the customers' specific requirements, and to suit the different stages of life and situations. At the same time, the company's targeted advice and individual service increase customer satisfaction and improve the scope of sales. Customers need to know that it pays to have all your insurance policies with Tryg. Customers who bundle their insurance agreements with Tryg enjoy special benefits.

These include:

- Discounts when several policies are taken out with Tryg.
- Benefits such as Tryg Roadside Assistance, psychological crisis assistance and under-insurance guarantee.
- Product benefits such as free travel insurance for companions.
- Discounts on various peace-of-mind products, including burglar alarms.

Claims prevention

In recent years, Tryg has focused on claims prevention as a way of creating peace of mind for customers, to draw attention to risks and to make customers address the risks and to mitigate damage and injury. Tryg offers preventive solutions for customers based on knowledge, data and expertise which are translated into preventive solutions that focus on preventing undesired situations from arising. In 2012, Tryg gave customers who had previously suffered water damage in connection with cloudbursts the offer of a free inspection of their homes with a view to preventing and mitigating future claims. The inspections were carried out by experts who offered advice on specific, practical solutions. For agricultural businesses, Tryg has established initiatives whereby buildings are inspected and thermography is performed of electrical panels which are often the seat of fire in farm buildings.

Tryg has also introduced a safety pack aimed at reducing fire damage in the home, which often occurs in December and January. The safety

pack consists, for example, of fire retardant and smoke alarms and can be purchased via the Tryg website. An offer has been sent out by email to Danish customers, and this is yet another step aimed at minimising claims. Moreover, Tryg runs the two sites tryghedsraadgiveren.dk and tryghetsraadgiveren.no, where customers and others can find advice on how to protect their homes against burglary, water damage and fire. The sites also provide guidance on travel insurance, family insurance and checklists which can help prevent or limit damage or injury.

In cooperation with the Federation of Danish Motorists (FDM), Tryg also offers technical driving courses; against a small fee, customers are offered advice on driving economically and on how to improve their driving technique. The initiative has been introduced to provide increased peace of mind for customers in icy or slippery road conditions.  See an overview of Tryg's insurance products on page 152 and at the customer sites  tryg.dk,  tryg.no and  modernaforsakringar.se.



Insurance market

The Nordic insurance market is characterised by a number of large companies being present in several of the Nordic countries. The four largest companies have a combined market share of 47% in the Nordic market. In the individual countries, the four largest companies have a combined market share of 60-77%. For the Nordic market as a whole, total premium income amounts to approximately DKK 160bn.

2012 was characterised by continued economic uncertainty. Despite a large number of initiatives on the part of the EU and the European Central Bank aimed at ensuring economic stability in the EU, uncertainty is still hampering the budding signs of recovery seen in the healthier European markets. This translates into low growth rates which impact the insurance companies' premium income, especially within the commercial and corporate segments.

The atmosphere of economic uncertainty is expected to continue in 2013 and will thus dominate the markets for some time to come. In the insurance market, 2012 was a good year as most insurance companies in the Nordic region saw a relatively low level of claims. This is true, in particular, as regards weather claims due to favourable weather conditions throughout the year. Moreover, several companies are beginning to see the effects of the price adjustments introduced in recent years, and many companies are reporting general profitability improvements. In recent years, continued focus has been directed at the correlation between price and risk, and this focus on profitability is expected to continue. This also applies to costs, as efficiency increases and cost reductions have been on the agenda of many companies for a long time.

At the beginning of 2012, the Danish government decided to abolish the tax exemption for company-paid health insurance. This is expected to impact the insurance companies' premium income from these products, but derived negative effects on, especially, the private health care sector are also expected to follow in the wake of this step. Furthermore, legislative changes were also introduced in Denmark in 2012 which have an impact on workers' compensation. The change in the statutory retirement age from 65 to 67 years meant that provisions for workers' compensation insurance were increased in 2012. A bill on a new workers' compensation tax was introduced, which would mean that the insurance companies would have to increase their premiums for this product by 14%. However, the tax on workers' compensation payments was changed so that, from 1 January 2013, it will be levied via the Labour Market Occupational Diseases Fund and not via the insurance companies.

Finally, a reform of the law on early retirement and subsidised flexible employment schemes will tighten the rules and lead to higher workers' compensation payments. This is due to the fact that pay under subsidised flexible employment schemes is offset against workers' compensation payments. Also, case handling is expected to become more protracted, resulting in more people being granted temporary workers' compensation payments. The insurance companies will also be affected by a gradual increase in payroll tax in the period up until 2012.

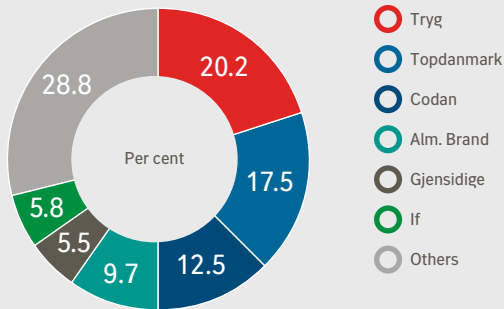
Norway and Sweden have not seen major changes in legislation in these areas, and the market was affected by no major structural changes in 2012. In Norway, the small insurance companies have won market shares from the larger firms, but are struggling to combine growth and profitability. Sweden has seen a number of mergers and acquisitions among the smaller market players, but this does not change the general picture of a strongly consolidated market with a small number of large players. In Finland, market consolidation became even more pronounced in 2012 following the merger of the second-largest company, Tapiola, with the fifth-largest player in the market, making it the largest insurance company in Finland. Following the merger, the four largest insurance companies in Finland will account for almost 90% of premium income.

Tryg in the market

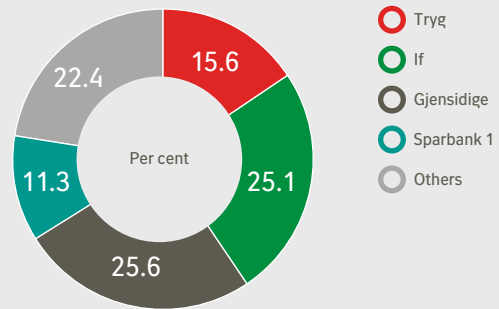
As the second-largest general insurance company in the Nordic region, Tryg is affected by developments in the Nordic insurance market, but at the same time it is helping to shape developments. Like many of the other Nordic companies, Tryg has introduced price adjustments in recent years in order to counter a negative development in the price/risk correlation. But whereas many of these price adjustments have been introduced in response to specific market trends, Tryg will continue to work on developing products which better take account of a large number of risk factors. A better balance must be struck between risk and premium, and Tryg's products must be more differentiated, while also improving the company's competitiveness in the Nordic market.

Steps aimed at process optimisation internally and in connection with the procurement of claims services are also central to improving Tryg's competitiveness. In the long term, an efficient and more cost-effective insurance business will make Tryg better geared to manoeuvring in more uncertain and changeable markets. In the long term, this will also contribute to the foundation for profitable growth.

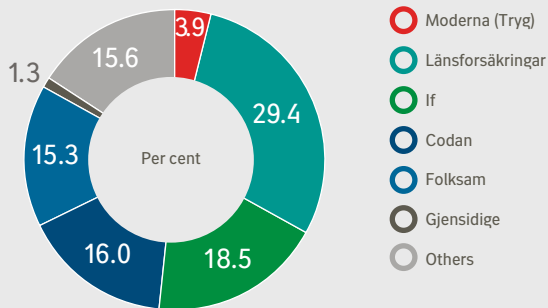
Market shares in Denmark



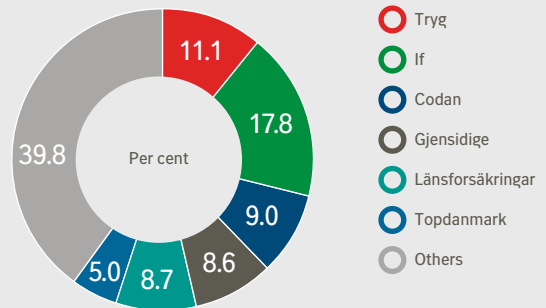
Market shares in Norway



Market shares in Sweden



Market shares in Nordic region



Source: Official market statistics from the various countries.

In line with the strategic work aimed at improving Tryg's profitability and competitiveness, a decision was made in November 2012 to divest the company's Finnish business activities to its competitor, If. In the strongly consolidated and also very competitive Finnish market, Tryg has not been able to achieve the size necessary for profitable insurance operations. The transaction was therefore the right solution for all parties, but especially for customers and the Finnish

employees, who will now be part of a larger Finnish organisation. The divestment also means that Tryg can now focus on running a profitable insurance business in those markets where Tryg has a solid position and a good foundation for developing its business in Denmark, Norway and Sweden.



Prevention in agriculture In March 2012, Tryg published a study which confirmed the importance of informing our customers of claims prevention. The study showed that there is a significant risk of fire at 10% of all agricultural establishments. For this reason, thermography of electrical panels is provided under Tryg policies to uncover any potentially serious defects that might cause severe and very costly damage.



Every year, fires in electrical panels cause devastating fires at agricultural establishments. This results in declining revenues and a lot of extra work until normal operations can be resumed. With thermography, the systems are measured when active to identify the peak loads. Thermography shows differences in temperature and thus pinpoints major fire hazards. It typically costs DKK 2-3,000 to repair the defects identified by means of thermography.

We also ask our agricultural customers to install firetrace in their harvesters. This technology can be used to prevent fire in, for example, the engine compartment of combine or forage harvesters. Installation and equipment cost DKK 10-15,000, and it is a requirement for new large harvesters and is recommended for existing harvesters. We are sure that this is a worthwhile investment for our customers, as it will enable them to repair their harvesters quickly and bring in the harvest.



Highlights

- The profit after tax for the year was DKK 2,208m (DKK 1,140m) with a high return on equity after tax of 22.1% (13.1%).
- Technical result of DKK 2,492m (DKK 1,572m).
- Combined ratio of 88.2 (93.2).
- Claims ratio, net of ceded business, of 71.8 (76.6).
- Lower level of large claims, net DKK 471m (DKK 546m), and weather claims, gross of DKK 356 (DKK 721m).
- Expense ratio improved from 16.6 to 16.4.
- High investment return, after transfer to insurance, of DKK 585m (DKK 61m).
- Write-down of owner-occupied property of DKK 350m.
- Proposed dividend of DKK 26 per share and proposed share buyback of DKK 800m.

After a couple of challenging years in 2010 and 2011, when weather-related claims in particular impacted results, 2012 was in many ways a good year for Tryg. The most important profitability measures which have been implemented in recent years had a positive impact on results, while the main strategic challenges – the business in Finland and renewing the Nordea partnership agreement – were resolved. It was also positive that all business areas contributed to the overall profit, in particular Commercial and Sweden, which saw marked improvements in results. At the same time, many initiatives saw good progress and will improve results in the coming years. These include, for example, a DKK 1bn cost-savings programme, and price differentiation which, in 2012, was manifested through the launch of a new contents insurance product on the Danish market.

Tryg's profit after tax totalled DKK 2,208m (DKK 1,140m), which corresponds to a return on equity of 22.1% (13.1%). The improvement in profit stems from an increase in the technical result of DKK 920m and a higher investment return of DKK 524m. The technical result was improved from DKK 1,572m to DKK 2,492m and is attributable to profitability measures, a significantly lower level of weather claims and the positive effect of a reinsurance agreement based on the frequency of weather claims. The combined ratio totalled 88.2 (93.2) despite a low interest rate level, which negatively impacted

the combined ratio by 1.2 percentage points. Thanks to the improved result and several initiatives in the pipeline, Tryg is well on its way to achieving its targets of a return on equity of 20% and a combined ratio of 90 or below from Q3 2013.

The high investment return was influenced, in particular, by rising share prices, the credit crisis in southern Europe and a low interest rate level, which meant that the authorities carried out a technical adjustment of the discount rate which is used when discounting claims provisions in the insurance business. These factors led to significant price increases for especially bonds in the Nordic markets, and a one-off gain of DKK 150m as a result of the change in the discounting curve. In addition, the investment return benefited from solid gains on high-yield and emerging market bonds as well as write-down of owner-occupied property. The primary purpose of the investment business is to support the insurance business and to have a low risk profile. In this respect, the investment return in 2012 was extraordinarily high and must, given the low interest rate levels, be expected to be lower in the coming years.

In 2012, the macroeconomic situation was generally characterised by low growth in the Danish economy accompanied by reticence on the part of consumers, which impacted small and medium-sized businesses. Large corporate customers benefited from growth in the export markets, especially the German market. The Norwegian market was basically unaffected by the economic crisis in southern Europe, which otherwise impacted the rest of Europe. Norway continued to see solid growth in its gross domestic product, increasing pay levels and employment rates, but still relatively low inflation. The Swedish economy was, like the Danish economy, influenced by general reticence among consumers.

Premiums

Premium income totalled DKK 20,314m (DKK 19,948m), which in local currencies corresponds to basically unchanged premium income. Premium income was impacted by Tryg's focus on profitability which, among other things, was improved through price increases and pruning unprofitable customers. Premium income for Private increased by 1.5% (6.1%) and was influenced by the high renewal rate in both the Danish and Norwegian business. The lower growth is due to lower sales, especially in Denmark. Moreover, the development in motor insurance premiums was affected by the fact that car sales in Denmark, in particular, were comprised mainly of smaller vehicles with higher safety levels and thereby lower average premiums. Premiums in both

the Commercial and Corporate segments fell by 2% when measured in local currencies. This development was also influenced by the reaction of customers to price increases, pruning and a weak economy, especially in the Danish market.

Tryg implemented significant price increases in 2010 to improve profitability, focusing in particular on the private sectors in Denmark. The price increases were introduced as a result of an increasing number of burglaries, increasing prices from tradesmen and a higher level of weather claims. Subsequently, Tryg has introduced price increases in the Commercial area. In future, there will be less need for price increases beyond normal adjustment for inflation.

Claims

The claims ratio, net of ceded business, which covers both claims and net reinsurance ratio, was 71.8 (76.6). The improvement covers, in particular, the effect of the profitability measures, the low level of weather claims and a satisfactory result from a lateral reinsurance agreement. The level of large claims was lower than in 2011, whereas the lower interest rate level had a negative impact on the claims ratio, net of ceded business.

On the Capital Markets Day in 2012, Tryg announced its target of reducing claims costs by a total of DKK 700m (including DKK 100m transferred from expenses) up to 2015. These reductions will be achieved, in particular, by exploiting Tryg's size in connection with sourcing and through improved processes. In 2012, Tryg continually followed up on these initiatives, the total effect being DKK 120m,

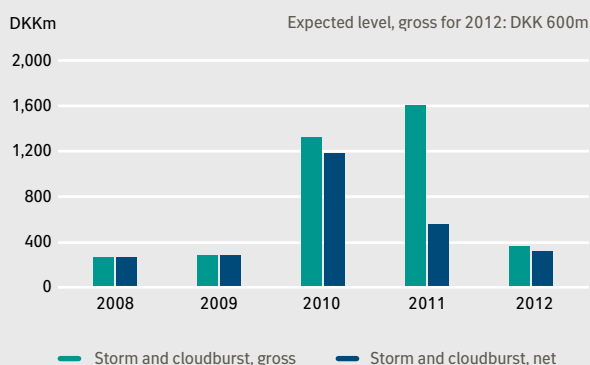
which was slightly higher than the savings target for 2012 of DKK 100m. The greatest effect of the initiatives can be seen within motor insurance. In the coming years, a bigger effect will be seen within the building area. An important initiative has been the signing of an agreement on using Scalepoint, a purchasing system which is more flexible for customers while ensuring more accurate pricing of an item's value. A significant effect will also be achieved through improved processes.

Weather claims, gross, totalled DKK 323m (DKK 1,756m). This significantly lower level can be attributed to the cloudburst in the Copenhagen area in July 2011 which triggered claims expenses of DKK 1.5bn. In addition, weather claims in 2012 were at a lower level than expected for an average year. In 2012, Tryg introduced a new contents insurance product, where the risk of weather claims is a significant element in the pricing.

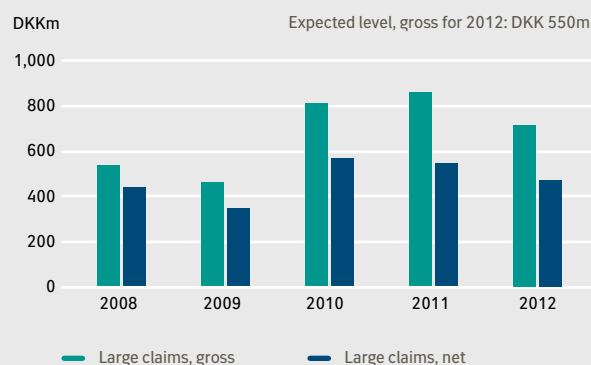
At DKK 713m (DKK 858m), the level of large claims was slightly lower than in 2011, but somewhat higher than the expected level of DKK 550m for the year as a whole.

In July 2011, Tryg bought a reinsurance programme which limits Tryg's expenses in the case of a high frequency of weather claims events. While traditional reinsurance provides cover per event, this cover takes effect if Tryg incurs more than DKK 400m in claims for weather damage originating from several events. As a result of the many storms and cloudbursts in H2 2011 and developments in H1 2012, Tryg saw reinsurance cover of DKK 136m. The agreement was renewed from 1 July 2012 at a slightly higher price. Tryg does not

Weather claims



Large claims



expect any proceeds from this agreement, as it is primarily intended to provide cover in the event of a high frequency of weather-related events which do not follow the normal weather patterns.

Expenses

The expense ratio was 16.4 (16.6) in 2012. The improvement must be seen in the context of a target of an expense ratio below 15 in 2015, which must be achieved through initiatives that will reduce the cost level by DKK 300m between now and 2015.

It is positive that the expense ratio in 2012 was reduced considerably despite a growth in premiums below the rate of inflation and despite non-recurring restructuring costs of approximately DKK 100m in connection with the restructurings which have been implemented in Tryg.

The initiatives for reducing costs by DKK 300m by 2015 are divided into annual effects. For 2013, the goal is to implement initiatives corresponding to DKK 125m. For 2012, the effect was DKK 55m, and covers in particular a reduction in the number of employees in staff functions. Tryg is simplifying its processes through having a flatter organisation and assessing value creation in relation to customers. The process will continue in 2013 to ensure the goal is achieved.

The number of employees, exclusive of the Finnish business, was reduced from 4,076 to 3,912, which reflects the implemented streamlining measures.

In recent years, the cost level has been impacted by increases in payroll taxes in Denmark, and it will increase further in 2013 from 10.5% to 10.9%. Also, from 2013, the payroll tax will gradually increase, so that by 2021 it will total 12.3%, corresponding to an increase of approximately DKK 30m.

Profit on discontinued business

The profit on discontinued business was DKK 28m and primarily concerns the Finnish business, which was sold in Q4 and therefore falls under discontinued business. The Finnish business was sold for EUR 15m. At the same time, intangible assets concerning a large IT project were impaired by approximately DKK 100m so that the total impact on the profit was slightly negative. In addition, run-off on claims provisions from Marine Hull insurance, which Tryg stopped writing in 2010, is included, with a slightly positive result.

Investment return

In 2012, Tryg's total investment portfolio of DKK 45.5bn (DKK 41.3bn) realised a high gross return of DKK 2,243m, corresponding to a return of 5.1% (4.8%) on the average invested capital during the period.

Tryg's investment portfolio is divided into a match portfolio and a free portfolio. The match portfolio totalled DKK 34.9bn (DKK 32.6bn) and was made up of bonds which match the insurance provisions so that fluctuations resulting from interest rate changes are offset to the greatest possible extent. The remaining part of the assets, the free portfolio, is a diversified portfolio of real estate, equities and bonds which reflect the company's total equity. At 31 December 2012, the value of the free portfolio totalled DKK 10.8bn. In general, the division of the investment portfolio entails a low financial risk and reflects Tryg's focus on the insurance business.

In 2012, the return on the match portfolio was, after transfer to insurance technical interest, DKK 109m (DKK 95m), and was impacted by changes in the Danish Supervisory Authority's interest curve which had a positive effect on the return on the match portfolio.

The return on the free investment portfolio was DKK 1,129m. (DKK 184m). The return was impacted by significant price increases for equities and bonds and by negative developments in the financial markets, including the debt crisis in southern Europe. The equity portfolio, which is a globally diversified portfolio, generated a positive return of 13% (4.2%). Bond investments were impacted by the development in interest rates in Europe and produced a return of 4.5% and, for high-yield and emerging-market bonds in particular, there was a high return in 2012. The composition of the free portfolio was basically unchanged in 2012, and the portfolio is still made up of a diversified mix of real estate, equities and bonds.

Other financial income and expenses were negative by an amount of DKK 551m, particularly in relation to the write-down of owner-occupied property. In Q2 and Q4, write-down charges of DKK 150m and DKK 200m, respectively, were based on a re-evaluation of rent levels and a higher return requirement to ensure a higher degree of flexibility in connection with possible future restructurings. Including other financial income and expenses as well as investment return from discontinued and divested activities, the investment return totalled DKK 585m.

Tax

Tax on profit for the year totalled DKK 837m, or 28%. In 2012, Tryg paid corporate income tax of DKK 425m and in addition various payroll

taxes which totalled DKK 374m. Thus, the combined income tax and paid payroll taxes for 2012 totalled approximately DKK 800m. In 2011, taxes and duties totalled approximately DKK 600m.

Capital position

Tryg's equity totalled DKK 10,979m (DKK 9,007m) at the end of 2012. Tryg determines an individual solvency need according to the Danish Financial Supervisory Authority's guidelines. This totalled DKK 6,410m at the end of 2012, and should be seen in relation to a capital base of DKK 8,832m after the proposed dividend. Relative to this, Tryg thus has surplus cover of DKK 2,422m, or 38%.

Tryg has arranged subordinate loans of DKK 1,597m. In 2009, in connection with the acquisition of Moderna, Tryg took out a subordinate loan of EUR 65m with TryghedsGruppen, which is expected to be repaid in Q1 2013. In this connection, it has been decided to make the most of the favourable capital markets and optimise the capital structure by arranging a subordinate loan of DKK 800m which is irredeemable by the creditor. The current capital requirement rules limit the amount of fixed-term subordinated loan capital which can be included in the capital base, which has meant that the existing subordinated loan from TryghedsGruppen of EUR 65m does not qualify for inclusion in Tryg's capital base. The new subordinated loan will be for a perpetual term, and the full amount of DKK 800m can therefore be included in the capital base, which thus increases by DKK 800m, all else being equal. Against this background, Tryg will acquire treasury shares worth DKK 800m as part of an extraordinary distribution, which all in all will result in an unchanged capital base, but with a lower proportion of equity, leading to a higher future return on equity for the benefit of Tryg's shareholders. Moreover, the new subordinated loan is expected to qualify for inclusion as Tier 2 capital under the new Solvency II capital adequacy rules.

In connection with a change to the dividend policy, capital management will be based on the calculation of Individual Solvency. This decision has been made to strengthen the balance between Tryg's risk profile and capital base, and does not change Tryg's objective of a Standard & Poor's 'A-' rating or its focus on a strong capital structure.

Dividend policy

Tryg presented a new dividend policy in December 2012. The policy is based on the distribution of 60-90% of the profit for the year, the

aim being a steadily increasing dividend. On the basis of this new dividend policy, the Supervisory Board proposes that DKK 1,594m be disbursed as a cash dividend. In addition, an extraordinary share buyback of DKK 800m is proposed.

Events after the statement of financial position date

As previously mentioned, in connection with the repayment of the subordinated loan with TryghedsGruppen, Tryg has decided to arrange a loan of DKK 800m, which is irredeemable by the creditor.

i [Read more in the chapter Capital and risk management on page 38 in the annual report.](#)

Highlights for Q4 2012

- Profit after tax of DKK 404m (DKK 344m).
- Technical result of DKK 648m (DKK 310m).
- Combined ratio of 87.4 (94.5).
- The quarter was characterised by a lower level of weather claims than in Q4 2011.
- Large claims impacted the combined ratio by 4.3 percentage points (6.2).
- Expense ratio of 16.3 (16.9).
- High bond yields and write-down of owner-occupied property.

Results for Q4 2012

The profit after tax totalled DKK 404m for Q4 2012 (DKK 344m). The result was made up of a technical result of DKK 648m and an investment return of DKK 5m (DKK 144m) based on an exceptionally high return on bonds and the write-down of owner-occupied property by DKK 200m. The technical result was impacted by weather claims below the expected level, a high level of large claims totalling DKK 317m (DKK 398m) and a run-off level totalling DKK 237m (DKK 331m). As a result of the lower interest rate level, the effect of discounting on the combined ratio was 0.8 percentage points less than in Q4 2011.

Premiums in local currencies fell in Q4 by 0.5%, resulting from positive growth in the Private market and negative growth in the Commercial and Corporate markets.

Highlights

- Technical result improved by DKK 466m to DKK 1,233m (DKK 767m).
- Combined ratio improved by 5.0 percentage points to 87.7 (92.7).
- Gross premiums increased by 1.5% (6.1%) following price increases.
- Still highest customer satisfaction among the largest companies in Denmark and Norway.
- Launch of new contents insurance product.
- Significant reduction in the expense ratio from 16.4 to 15.7.

Private encompasses the sale of insurance products to private individuals in Denmark and Norway. Sales are effected via call centres, the Internet, Tryg's own agents, franchisees (Norway), interest organisations, car dealers, estate agents and Nordea's branches. The business area accounts for 48% of the Group's total premium income.

Results

Private was the business area where Tryg first implemented significant profitability measures. Thus, Private is the area which is farthest ahead in relation to the financial targets. To ensure continued satisfactory financial results, considerable focus is devoted to price differentiation, segmentation and optimising sales channels.

The technical result for 2012 was DKK 1,233m (DKK 767m), with a combined ratio of 87.7 (92.7).

The improvement is due to both the effect of profitability measures and significantly better weather conditions in 2012. Due to previous price increases, the need for extraordinary increases, apart from general inflation adjustments, was less pronounced in 2012.

In 2012, the Danish economy was impacted by the economic crisis, especially in southern Europe. This particularly affected consumer spending and thereby the level of economic activity. For the insurance market, this meant a low turnover of homes and increased sales of smaller cars. In Norway, private consumption was still at a high level, with car sales slightly up on 2011. Inflation is low in both Denmark and Norway, but due to increasing pay levels in Norway, Tryg is particularly

Key figures – Private

DKKm	Q4 2011	Q4 2012	2011	2012
Gross premium income	2,373	2,449	9,425	9,733
Gross claims	-1,803	-1,717	-7,469	-7,084
Gross expenses	-387	-383	-1,542	-1,524
Profit/loss on gross business	183	349	414	1,125
Profit/loss on ceded business	-6	-27	273	81
Insurance technical interest, net of reinsurance	15	4	80	27
Technical result	192	326	767	1,233
Run-off gains/losses, net of reinsurance	43	40	185	326
Key ratios				
Premium growth in local currencies	2.1	0.6	6.1	1.5
Gross claims ratio	76.0	70.1	79.2	72.8
Net reinsurance ratio	0.3	1.1	-2.9	-0.8
Claims ratio, net of ceded business	76.3	71.2	76.3	72.0
Gross expense ratio	16.3	15.6	16.4	15.7
Combined ratio	92.6	86.8	92.7	87.7
Combined ratio exclusive of run-off	94.4	88.4	94.7	91.0
Run-off, net of reinsurance (%)	-1.8	-1.6	-2.0	-3.3
Large claims, net of reinsurance (%)	1.6	0.6	0.4	0.1
Weather claims, net of reinsurance (%)	5.0	2.5	4.2	2.4

A new contents insurance product was an important milestone in 2012, and price differentiation will also be essential in future



Lars Bonde
Group Executive Vice President, Private

aware of developments in the inflation rate in Norway and the possible need to adjust pricing. In 2012, Tryg's customer retention rate remained high, which is supported by customer surveys from EPSI for 2012 which show that Tryg, in both Denmark and Norway, still has the highest level of customer satisfaction among the larger insurance companies.

As mentioned, in Private there was considerable focus in 2012 on price differentiation. In November 2012, Tryg launched a new contents insurance product in the Danish market which better reflects variations in risk. The new product makes it easier for the customer to be adequately covered. With the new contents insurance, the customer does not have to calculate the total sum insured, but simply list any assets in the home worth more than DKK 50,000. Initially, the insurance is being sold to new customers, but in 2013 existing customers will also be covered by the new insurance. Within the Private segment, Tryg will continue to work with price differentiation, and in the coming years gradually implement several new products with a higher degree of price differentiation.

One of Private's most important distribution channels is the bank insurance partnership with Nordea. In 2012, the agreement with Nordea was renewed for Denmark and Norway for a term of five years. The agreement has been changed in relation to previous years and is now more in line with Tryg's focus on profitability and portfolio development. Among other things, the partnership agreement makes it possible in future for Tryg to sell new products to existing Nordea customers through its own call centres.

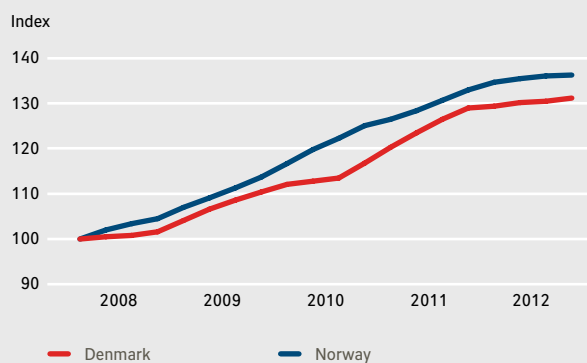
Premiums

All in all, gross premiums increased by 1.5% (6.1%) in local currencies. The growth was made up of a slightly negative growth in Denmark of 0.3% and growth in Norway of 3.5%.

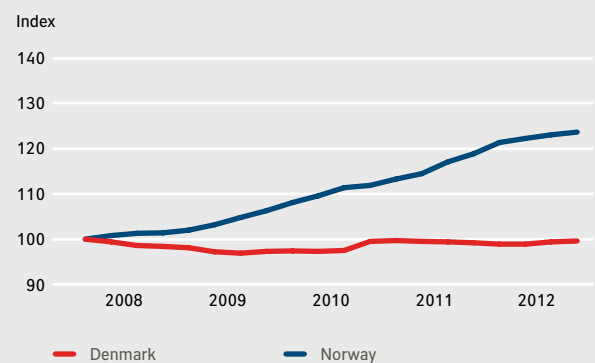
The low growth in Denmark resulted from an enduringly high retention rate and a decline in sales relative to last year. In addition, the premium income is impacted by a higher level of premium discounts based on developments for a number of group agreements which reduced growth in the Danish business by 0.5 percentage points. The retention rate was approximately 90, which was positive given the price increases introduced in recent years. The lower sales can be attributed to a declining average price for motor insurance, among other things because of high sales of cars with a higher level of safety and thereby a lower insurance risk. The higher pricing of many insurance products and the economic situation in Denmark characterised by, among other things, low consumer spending and a low turnover of owner-occupied homes, also contributed to the lower growth in the Private customer segment.

The growth in Norway of 3.5% is explained by price increases, a Norwegian economy with solid growth and a retention rate which has improved by almost one percentage point. The growth is seen, in particular, within house and motor insurance, and generally reflects the level of inflation in the Norwegian economy. The effect of price increases was evident in the average premium for Norwegian Private customers, which increased by 4.3% in 2012, while the corresponding increase for Danish Private customers was 3.3%.

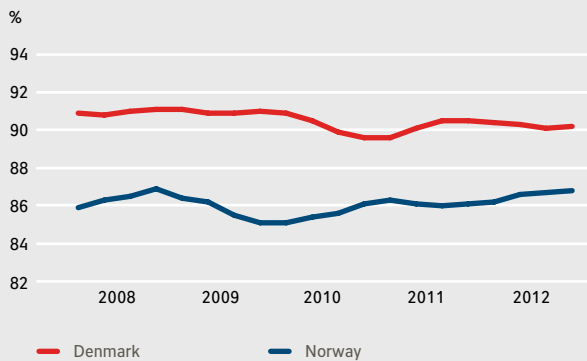
Average premium – house



Average premium – motor



Customer retention – Private



Claims

The gross claims ratio amounted to 72.8 (79.2), and the claims ratio, net of ceded business, which includes net reinsurance ratio, was 72.0 (76.3). The improved claims ratio, net of ceded business, is attributable to a significantly lower level of weather claims and the effect of profitability measures. Moreover, the claims ratio, net of ceded business, was also impacted by the lateral reinsurance agreement, which had a positive effect of DKK 93m, reducing the claims ratio by 1.0 percentage point. Claims prevention activities were also a high-priority area for Tryg in 2012. Tryg implemented various measures, especially vis-à-vis house-owners in Denmark to reduce claims following storms and cloudbursts. In 2012, the offer of a Tryg House Check was extended to customers who have previously made cloudburst claims. The offer involves inspecting the customer's property to identify the risk of damage from cloudbursts, with the option of a quote for repairs which may prevent claims. In addition, several activities aimed at preventing claims have been implemented, for example the use of 'burn block' to counter the risk of fire in Christmas decorations.

In 2012, Tryg renewed its agreement with garages on car repairs, and repair costs remain significantly lower than for the market as a whole.

In the Norwegian part of Private, particular focus is on claims inflation as wage inflation is at a considerably higher level than in Denmark. This, of course, impacts the claims, especially where labour is involved in repairing damage. In addition to the possibility of raising prices by

the rate of inflation, the effect is also countered by claims prevention measures where Tryg, through using its purchasing power and improved processes, achieves benefits that reduce the claims costs.

Expenses

The expense ratio was 15.7 (16.4) in 2012, which was a significant reduction, and achieved through the continued optimisation of distribution costs, in particular. The number of employees was reduced from an average of 955 in 2011 to 918 in 2012, primarily through natural wastage. The Private area has centralised functions that were previously scattered, which has positively impacted the expense ratio. In addition, Private is, like other business areas, affected by reductions in the various staff functions, which will also have a positive effect on costs in the coming years.

Highlights for Q4 2012

- Technical result of DKK 326m (DKK 192m).
- Combined ratio of 86.8 (92.6).
- The quarter was characterised by a considerably lower level of weather claims than in Q4 2011.
- Expense ratio of 15.6 (16.3).

Results for Q4 2012

For Q4 2012, the technical result totalled DKK 326m (DKK 192m) and was impacted by the continual improvements resulting from profitability measures and favourable weather conditions. The combined ratio showed a solid improvement and totalled 86.8 (92.6) in Q4 2012.

Gross premiums increased by 0.6% in Q4 which, as expected, was slightly lower than for the year as a whole. The retention rate in Denmark was 90.2 (90.5), which was still high, while the retention rate in Norway was 86.8 (86.1).

The gross claims ratio was 70.1 (76.0), and the claims ratio, net of ceded business, was 71.2% (76.3%).

The expense ratio was 15.6 (16.3). The considerable fall is due, in particular, to the reduced employee numbers and a streamlining of the staff functions.



Highlights

- Technical result improved from DKK 310m to DKK 604m.
- Combined ratio improved from 92.1 to 83.7.
- The gross premiums were reduced by 2.0% (0.2%) as a result of profitability measures and the economic situation for businesses in Denmark.

Commercial encompasses the sale of insurance products to small and medium-sized businesses in Denmark and Norway. Sales are effected by Tryg's own sales force, franchisees (Norway), customer centres and group agreements. The business area accounts for 18% of the Group's total premium income.

Results

In 2011, the desire for special focus to be devoted to the business segment led to the establishment of Commercial as an independent

business area. Creating results which are in line with Tryg's overall objectives is particularly challenging for the Commercial business area. This focus is reflected in the measures which have been introduced, and which have resulted in clear improvements in the level of claims. Moreover, structural initiatives were implemented in 2012 which will further improve cost levels in the coming years.

Commercial posted a technical result for 2012 of DKK 604m (DKK 310m), with a combined ratio of 83.7 (92.1). The improved result is due to both the effect of profitability measures and significantly better weather conditions than in 2011. Moreover, medium-sized claims were considerably lower than in 2011, while run-off was unusually high.

The results were positively impacted by price increases and segmentation and product development activities. In addition, the first structural adjustments of the organisation were made to increase efficiency and cut costs. The Danish and Norwegian markets developed differently. In Denmark, private consumption was marked by continued reticence, which both had an impact on the insurance requirements of businesses and the continued high level of

Key figures – Commercial

DKK m	Q4 2011	Q4 2012	2011	2012
Gross premium income	916	906	3,715	3,687
Gross claims	-588	-542	-2,801	-2,372
Gross expenses	-178	-181	-755	-748
Profit/loss on gross business	150	183	159	567
Profit/loss on ceded business	-19	-25	132	32
Technical interest, net of reinsurance	2	-2	19	5
Technical result	133	156	310	604
Run-off gains/losses, net of reinsurance	93	29	147	212
Key ratios				
Premium growth in local currencies	-3.1	-3.3	0.2	-2.0
Gross claims ratio	64.2	59.8	75.4	64.3
Net reinsurance ratio	2.1	2.8	-3.6	-0.9
Claims ratio, net of ceded business	66.3	62.6	71.8	63.4
Gross expense ratio	19.4	20.0	20.3	20.3
Combined ratio	85.7	82.6	92.1	83.7
Combined ratio exclusive of run-off	95.9	85.8	96.1	89.4
Run-off, net of reinsurance (%)	-10.2	-3.2	-4.0	-5.7
Large claims, net of reinsurance (%)	4.4	5.0	2.4	1.5
Weather claims, net of reinsurance (%)	5.0	4.0	3.9	1.9

Structural changes must ensure continued improvements in the coming years

Nicklas Larsen
Acting Group Executive Vice President,
Commercial



bankruptcies. In Norway, sustained macro-economic growth supported growth for small and medium-sized businesses.

Premiums

A combined fall in premium income of 2.0% (0.2%) was realised, when measured in local currencies. The fall was based on negative growth in Denmark of 2.7% and in Norway of 0.4%. The negative growth in Denmark resulted both from a fall in the retention rate and from lower sales. The retention rate was negatively affected by profitability measures, which in addition to price increases also comprised a demand for protective measures in basements, and by a large number of business failures due to the economic situation. The fall in sales was attributable both to price increases and to the difficulties facing businesses. With a view to improving premium income, Tryg decided to change its sales organisation towards the end of 2012, the aim being to ensure greater activity in the Danish market through the use of more cost-effective channels.

The zero growth in Norway can also be ascribed to price increases and a competitive market, which led to a fall in renewals relative to last year. This development also calls for a stronger focus on sales. With a view to strengthening the focus on sales and the quality of its customer service, in 2012 Commercial introduced a specialisation of the sales and service functions in its own sales channels. Similarly, franchisees have been offered training in commercial insurance with the aim of boosting sales.

At the end of 2012, both the Danish and the Norwegian part of Commercial set up new sales channels focusing on new sales to small businesses in the Commercial segment.

Claims

The gross claims ratio amounted to 64.3 (75.4), and the claims ratio, net of ceded business, which includes net reinsurance ratio, was 63.4 (71.8). The improved claims ratio is attributable to a significantly lower level of both weather claims and large claims as well as the effect of profitability measures and a reinsurance agreement concerning the frequency of weather claims which had a positive impact of DKK 20m, corresponding to 0.5 percentage points in relation to the claims ratio, net of ceded business.

As mentioned above, Tryg has introduced profitability measures in relation to Commercial customers, primarily within building and

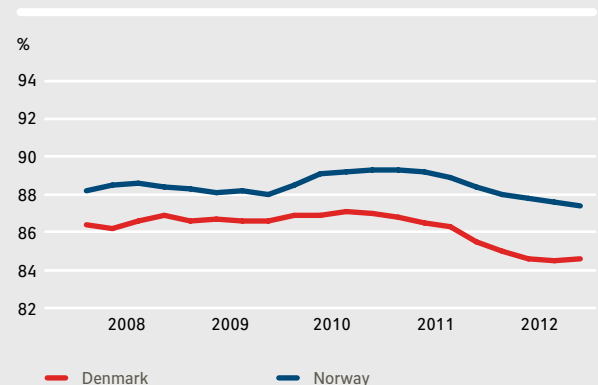
contents insurance. The measures include price increases and changed terms, especially for valuables in basements. Commercial also focused on claims prevention, for example in the agricultural sector, with a view to reducing fire damage as a result of short-circuiting. Product differentiation is also important within the Commercial business area, and the first product area to see product differentiation in 2013 is workers' compensation insurance, in the form of a new tariff.

Expenses

In 2012, the expense ratio was 20.3 (20.3), which is explained by a reduction in nominal expenses of approximately 1%, achieved primarily through organisational adjustments. To improve cost levels, Tryg restructured the area significantly in Q4, mainly back-office functions, which cut staff by approximately 30. As mentioned above, with a view to increasing sales efficiency, Commercial set up a new sales channel at the end of 2012 which will focus on small businesses in the Commercial segment. Reducing costs will remain an important focus area, calling for further automation and simplification of processes.

Another cost-cutting measure will be a transfer to digital communication. Therefore, in 2013, customers will be able to access their insurance details and documents via the Internet before Tryg stops sending physical documents and makes a complete transfer to digital communication.

Customer retention – Commercial





Highlights for Q4 2012

- Technical result of DKK 156m (DKK 133m).
- Combined ratio of 82.6 (85.7).
- The quarter was characterised by a lower level of weather claims than in Q4 2011.
- Expense ratio of 20.0 (19.4).

Results for Q4 2012

A technical result of DKK 156m (DKK 133m) was posted, based on continuous improvements as a result of the measures introduced. In Q4 2012, weather claims were lower than for the prior-year period and also lower than for an average year.

The combined ratio totalled 82.6 (85.7), which is very low and which reflects the measures introduced, but also the fact that in Q4 Commercial was affected by favourable weather conditions and an unusually low level of medium-sized claims.

Gross premiums fell by 3.3% in Q4, which was in line with expectations and the developments which generally characterised the year. The retention rate for Denmark was 84.6 (85.5), a level which was still affected by the profitability measures introduced, while the retention rate in Norway was 87.4 (88.4).

The gross claims ratio was 59.8 (64.2), and the claims ratio, net of ceded business, was 62.6 (66.3).

The expense ratio was 20.0 (19.4), which was lower than for the full year.

Focus on profitability –
even if it leads to fluctuations
in premium income

Truls Holm Olsen
Group Executive Vice President,
Corporate



Highlights

- Technical result improved by DKK 141m to DKK 650m (DKK 509m).
- Combined ratio improved by 3.5 percentage points to 87.7 (91.2).
- Gross premiums reduced by 2.0% (0.8%) after introduction of profitability measures, including the pruning of customers.

Corporate sells insurance products to corporate customers under the 'Tryg' and 'Tryg Garanti' brands in Denmark and Norway and under the 'Moderna' brand in Sweden. Sales are effected both via Tryg's own sales force and via insurance brokers. Moreover, customers with international insurance needs are served by Corporate through its cooperation with the AXA Group. Tryg Garanti is also included in Corporate results. The business area accounts for 26% of the Group's total premium income.

Profit/loss

Corporate is focused on improving profitability and satisfactory generating results relative to the capital attributable to the area. The Corporate market is the most competitive area, and new players enter the field regularly.

These are often keen to compete on price, and Corporate's focus on profitability means that premium income will fluctuate more than for Private and Commercial. For Corporate, it is therefore important to ensure profitable business, while at the same time being able to adjust cost levels to major fluctuations in premium income.

The technical result for 2012 was DKK 650m (DKK 509m), with a combined ratio of 87.7 (91.2). The improved result is primarily attributable to the effect of profitability measures, including pruning of unprofitable segments and considerably more favourable weather conditions than in 2011. The level of large claims declined compared with last year, corresponding to a 0.3 percentage point reduction. However, the lower interest rate level reduced the combined ratio by 2.4 percentage points relative to 2011. Run-off gains were high, primarily due to the significant size of long-tailed workers' compensation business, which – seen from a historical perspective – has had high run-off gains. Despite the high run-off gains, no changes have been made in the principles used for claims provisions.

Tryg has a solid market position in Denmark and Norway, while the Corporate business in Sweden is still in a start-up phase characterised by consciously limited growth, the focus being on the profit-

Key figures – Corporate

DKKm	Q4 2011	Q4 2012	2011	2012
Gross premium income	1,308	1,330	5,259	5,258
Gross claims	-1,177	-1,035	-4,227	-3,929
Gross expenses	-172	-162	-671	-648
Profit/loss on gross business	-41	133	361	681
Profit/loss on ceded business	60	-9	107	-37
Insurance technical interest, net of reinsurance	10	-3	41	6
Technical result	29	121	509	650
Run-off gains/losses, net of reinsurance	189	169	630	506
Key ratios				
Premium growth in local currencies	-3.4	-1.4	0.8	-2.0
Gross claims ratio	90.0	77.8	80.4	74.7
Net reinsurance ratio	-4.6	0.7	-2.0	0.7
Claims ratio, net of ceded business	85.4	78.5	78.4	75.4
Gross expense ratio	13.1	12.2	12.8	12.3
Combined ratio	98.5	90.7	91.2	87.7
Combined ratio, exclusive of run-off	112.9	103.4	103.2	97.3
Run-off, net of reinsurance (%)	-14.4	-12.7	-12.0	-9.6
Large claims, net of reinsurance (%)	17.3	11.8	7.9	7.6
Weather claims, net of reinsurance (%)	4.3	0.8	3.2	0.6

ability of selected segments. Tryg distinguishes itself, in particular, on its significant knowledge of the segments and its high service levels. Considering Tryg's small market share in Sweden, it was therefore very positive that a survey among 143 insurance brokers ranked Tryg most highly among the insurance companies in the Swedish market.

In 2012, the market situation in the Corporate market was generally not impacted significantly by the economic situation in southern Europe. Danish businesses benefited from the positive economic development in Germany, Denmark's largest export market. However, towards the end of the year, the German economy fared less well, which is expected to have a negative impact on Danish industry in 2013.

In Norway, macro-economic growth also benefited the industrial companies. On account of Tryg's smaller market share and focused approach to new business, Tryg's Swedish business is only affected by macro-economic developments to a smaller extent.

Premiums

All in all, gross premiums fell by 2.0% (0.8%) in local currencies. The negative growth was a combination of negative growth of 1.1% in the Danish Corporate segment, a negative growth in Norway of 5.2% and a positive growth in Sweden of 10%. The negative growth in both Denmark and Norway can be ascribed to price increases, pruning of customers and lower sales. As mentioned above, the Corporate market is characterised by changes in the competitive situation when new players try to gain market shares – a development which in 2011 was particularly pronounced in the Danish market, and which affected the Norwegian market in 2012. Tryg focuses on profitability, which during periods of fierce price competition will lead to fluctuations in premium income.

Corporate customer loyalty is determined by the distribution channels. For its direct sales, Tryg has, over the years, developed concepts for the various customer groups which entice customers to stay with Tryg. This is deemed to be an important explanation for the higher level of loyalty compared with customers served by brokers.

Claims

The gross claims ratio amounted to 74.7 (80.4), and the claims ratio, net of ceded business, which includes the profit/loss from reinsurance, was 75.4 (78.4). The improved claims ratio is attributable to a significantly lower level of both weather claims and large claims as well as the effect of profitability measures. Moreover, the claims ratio was affected by a reinsurance agreement concerning the frequency of

weather claims which had a positive impact of DKK 23m, corresponding to 0.4 percentage points in relation to the claims ratio.

The profitability measures in relation to Corporate customers have included higher prices, changes to the insurance cover for weather claims and pruning of customers and segments characterised by unsatisfactory profitability. In Norway, these included power stations, and in Denmark local authorities.

Expenses

The expense ratio was 12.3 (12.8) in 2012, which represented a satisfactory reduction concurrently with a reduction in premium levels. The reduction is due to the tailoring of the business to a lower level of activity and general measures aimed at ensuring a reduction in cost levels.

Highlights for Q4 2012

- Technical result of DKK 121m (DKK 29m).
- Combined ratio of 90.7 (98.5).
- The quarter was characterised by a considerably lower level of both weather claims and large claims than in Q4 2011.
- Expense ratio of 12.2 (13.1).

Results for Q4 2012

The technical result totalled DKK 121m (DKK 29m) and reflected the continued improvement based on profitability measures, but was also attributable to a considerably lower level of weather claims and large claims.

The combined ratio was 90.7 (98.5), the considerable fall being attributable to developments in claims.

Gross premiums fell by 1.4% in Q4, representing a slightly lower reduction than for the full year.

The claims ratio was 77.8 (90.0), and the claims ratio, net of ceded business, was 78.5 (85.4), reflecting in particular a lower level of weather claims and large claims.

The expense ratio was 12.2 (13.1), corresponding to the level for the full year.

Profitability measures have improved results and will continue to do so in the coming years

Per Fornander
Group Executive Vice President, Sweden



Highlights

- Technical result improved by DKK 116m to DKK 102m (DKK -14m).
- Combined ratio improved by 7.6 percentage points to 95.3 (102.9).
- Gross premiums were up 0.7% (9.2%) as a result of profitability measures and a conscious reduction in sales.

Sweden comprises the sale of insurance products to private customers under the 'Moderna' brand. Sales are effected via Tryg's own sales team, call centres and the Internet. The business area accounts for 8% of the Group's total premium income.

For the Sweden business area, which at the beginning of the year also included Finland, focus has been on improving profitability. Important steps included divesting the Finnish business and improving pricing, while further integrating the original bank insurance

business and the acquired Moderna. Moreover, important structural measures have been implemented in relation to distribution. With these initiatives, a solid foundation has been created for further developing the business and improving profitability.

Profit/loss

A profit of DKK 102m (DKK -14m) was posted. The positive development is based on a continued high level of profitability within the niche areas, which comprise the insurance of leisure boats, motorcycles and product insurance in connection with electronics purchases. Moreover, the profitability measures introduced in the business which was originally started up in Malmö based on Nordea customers have contributed positively to the results.

Profitability measures have also been introduced for the rest of the Private business area, and a conscious reduction has been made in the rest of the acquired Moderna's non-niche Private portfolio. The market situation in Sweden is generally impacted by the global economic situation which put a dampener on private consumption. For Moderna, this has been particularly true of the market for leisure boats and motorcycles where sales have been low.

Key figures – Sweden

DKKm	Q4 2011	Q4 2012	2011	2012
Gross premium income	370	399	1,586	1,654
Gross claims	-326	-268	-1,319	-1,267
Gross expenses	-92	-84	-303	-306
Profit/loss on gross business	-48	47	-36	81
Profit/loss on ceded business	-2	3	-9	-3
Technical interest, net of reinsurance	6	4	31	24
Technical result	-44	54	-14	102
Run-off gains/losses, net of reinsurance	6	-1	-18	-29
Key ratios				
Premium growth in local currencies	4.7	0.9	9.2	0.7
Gross claims ratio	88.1	67.2	83.2	76.6
Net reinsurance ratio	0.5	-0.8	0.6	0.2
Claims ratio, net of ceded business	88.6	66.4	83.8	76.8
Gross expense ratio	24.9	21.1	19.1	18.5
Combined ratio	113.5	87.5	102.9	95.3
Combined ratio, exclusive of run-off	115.1	87.2	101.8	93.5
Run-off, net of reinsurance (%)	-1.6	0.3	0.0	1.8
Weather claims, net of reinsurance (%)	1.4	1.3	1.3	1.2

Premiums

All in all, premium income was up 0.7% against growth of 9.2% in 2011. The low growth is due to Tryg's focus on profitability, which has resulted in considerable price increases within the Private segment, which was originally established on the basis of bank distribution. Price increases have been introduced for all main products. The motor insurance portfolio has been pruned as it comprised too many expensive cars at too low a price, and new tariffs with a markedly better correlation between risk and price have been implemented. The number of partnership agreements has been reduced significantly to ensure profitability and a volume which reflects the costs associated with administering the agreements.

The profitability measures have had the intended effect, which can, among other things, be seen from the official statistics for the Swedish market. They show that Moderna's market share for contents, house and motor insurance has been reduced in terms of the number of policies, whereas it is virtually unchanged within both boat insurance and other motor insurance. Measured in terms of premium income, market share is slightly up, which illustrates the improved profitability.

Nordea was an important distribution channel in particular in connection with the original establishment of the business in Sweden. In 2012, Tryg and Nordea decided not to renew the distribution agreement. On the other hand, Moderna's agreement with ICA Bank was renewed and expanded. Moreover, Moderna will launch a number of initiatives both to retain the profitable customers in the Nordea portfolio, to develop direct sales and to enter into more partnership agreements.

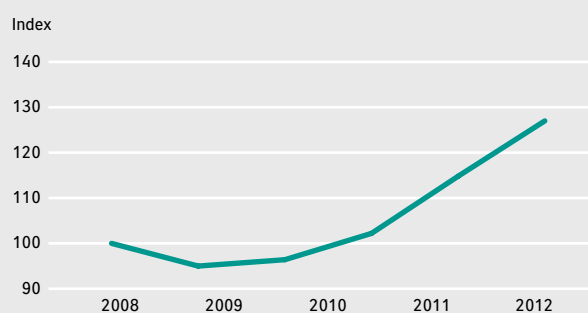
Claims

The gross claims ratio amounted to 76.6 (83.2), and the claims ratio, net of ceded business, which includes the profit/loss from reinsurance, was 76.8 (83.8). The improved claims ratio, net of ceded business, can be ascribed to price increases and reduced growth within unprofitable customer groups. Moreover, considerably improved tariffs have been developed within both motor and house insurance, ensuring significantly better price differentiation. The claims ratio is positively affected by major efficiency increases in claims handling. This is illustrated for example by the fact that approximately 50% of claims in Stockholm were registered and processed on the same day. A conversion from two IT systems to one in 2013 will further increase claims handling efficiency.

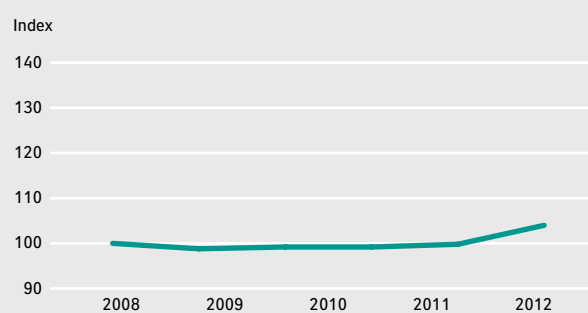
Expenses

An improved expense ratio of 18.5 (19.1) was achieved in 2012, concurrently with considerably lower premium growth compared with prior years. To ensure further growth, Moderna implemented a number of structural initiatives at the end of 2012 which will result in additional cost level improvements in the coming years. The initiatives include a centralisation of functions within distribution, claims handling and staff services. The most important step was gathering all customer service and telemarketing functions in Malmö and the closing-down of a similar function in Luleå in northern Sweden. The restructure results in approximately 50 jobs being cut, or approximately 11%. Moreover, Moderna will, in 2013, convert to using only one IT system, which will contribute to further cost reductions.

Average premium – house



Average premium – motor



Highlights for Q4 2012

- Technical result of DKK 54m (DKK -44m).
- Combined ratio of 87.5 (113.5).
- Expense ratio of 21.1 (24.9).

Results for Q4 2012

A technical result of DKK 54m (DKK -44m) was posted, based on continuous improvements as a result of the profitability measures introduced and a lower level of weather claims.

The combined ratio was 87.5 (113.5), which highlights the marked improvements achieved by this business area.

Gross premiums were up 0.9% in Q4, which was in line with expectations and the developments which generally characterised the year.

The claims ratio was 67.2 (88.1), and the claims ratio, net of ceded business, was 66.4 (88.6). The lower level of claims is attributable to the positive development in claims costs recognised in the financial statements for Q2 and Q3, which improved the claims ratio in Q4.

The expense ratio was 21.1 (24.9). The slightly higher level is attributable, in particular, to the accrual of Moderna's premium income according to the risk, and to the fact that the premium income is therefore lower in Q4 than in the year as a whole.



Investment activities

Highlights

- Gross return of DKK 2,243m (DKK 1,890m).
- Return on match portfolio of DKK 109m (DKK 95m).
- Very high return on free portfolio of DKK 1,129m (DKK 184m).
- Write-down of owner-occupied property of DKK 350m.

Tryg's investment activities include investing in investment assets such as bonds, equities and property and managing Tryg's liquidity. The investment activities are regulated by legislation and by the policies and guidelines adopted and issued by the Supervisory Board.

Investment portfolio

Tryg's primary focus is on operating a profitable insurance business, and the investment activities must support this focus in the best possible way. The investment strategy is based on a relatively low investment risk, and most of the assets are secure investment assets, primarily bonds. The purpose of the investments is both to match the insurance-related obligations in the best possible way, and to obtain a satisfactory absolute return on the remaining part of the

investment portfolio. Consequently, the investment portfolio is divided into two portfolios – a match portfolio and a free portfolio.

Investment return in 2012

In 2012, the Group's total investment portfolio of DKK 45.5bn (DKK 41.3bn) generated a gross return of DKK 2,243m (DKK 1,890m), corresponding to a return of 5.1% (4.8%) on the average invested capital. The result was positively impacted by gains on equities and credit bonds like, for example, global high-yield bonds, government and corporate bonds from emerging markets and primarily financial senior credit bonds. Bonds generally benefited from strongly falling interest rates, especially in the first half year. The return on investment property also made a positive contribution, thanks to a slight upturn in the Norwegian property market.

The investment return after transfer of insurance technical interest and value adjustment of discounting of provisions totalled DKK 1,238m in 2012. After adjustment of other financial income and expenses, the net investment return totalled DKK 617m (DKK 54m), and after discontinued and divested activities the result was DKK 585m (DKK 61m).

Match portfolio

The purpose of the match portfolio is to hedge fluctuations in the discounting of insurance provisions by means of interest rate swaps in local currencies. By entering into Danish, Norwegian and Swedish

Key figures for the year – Investments

DKKm	Return 2011	Total	Return 2012 Match	Free	Investment assets 31.12.11	Investment assets 31.12.12
Bonds, cash deposits etc.	1,858	1,770	1,114	656	37,232	41,019
Equities	-87	269		269	1,860	2,444
Real estate	119	204		204	2,199	2,082
Total	1,890	2,243	1,114	1,129	41,291	45,544
Value adjustments, changed discount rate	-760	-477	-477			
Transferred to insurance technical interest	-851	-528	-528			
Total investment return before other financial items	279	1,238	109	1,129		
Other financial income and expenses, investments ^{a)}	-59	-70				
Total investment return	220	1,168				
Other financial income and expenses, non-investment ^{a)}	-166	-551				
Investment return	54	617				
Of which investment return on discontinued and divested business	-7	32				
Investment return on continuing business	61	585				

^{a)} The item comprises interest on operating assets, bank debt and reinsurance deposits, foreign currency translation adjustment of insurance items, costs of investment activities.

fixed-rate swaps, Tryg avoids fluctuations in the fair value of its long-term liabilities in the respective countries, and this eliminates most of the interest rate risk of Tryg's claims provisions. As fluctuations in swap rates are sometimes greater or smaller than the Danish Financial Supervisory Authority's interest rates, a mismatch will arise in addition to a mismatch from the other risks which are not interest rate risks and which cannot be hedged accurately.

In practice, Tryg seeks to put together bond portfolios which are most likely to achieve the discounting curve yield given by the Danish Financial Supervisory Authority over time. These portfolios are provided as benchmarks for our managers who must ensure performance.

Hedging of the interest rate risk and developments in the FSA rate and the swap rate has resulted in a mismatch of DKK 109m. The mismatch is primarily attributable to the implementation of the Solvency II curve in June, on the initiative of the Danish Ministry of Business and Growth. This meant an immediate write-down of Tryg's discounted provisions by DKK 150m. Without this write-down, Tryg would have had a negative mismatch of approximately DKK 40m.

Free portfolio

The free investment portfolio consists of the other investment assets which reflect Tryg's equity. The portfolio is invested broadly in bonds, equities and investment property to ensure diversification and the best possible return based on a limited risk.

The free portfolio yielded a gross return of DKK 1,129m (DKK 184m), corresponding to 11.4% (3.4%) of the average invested capital. The portfolio grew from approximately DKK 8.1bn at the end of 2011 to DKK 10.8bn at the end of 2012. The increase is attributable to satisfactory insurance operations as well as an increase in value due to developments in the financial markets. The equity portfolio, which is globally diversified, yielded a return of DKK 269m (DKK -87m), or 13.0%. This significantly exceeded the outlook announced by Tryg in the annual report for 2011. The property portfolio, which consists of Danish and Norwegian properties, yielded a return of DKK 204m (DKK 119m), corresponding to 9.7% (6.1%).

In 2012, the free bond portfolio yielded a total return of DKK 656m (DKK 152m), due to an overweight of bonds with credit exposure. The bond portfolio was impacted in 2012 by decreasing interest rates, narrowing credit spreads, low risk appetite and a demand for alternative investments with high risk premiums. Moreover, the portfolio was supported by good absolute returns on both global high-yield bonds and emerging-market bonds which are primarily issued in USD or EUR. Improved public finances in many high-interest countries, relative to the western economies, supported these asset classes. Moreover, financial senior credit bonds contributed to a good return. Based on the above-mentioned positive performance and a sensible portfolio allocation, Tryg's bond portfolio made a substantial contribution to the total investment return.

Key figures for investments Q4 DKKm	Return Q4 2011	Return Q4 2012			Investment assets 31.12.12
		Total	Match	Free	
Bonds, cash deposits etc.	432	381	235	146	41,019
Equities	103	67		67	2,444
Real estate	25	43		43	2,081
Total	560	491	235	256	45,544
Value adjustments, changed discount rate	-196	-103	-103		
Transferred to insurance technical interest	-176	-105	-105		
Total investment return before other financial items	188	283	27	256	
Other financial income and expenses, investment ^{a)}	-16	-20			
Total investment return	172	263			
Other financial income and expenses, non-investment ^{a)}	-29	-251			
Investment return	143	12			
Of which investment return on discontinued and divested business	-1	7			
Investment return on continuing business	144	5			

a) The item comprises interest on operating assets, bank debt and reinsurance deposits, foreign currency translation adjustment of insurance items, costs of investment activities.

Other financial income and expenses

Other financial income and expenses totalled DKK -621m (DKK -225m), due, among other things, to the write-down of Tryg's owner-occupied properties by DKK 350m. The write-down resulted partly from the effect of a reassessment of the rent level in Q2 2012 by an amount of DKK 150m, and partly from a higher return requirement, the effect being DKK 200m. Other major elements included Tryg's interest expenses in respect of subordinate loans and the costs of hedging Tryg's equity in Norway and Sweden. The costs of hedging currency exposure totalled approximately DKK 110m (DKK 87m) in 2012, primarily from the hedging of foreign branches due to the higher interest rate level in Norwegian kroner. Interest on subordinate loans amounted to approximately DKK 79m in 2012.

Highlights for Q4 2012

- Return on match portfolio of DKK 27m (DKK -7m).
- High return on free portfolio of DKK 256m (DKK 194m).
- Write-down of owner-occupied property of DKK 200m.

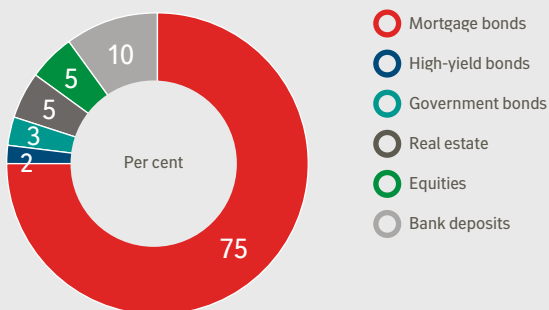
Investment activities in Q4 2012

Investment activities before other financial income and expenses generated a profit of DKK 283m in Q4 2012 against DKK 188m for the prior-year period. The match portfolio had a mismatch of DKK 27m (DKK -7m) and thus fulfilled the targets for this part of the portfolio.

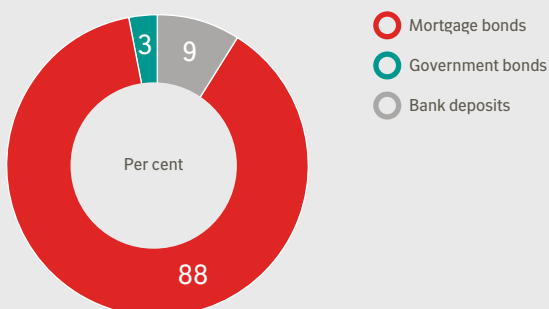
The free portfolio generated a profit of DKK 256m (DKK 194m) in Q4, with equities accounting for DKK 67m (DKK 103m). Bonds etc. in the free portfolio generated a profit of DKK 146m (DKK 66m) and were affected by a high direct interest rate on credit bonds and high-yield bonds.

Moreover, the return was impacted by the above-mentioned write-down of owner-occupied property of DKK 200m due to a higher return requirement with the aim to ensure a higher degree of flexibility in connection with possible future restructurings.

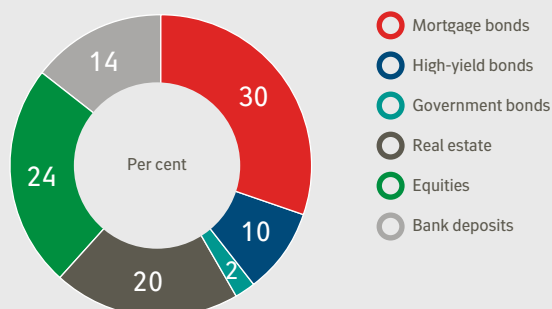
Total investment portfolio



Match portfolio



Free investment portfolio



Financial targets and outlook

Efficiency increases and simplification will be essential to reducing costs in the coming years.

Tor Magne Lønnum
Group CFO



Tryg's financial targets

- Combined ratio of 90 or below from Q3 2013.
- Expense ratio under 15 in 2015.
- Return on equity of 20% after tax.

In order to ensure the realisation of Tryg's financial targets, Tryg is implementing an ambitious cost-cutting programme, the aim being to reduce costs and claims by a total of DKK 1bn in the period up until 2015. Costs must be reduced by DKK 400m, including DKK 100m from claims handling costs to be realised via claims. Claims must be reduced by DKK 600m. Claims-related cost reductions must be achieved through outsourcing and better procurement, for example via the use of online auctions for repairs. Costs must be reduced, in particular, through job cuts in the staff functions, where the number of employees has increased by 25% in recent years.

Claims expenses related to weather and large claims have been increasing in recent years. However, 2012 was an exception as both weather and large claims were lower than expected. In 2013, weather claims net of reinsurance are expected to total DKK 500m, and large claims DKK 450m.

Price increases have lifted the top line in recent years. Given Tryg's focus on profitability, it will be necessary to say goodbye to unprofitable customers, and Tryg therefore expects only a modest increase in premium income in the coming years.

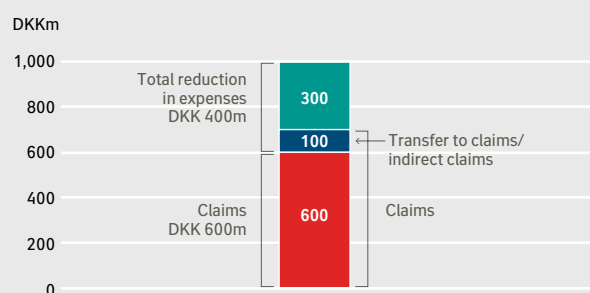
An extraordinarily high investment return was realised in 2012, and a lower return is expected for the coming years as interest rates are low and are expected to remain so. As the investment risk is generally kept low, half of the investment portfolio is in bonds and will only make a modest contribution to the investment return as current interest rate levels are used to calculate the expected bond yields. For equities and real estate, the same expectations are applied as for earlier years of 7% and 6%, respectively.

Investment activities include other types of investment income and expenses, especially the costs of managing the investments, gains and losses on foreign currency hedges and interest paid on loans.

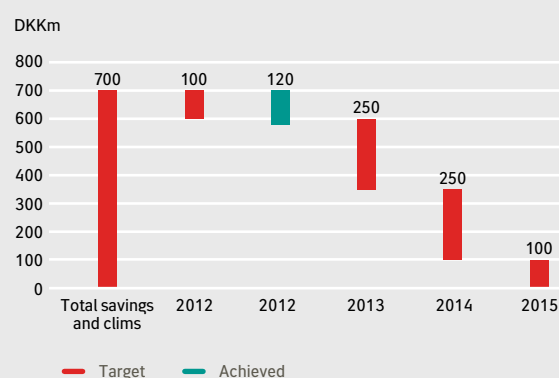
Targets – expenses



Savings programme up until 2015

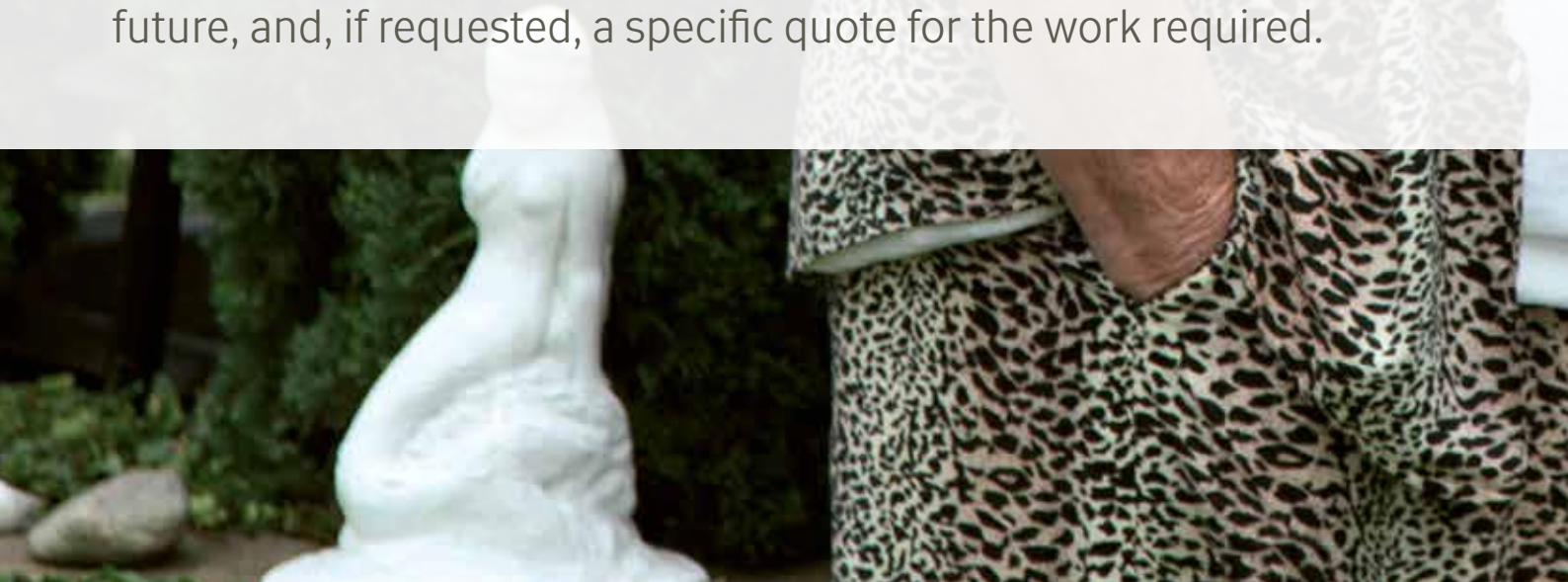


Targets – claims





Tryg House Check In 2012, we gave many private customers in the Greater Copenhagen area who suffered water damage in connection with the cloudburst in 2011 the offer of a free inspection of their homes. With the Tryg House Check, customers are given advice and instructions on what they can do to prevent damage in future, and, if requested, a specific quote for the work required.





Leif and Tove Rasmussen from Dyssegård accepted the offer of the Tryg House Check. The family was hit twice by cloudbursts in 2011 and had to undergo extensive renovation work, which was expensive for Tryg and difficult for Leif and Tove.

An anti-flooding valve at the floor drain and a water tank connected to the gutter are some of the measures implemented by the family to prevent future damage. 'We really want to avoid any more damage. We are the ones who suffer, and it is such a hassle sorting everything out, especially with water damage,' Tove and Leif say. The specialist who performed the House Check inspection was satisfied with the family's preventive measures.

Capital and risk management

Credit ratings

As at 31 December 2012

Standard & Poor's

Tryg Forsikring A/S

'A-'/stable

Tryg Garantiforsikring A/S

'A-'/stable

Tryg's capital base and financial strength are preconditions for the Group being able to take over risks from customers. For this to be possible, capital planning must be tailored to the Group's risk and growth profile. Tryg wants to have the necessary capital, while at the same time being able to distribute stable dividend corresponding to 60-90% of the earnings for the year. [Read more about dividend policy in the chapter on the Tryg share and dividend policy on page 41.](#)

Risk-based capital management

Through capital and risk management, Tryg aims to secure financial strength and flexibility. Capital management is based on Tryg's internal capital model, and the capital requirement is determined on the basis of Tryg's current risk profile with a 99.5% level of certainty. This corresponds to the chosen capital level being insufficient once in a 200-year period on a statistical basis. The model calculates the capital requirement while taking account of the actual business mix, profitability, provisions profile, reinsurance protection, investment mix and scenarios for the additional risk which you may experience in particularly stressed situations. The calculation takes account of the geographical spread and the effect of the chosen investment policy; the interest rate risk attaching to the bond portfolio corresponds to the interest rate risk for the discounted provisions, which means that Tryg's net interest rate risk is insignificant.

An external credit rating is obtained from Standard & Poor's, and Tryg is given an 'A-' rating.

The Danish authorities demand active capital management based on quarterly calculations of an individual solvency need. These requirements are precursors of the future Solvency II rules. Tryg's calculation of its individual solvency need is based on the Group's internal capital model. The individual solvency need was DKK 6,410m at the end of 2012 against DKK 6,320m at the end of 2011. With a capital base of DKK 8,832m less proposed dividend, Tryg has a surplus cover of DKK 2,422m. In addition to the internal capital

model, Tryg calculates the necessary capital each quarter based on the future Solvency II standard model. Under the standard model, the capital need is DKK 8,161m which – compared to the actual capital of DKK 10,400m, calculated according to the Solvency II rules – equates to a surplus cover of DKK 2,239m. The introduction of the Solvency II rules will make stricter demands on the way in which insurance companies work with and control risks, including the Supervisory Board's involvement in risk and capital management. Tryg has for a number of years been working to tailor the company to meeting these requirements. This means that the Supervisory Board actively determines the company's risk appetite and the risk management framework, while regularly assessing the aggregate risk and the derived capital need. Once a year, a so-called ORSA (Own Risk and Solvency Assessment) is carried out, which is a systematic and comprehensive assessment of the Group's risk and solvency. ORSA also comprises a capital plan and a capital contingency plan illustrating the implications of the company's business plan and documenting the adequacy of the capital base, even in a selection of stressed situations. Such an assessment will be a statutory requirement under Solvency II.

The Executive Management's responsibility for all risk and capital management is exercised on a daily basis through a risk management environment in which underwriting and reinsurance, provisions, investment risk and operational risk are managed by separate subcommittees.

Capital structure

Tryg's capital base consists of equity and subordinate loans. The relative sizes of these two categories are subject to ongoing assessment with a view to maintaining an optimum structure which takes account of the return on equity, capital costs and flexibility. Different models are used to calculate the actual capital under the various regimes, but regardless of the model applied, Tryg has a high level of internal financing (low gearing). In 2005, Tryg took out a 20-year subordinated bond loan of EUR 150m listed on the London Stock Exchange. In connection with the acquisition of Moderna in Sweden in 2009, Tryg took out a subordinated loan with expiry in 2032 of EUR 65m from TryghedsGruppen. Tryg's

total subordinated debt subsequently amounted to EUR 215m. All in all, debt amounted to 15% of equity at the end of 2012, corresponding to 10% of the capital base. Interest expenses on the subordinated loan capital totalled DKK 80m in 2012. **i** For further details on loan terms and capital management in Tryg, see note 2, pages 88-89.

As part of the assessment of the capital structure, Tryg has decided to repay the existing subordinated loan from TryghedsGruppen of EUR 65m in 2013 and to replace it with a new subordinated loan of DKK 800m. The current capital requirement rules limit the amount of fixed-term subordinated loan capital which can be included in the capital base, which has meant that the existing subordinated loan from TryghedsGruppen of EUR 65m cannot be included in Tryg's capital base. The new subordinated loan will be of a perpetual term, which means that the loan can be included in the capital base in full, which thus increases by DKK 800m. Against the background of the above, treasury shares worth DKK 800m will be acquired as part of an extraordinary distribution. Together with the new subordinated loan, the distribution will result in an unchanged capital base, but with a lower proportion of equity, which in isolation will contribute positively to the future return on equity for the benefit of Tryg's shareholders. Moreover, the new subordinated loan is expected to be included as Tier 2 capital under the new Solvency II capital adequacy rules.

Reinsurance

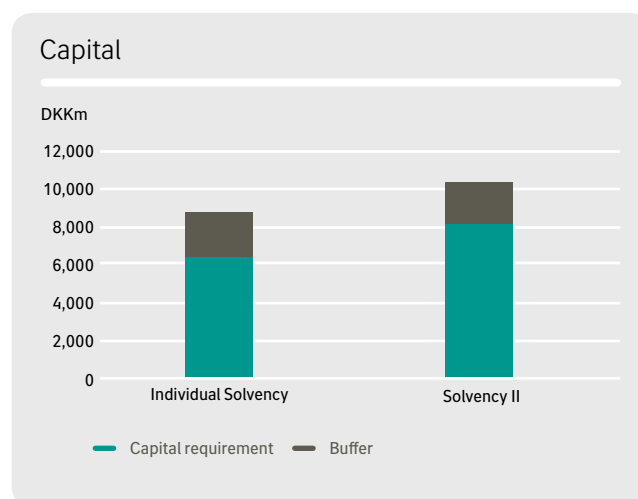
Reinsurance is an important tool when it comes to protecting Tryg's capital base. The need for reinsurance is assessed on an ongoing basis using Tryg's internal capital model, in which the reinsurance premium is compared with the reduction in the capital requirement that can be achieved. Tryg's reinsurance programme comprises single claims (large claims), and events which may impact several policies at the same time (catastrophe cover). The most important programmes covering large claims include buildings, contents, motor, goods transport, liability and fish farming. catastrophe cover has been taken out for buildings, contents and risks in respect of which frequency protection has been arranged which limits the aggregate annual deductible in the event of, for example, hurricanes and cloudbursts. The reinsurance programme also comprises catastrophe cover for accidents and workers' compensation. **i** For a detailed description of Tryg's reinsurance programme, see Note 1 on page 77.

Implementation of Solvency II

The Omnibus II Directive, which was to introduce the Solvency II regime on 1 January 2014, was not adopted in 2012 as planned. Tryg

believes that the likely start date of Solvency II will be 1 January 2016 or later. It is unknown at present to which extent the individual parts of the Solvency II regime will be implemented earlier in Danish legislation. Solvency II allows for the use of full or partial internal models. Tryg's plan is to use the existing internal model in areas where the risk deviates from the risk assessed using the standard model. Within the area of insurance risk, Tryg is of the opinion that it will be able to model its own risk more correctly. For example, the standard model does not take account of geographical diversification between the Nordic countries, which is an aspect of Tryg's exposure. On the other hand, the existing internal model's treatment of investment risks is very like the standard model, which must be seen in light of the homogeneous investment risk which is generally hedged across national borders based on efficient financial markets. The aim is that, under Solvency II, Tryg will in future use a partial internal model in its capital planning consisting of the insurance module in Tryg's existing model, supplemented with the other modules (investment, operational risk etc.) from the standard model.

Tryg engages in ongoing dialogue with the Danish Financial Supervisory Authority on requirements for the development of a partial internal model. The plan is for Tryg to submit an application which the Financial Supervisory Authority will then consider for approval. At the end of 2012, Tryg had a capital buffer of 27% (after expected dividend) based on the standard model under Solvency II, and the approval of the internal model is expected to further increase the capital buffer.





Tryg share and dividend policy

It is important for Tryg that investors, shareholders and other stakeholders are able to form a true and fair view of Tryg's development. For this reason, we emphasise openness, transparency and the accommodation of stakeholder information requirements. The Executive Management and Investor Relations go on a roadshow every quarter following publication of the financial statements to meet with investors and equity analysts.

In 2012, Tryg held 220 investor meetings and participated in ten conferences for both institutional investors and private shareholders. The Tryg share is covered by 21 investment analysts. [See a list of analysts and their recommendations of Tryg at tryg.com > Investor.](#)

The Tryg share

The Tryg share is listed on the Nordic exchange Nasdaq OMX Copenhagen and is covered by the OMX Copenhagen C20 index (OMXC20), comprising the 20 most traded shares on the exchange. In accordance with the recommendations issued by Nasdaq OMX Copenhagen, Tryg does not comment on financial results or outlook four weeks before the publication of financial statements. All financial information is published on tryg.com in Danish and English. It is possible to order annual reports and subscribe for news and RSS feeds on the website.

In 2011, the Tryg share ended at a price of 319, and during 2012 it increased, reaching 426.50 at the end of the year. Including a dividend

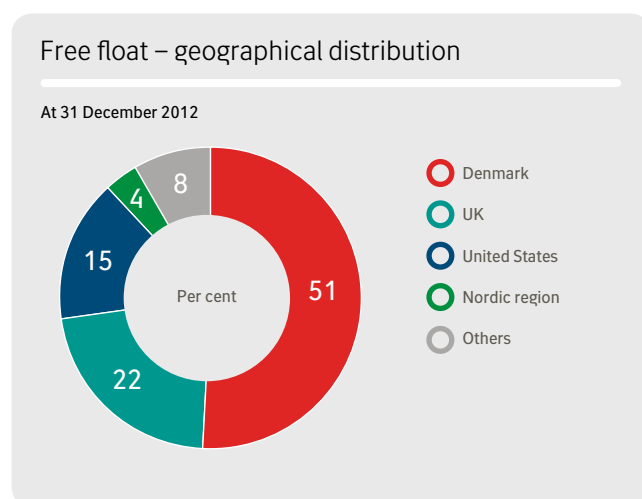
of DKK 6.52, the share rose by 33.7% during 2012 (31.7% excluding dividend). By comparison, the OMXC20 index rose by 27.2% in 2012. The index of insurance shares in Europe, the STOXX Euro Insurance Index, rose by 33.4% in 2012. The positive development in performance and increased stability contributed to increasing the value of the Tryg share throughout 2012. The development was also supported by a generally higher demand for insurance shares, which are regarded as safe investments in turbulent times. The financial crisis has shown that the demand for insurance is largely constant, which benefits the insurance industry in times of crisis.

Nasdaq OMX Copenhagen continues to be the primary exchange for trading in the Tryg share. This is the venue of approximately 80% of the trading that generates liquidity in the share and determines the price of the Tryg share. However, the share continues to be increasingly traded on alternative exchanges (MTF trades through, among others, Chi-X and Turquoise), as other trading platforms are gaining ground in step with the increased focus of the major investment funds on trading costs. OTC (over-the-counter) and dark pools (non-transparent tradings) represent a large share of this trade which takes place outside of the established exchanges and, thus, does not have a direct impact on the price of and the liquidity in the Tryg share.

From 2011 to 2012, the total annual turnover (including OTC trades) fell from 50 million shares in 2011 to 34 million shares in 2012.



^{a)} Shareholders holding more than 10,000 shares.



Free float is exclusive TryghedsGruppen.

Capital and dividend distribution

DKKm	2008	2009	2010	2011	2012 ^{a)}
Dividend	442	991	256	400	1,594
Dividend per share (DKK)	6.5	15.5	4	6.52	26
Payout ratio	52%	49%	43%	35%	72%
Share buyback	0	799	0	0	800

a) Proposed by the Supervisory Board for adoption by the annual general meeting.

Share capital and ownership

Tryg has a total share capital of DKK 1,532,902,575, comprising a single share class (61,316,103 shares with a nominal value of DKK 25), and all shares rank pari passu. The principal shareholder, Trygheds-Gruppen smba, Denmark, owns 60% of the issued shares and is the only shareholder owning more than 5% registered in the company's register of shareholders. TryghedsGruppen invests in peace-of-mind and healthcare providers in the Nordic region, and supports charitable activities.

As of 31 December 2012, there was a free float of 40% of the shares, divided among 25,213 registered shareholders. The 200 largest shareholders owned 88% of the shares. At the end of 2012, Tryg held 621,292 treasury shares, corresponding to 1.0% of the share capital.

Dividend policy

From the year 2012, Tryg has changed its dividend policy to achieve a higher degree of stability in the annual distribution. The new dividend policy reflects our expectations of high earnings in the insurance business and a low risk profile within the investment activities, as well as the requirement to have a solid capital position based on Tryg's internal capital model (Individual Solvency). In future, Tryg's internal capital model will provide the framework for the company's capital requirement. Tryg's future dividend policy will be based on the following assumptions:

- A general objective of creating long-term value for the company's shareholders.
- A competitive dividend policy in comparison with those of our Nordic competitors.
- Distribution of 60-90% of the profit after tax.
- Aspiration to distribute a dividend which is steadily increasing in nominal terms.
- An unchanged return on equity of 20% after tax.
- The capital level must at all times reflect the objective of a 20% return on equity as well as the Group's strategic plans.
- The capital level may extraordinarily be adjusted through a share buyback.

At the 2013 annual general meeting, the Supervisory Board will propose the payment of a cash dividend of DKK 1,594m, corresponding to DKK 26 per share.

Tryg has decided to take out an irredeemable subordinate loan, and for that purpose purchase treasury shares of DKK 800m in order to reduce equity by a corresponding amount. **i** Read more in the chapter [Capital and risk management on page 38](#).

Annual general meeting

Tryg's annual general meeting will be held on 18 April 2013 at 14:00 at Falkoner Centret, Falkoner Allé 9, 2000 Frederiksberg, Denmark. The notice will be advertised in the daily press in March 2013 and will be sent to shareholders, if requested. The annual general meeting will also be announced on tryg.com, where shareholders not able to attend can follow the proceedings live via webcast.

Financial calendar 2013

18 April 2013	Annual general meeting
19 April 2013	Tryg shares trade ex-dividend
24 April 2013	Payment of dividend
30 April 2013	Interim report for Q1
10 July 2013	Interim report for H1 2013
10 October 2013	Interim report for Q1-Q3 2013

Company announcements published in 2012

Date	No.	Company announcement
8 February 2012	1	Annual report 2011
8 February 2012	2	Tryg reconsiders strategy for Finland
13 February 2012	3	Annual general meeting
22 March 2012	4	Notice of annual general meeting
29 March 2012	5	Election of employee representatives for Supervisory Board
17 April 2012	6	Tryg changes reporting structure from Q1 2012
19 April 2012	7	New Investor Relations Director in Tryg
19 April 2012	8	Resolutions from annual general meeting
2 May 2012	9	Interim report for Q1 2012
18 June 2012	10	Changes in Group Executive Management
19 June 2012	11	Announcement of new financial targets and Capital Markets Day in London
2 August 2012	12	Interim reports for Q2 2012 and H1 2012
14 August 2012	13	Revised financial calendar 2012
12 October 2012	14	Financial calendar 2013
6 November 2012	15	Tryg sells Finnish business and concludes new partnership agreement with Nordea
8 November 2012	16	Interim report for Q1-Q3 2012
13 December 2012	17	New dividend policy and repayment of subordinate loan




Innovative claims prevention Many corporate customers in the Copenhagen area remember the cloudburst on 2 July 2011. The cloudburst flooded many basements and destroyed millions of kroner's worth of electronics. Thanks to an innovative idea, our customers can now install a sensor which makes the lift in a building stop before it reaches the water in the basement.



The 2011 cloudburst led us to start reflecting on how we could prevent and minimise damage to, for example, electronics. Together with one of our small subsuppliers, we have developed a solution: a sensor which stops lifts if there is water in the basement and switches electrical panels off automatically if water is leaking into the basement. A modest investment of DKK 7,500 which will save our customers a lot of trouble if a new cloudburst strikes.

One of Tryg's corporate customers, AP Pension, suffered several million kroner's worth of damage as a result of the cloudburst. The cost of repairing its lifts alone was significant. Although the damage is covered by insurance, it causes great inconvenience to a business of this size to have to go through a claims procedure. AP Pension has now been one of the first to install sensors in its basements.

Corporate governance

Tryg focuses on managing the Group in accordance with the principles for good corporate governance. Tryg complies to the widest possible extent with the Recommendations on Corporate Governance prepared by the Danish Committee on Corporate Governance, which were most recently updated in 2011. The recommendations are available at www.corporategovernance.dk. Tryg has published the statutory report according to the 'comply-or-explain' principle for each recommendation at tryg.com. A summary of the report is provided below.  [Download Tryg's statutory corporate governance report at tryg.com > Investor > Download.](#)

Dialogue between Tryg and its shareholders

Tryg issues press releases and company announcements, and publishes annual and interim reports, which are available at tryg.com. Tryg provides quarterly updates of the Group's outlook. This material provides all stakeholders with a comprehensive picture of Tryg's position and performance. The consolidated financial statements are prepared in accordance with IFRS, and all company announcements and financial statements are published in Danish and English. Stakeholders may order printed annual reports and subscribe to news at tryg.com. A number of internal guidelines ensure that the disclosure of price-sensitive information complies with the stock exchanges' code of conduct.

Investor Relations maintains regular contact with analysts and investors. The Executive Management and Investor Relations also organise investor meetings, teleconferences and webcasts and attend conferences in Denmark and abroad. The Supervisory Board is informed of the dialogue with investors and other stakeholders on a regular basis.

Share and capital structure

Tryg's share capital comprises a single share class, and all shares rank *pari passu*. The principal shareholder, TryghedsGruppen smba, Kgs. Lyngby, Denmark, owns 60% of the issued shares and is the only shareholder owning more than 5% to be registered in the company's register of shareholders.

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

Each year, the Supervisory Board proposes the distribution of dividend and possibly a share buyback. In 2010, the annual general meeting authorised the Supervisory Board to allow Tryg to acquire treasury shares up to 10% of the share capital until 14 April 2015.

Annual general meeting

Tryg holds its annual general meeting each year before the end of April. As required by the Danish Companies Act and the Articles of Association, the annual general meeting is convened via a company announcement and at tryg.com subject to at least three weeks' notice. Shareholders may also opt to receive the notice by post or email. The notice contains information about time and venue as well as an agenda for the meeting, which as a minimum includes the following items:

- Report by the Supervisory Board on the company's activities during the past financial year.
- Presentation of the annual report for adoption, including remuneration for the Supervisory Board and discharge from liability of the Supervisory Board and Executive Management.
- Resolution concerning the appropriation of profits or the cover of losses in accordance with the annual report.
- Proposals from the Supervisory Board or from shareholders.
- Election of members to the Supervisory Board.
- Appointment of auditors.
- Any other business.

All shareholders are encouraged to attend the annual general meeting. The annual general meeting is webcast, allowing stakeholders to watch the annual general meeting at tryg.com both during and after the meeting.

Shareholders may propose items to be included on the agenda for the annual general meeting and may ask questions at the annual general meeting. Shareholders may vote in person at the annual general meeting, by post or appoint the Supervisory Board or a third party as their proxy. Shareholders may consider each item on the agenda. The proxy form and form for voting by post are available at tryg.com prior to the annual general meeting.

The annual general meeting is held by personal attendance as the Supervisory Board values personal contact with the Group's shareholders. The Supervisory Board and the Group Executive Management attend the annual general meeting whenever possible, and this has high priority.




Takeover bids

The Supervisory Board will consider any public takeover bid as prescribed by legislation and, depending on the nature of such bid, convene an extraordinary general meeting.

Stakeholders and corporate social responsibility

Identification of stakeholders is an integral part of the strategy review at the Supervisory Board's annual strategy seminar, which always focuses on investors, customers, society and employees. The Supervisory Board also receives regular reports about Tryg's investor mix and employee and customer satisfaction.

Tryg has adopted a number of policies describing Tryg's relationship with various stakeholders, including a CSR policy which describes Tryg's CSR strategy and policy on corporate social responsibility.


 [See the Investor Relations policy at tryg.com > Investor > IR contacts > IR policy and the CSR policy at tryg.com > CSR > CSR strategy > CSR policy.](#)

Openness and transparency

Tryg has adopted an Investor Relations policy which states, among other things, that all company announcements and financial statements are published in Danish and English and that Tryg publishes interim financial statements each quarter.

Duties and responsibilities of the Supervisory Board

The Supervisory Board is responsible for the central strategic management and financial control of Tryg and for ensuring that the business is organised in a sound way. This is achieved by monitoring targets and framework on the basis of regular and systematic review of the strategy and risks. The Executive Management reports to the Supervisory Board on strategies and action plans, market developments and Group performance, funding issues, capital resources and special risks. The Supervisory Board holds an annual strategy seminar to define and/or adjust the Group's strategy. The Executive Management works with the Supervisory Board to ensure that the Group's strategy is developed and monitored. The Supervisory Board ensures that the necessary competencies and financial resources are available for Tryg to achieve its strategic targets. The framework is discussed at the strategy seminar and at an annual budget meeting. The Supervisory Board specifies its activities in the company's rules of procedure and annual cycle.

Each year, the Supervisory Board discusses Tryg's activities to guarantee diversity at management levels. Tryg places great emphasis on diversity at all levels of management, and in January 2012 the company signed the 'Charter for More Women in Management'. Tryg supports the charter which aims to guarantee equal career opportunities for women and men. Tryg has prepared an action plan which sets out specific targets to ensure diversity and equal opportunities and access to management positions for qualified men and women. In 2012, the number of women at management level was 34.0%, and Tryg aims to increase the total number of women in management by 2% by 2014.  [See the action plan at tryg.com > CSR.](#)

Rules of procedure

Each year, the Supervisory Board reviews the rules of procedures for the Supervisory Board and the Executive Management with relevant guidelines and instructions describing reporting requirements and requirements for communication with the Executive Management. Financial legislation also requires the Executive Management to disclose all relevant information to the Supervisory Board and report on compliance with limits defined by the Supervisory Board and in legislation.

Chairman and Deputy Chairman of the Supervisory Board

The Supervisory Board is headed by a Chairman and a Deputy Chairman. The Deputy Chairman will act in the Chairman's absence and serves as a discussion partner for the Chairman.

The tasks of the Chairman and Deputy Chairman are defined in the Supervisory Board's rules of procedure. The tasks of the Chairman include chairing and assessing the work of the Supervisory Board, organising, convening and chairing board meetings and being in charge of the cooperation with the Executive Management. The Chairman also acts as spokesman for the Supervisory Board.

The Chairman and Deputy Chairman hold preparatory meetings with the Executive Management before all board meetings. According to the Supervisory Board's rules of procedure, no board member may perform work for Tryg without a prior decision to that effect by the Supervisory Board. Furthermore, such work must be of a non-recurring nature.

Composition and organisation of Supervisory Board

The Supervisory Board has 12 members, and the Supervisory Board deems the number of members adequate to ensure a constructive

debate, sufficient diversification and an efficient decision-making process. The Supervisory Board considers the number of board members each year when preparing the annual general meeting. Furthermore, the Supervisory Board performs an annual evaluation of the performance and achievements of the Supervisory Board and its members' competencies to assess whether the Supervisory Board has the competencies required to perform its duties in the best possible way. In 2012, new requirements from the Danish Financial Supervisory Authority came into effect, prompting the Supervisory Board to carry out a further self-evaluation in October. The Supervisory Board focuses, in particular, on competencies in the fields of insurance, economics, accounting, financial knowledge and experience, management experience, M&A experience, market insight and international experience.  See the description of competencies at tryg.com and in the notice convening the annual general meeting.

The Supervisory Board has carried out a self-evaluation as required by the Danish Financial Supervisory Authority's guidelines on evaluation of board members' knowledge and experience in general insurance companies. The evaluation concludes that the Supervisory Board as a whole has the knowledge and experience necessary to perform its tasks.

The Articles of Association stipulate that the Chairman of TryghedsGruppen's Supervisory Board must also be Chairman of Tryg's Supervisory Board. Furthermore, TryghedsGruppen's Supervisory Board recommends three members to Tryg's Supervisory Board from among the members of TryghedsGruppen's Supervisory Board.



The Supervisory Board includes members from Denmark, Sweden and Norway and has five female members, including three female employee representatives.

New board members




The process of selecting new board members is thorough and transparent for the board members. The Nomination Committee selects new candidates for the four board positions, which are not selected from among the members of TryghedsGruppen's Supervisory Board, and presents its recommendation for the selection of candidates to the Supervisory Board.

Prior to the election of new members, the Supervisory Board prepares a description of the candidates' background, directorships, professional qualifications and experience. A balanced composition of the Supervi-

sory Board in terms of, among other things, age, gender and nationality is sought, and the need for integrating new talent is considered.

New board members are given an introduction to Tryg when taking up office.  See CVs and descriptions of the competencies of the Supervisory Board in the section Supervisory Board on pages 54-55 and at  tryg.com > Governance > Management > Supervisory Board.

Independence of the Supervisory Board

Eight members of the Supervisory Board are elected by the annual general meeting for one year at a time. Of the eight members elected at the annual general meeting, four are independent persons as stated in recommendation 5.4.1 in Recommendations on Corporate Governance, while the other four members are not independent persons as they are appointed by the principal shareholder TryghedsGruppen.  See details about the independent board members in the section Supervisory Board on pages 54-55 and at  tryg.com > Governance > Management > Supervisory Board.  This is also described in the notice convening the general meeting.

Board members elected by employees

Under the Danish Companies Act, employees are entitled to elect a number of representatives to the Supervisory Board, equal to half the number of other members at the time employee elections are held. Tryg has agreed with Tryg's staff organisations that two board members are elected among employees in Denmark, one member among employees in Norway and one member among employees in Sweden. Employee representative elections were held in 2012. The next election will be held in 2016. Danish law states that employee representatives have the same rights, obligations and responsibilities as the other board members.

Meeting frequency

The Supervisory Board holds at least seven meetings a year and an annual strategy seminar to discuss and define strategies and targets for the years ahead. In 2012, the Supervisory Board held seven board meetings and the annual strategy seminar. The Supervisory Board discusses the Supervisory Board's tasks on a regular basis, and at the last meeting of the year at the latest, it determines its meeting and work schedule for the coming year.



Number of other directorships

The Supervisory Board and the individual board members deem that each member has adequate time and resources to perform their

office as board members of Tryg in a satisfactory manner. Information about the board members' position, directorships and shareholding and changes in portfolios can be found under their CVs.

 See the CVs in the section [Supervisory Board on pages 54-55](#) and at  [tryg.com > Governance > Management > Supervisory Board](#).

Retirement age and election period

Board members elected by the annual general meeting are up for election each year at the annual general meeting. See pages 54-55 for information on when the individual members joined the Supervisory Board, were re-elected and when their current election period expires. To ensure the integration of new talent on the Supervisory Board, members elected by the annual general meeting may hold office for a maximum of nine years. Furthermore, members of the Supervisory Board must retire at the first annual general meeting following their 70th birthday.  See the ages of the individual board members on pages 54-55 and at  [tryg.com > Governance > Management > Supervisory Board](#).

Board committees

Tryg's Supervisory Board has set up an Audit Committee, a Risk Committee, a Nomination Committee and a Remuneration Committee. The board committees' terms of reference are available at [tryg.com](#) and include descriptions of members, meeting frequency, responsibilities and the activities of the committees during the year.

 The special competencies of each member are also described separately at [tryg.com](#).

Two out of four members of the Audit Committee and the Risk Committee, including the chairman of the committees, are independent persons. One out of four members of the Remuneration Committee is an independent person, while one out of two members of the Nomination Committee is independent.

Board committee members are elected primarily on the basis of their special competencies that are considered important by the Supervisory Board. It is also considered important to involve the employee representatives in the committees. The committees exclusively prepare matters for decision by the entire Supervisory Board.

Audit Committee

In 2006, Tryg set up an Audit Committee. The framework of the Audit Committee's work is defined in its terms of reference. The committee has four members with knowledge and experience of financial matters


as well as accounting and auditing in publicly listed companies. The Audit Committee held four meetings in 2012 and reported regularly to the Supervisory Board. In August 2012, the Audit Committee carried out an evaluation of the preceding year's work.  See the tasks of the Audit Committee in 2012 at [tryg.com > Governance > Management > Supervisory Board > Board committees](#).

Risk Committee

Tryg has had a Risk Committee since 2010. The Risk Committee is responsible for supervising asset and risk management. The Risk Committee monitors the risk management environment as well as associated processes. The Committee has four members, and in 2012 the Risk Committee held four meetings.


 See the tasks of the Risk Committee at [tryg.com > Governance > Management > Supervisory Board > Board committees](#).

Nomination Committee

Tryg has set up a Nomination Committee which is primarily tasked with ensuring the correct composition and size of the Executive Management and the Supervisory Board. The committee consists of the Chairman and Deputy Chairman and meets as needed, although at least twice a year.  See the tasks of the Nomination Committee at [tryg.com > Governance > Management > Supervisory Board > Board committees](#).

Remuneration Committee

The Remuneration Committee carries out preparatory work on behalf of the Supervisory Board relating to remuneration for the Supervisory Board, the Group Executive Management and significant risk-takers. The Remuneration Committee has four members, and the Chairman of the Supervisory Board is Chairman of the Remuneration Committee. Moreover, the committee must consist of at least one member of TryghedsGruppen and at least one independent board member. The committee has one independent member at the present time.

The Remuneration Committee held four meetings in 2012. The work of the Remuneration Committee is based on Tryg's remuneration policy.  See the tasks of the Remuneration Committee at [tryg.com > Governance > Management > Supervisory Board > Board committees](#).

Evaluation of the work of the Supervisory Board and the Executive Management

The Supervisory Board has defined an evaluation procedure for assessing the composition of the Supervisory Board and the


achievements and performance of the Supervisory Board and its individual members.

The Chairman is in charge of the evaluation and holds evaluation interviews with each member at the beginning of the year, according to an agenda agreed in advance. The outcome is discussed at the first board meeting of the year. The Supervisory Board carries out an annual evaluation of the achievements and performance of the Executive Management in accordance with clearly pre-defined criteria and of the cooperation between the Supervisory Board and the Executive Management. In addition, the Supervisory Board reviews and approves the rules of procedure of the Supervisory Board and the Executive Management each year to ensure they are aligned with Tryg's requirements.

Remuneration of the management

Tryg has adopted a policy for remuneration of the Supervisory Board and the Executive Management, including general guidelines for incentive pay. The remuneration policy was adopted by the Supervisory Board in February 2011 and approved by the annual general meeting on 14 April 2011.

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


The remuneration policy also covers Tryg employees whose activities have a significant influence on the Group's risk profile, known as risk-takers, as well as employees in control functions such as compliance and internal audit.  [See the remuneration policy at tryg.com](#)
> Governance > Remuneration.


Remuneration of the Supervisory Board

Members of Tryg's Supervisory Board receive a fixed fee and are not comprised by any form of incentive or severance programme. The board members' remuneration is fixed on the basis of trends in peer companies, taking into account board members' required competencies, efforts and the scope of the board's work, including the number of meetings. The Chairman of the Supervisory Board receives a triple remuneration, while the Deputy Chairman receives a double remuneration. The Supervisory Board is not comprised by any pension scheme.

Remuneration of the Executive Management

Members of the Executive Management are employed on a contractual basis, and all terms of their remuneration are fixed by the Supervisory Board. The Supervisory Board fixes the remuneration of the Executive Management for one year at a time. There is an annual review based on the requirements for attracting and retaining the best-qualified Executive Management members. The fixed salary must be competitive and appropriate for the market in order to provide sufficient motivation for each director to do his or her best in order to achieve the company's defined targets.

The Executive Management's remuneration consists of a fixed salary, pension and a variable salary. The variable salary constitutes only a limited part of the overall remuneration. The Supervisory Board can decide that the fixed salary be supplemented with a variable salary of up to 10% of the fixed basic salary including pension at the time of allocation. The Supervisory Board has decided that the variable salary consists of a matching shares programme. Four years after the purchase by a member of the Executive Management of a specified number of shares, such member is allocated a corresponding number of free shares in Tryg. The allocation of matching shares at the time of allocation is not dependent on Tryg's financial performance. The purpose of the matching shares programme is both to retain the member of the Executive Management, and to create a joint financial interest between the Executive Management and the company's shareholders.  [Read more about the matching shares programme in the remuneration policy at tryg.com](#)
> Governance > Remuneration.

Some members of the Executive Management still have unexercised share options, which were allocated under a previously adopted share-option programme.  [Please refer to Note 7 on page 98 for further details.](#)

Retention and severance schemes

Each member of the Executive Management is entitled to 12 months' notice of termination and 12 months' severance pay. However, the Group CEO is entitled to 12 months' notice and 18 months' severance pay plus pension contributions during the same period.

Each member of the Executive Management has 25% of the basic salary paid into a pension scheme. One of the members of the Executive Management, however, receives a defined-benefit pension. This is paid on an ongoing basis upon retirement. The benefit depends

on years of service and constitutes part of the salary earned immediately prior to retirement.

Risk management and internal control

Being an insurance business, Tryg is subject to the risk management requirements set out in the Danish Financial Business Act. The Supervisory Board uses policies to define the framework for risk management in Tryg in the areas of insurance risk, investment risk and operational risk, as well as IT security. With reference to these frameworks, guidelines are issued from the Supervisory Board to the Executive Management. A Risk Management Committee comprising the Group CFO, Head of Group Risk and Head of Investments monitors the risk management environment.

Tryg conducts an annual risk identification process, mapping insurance risks and other risks related to the realisation of the Group's strategy or which may have a potentially substantial impact on the Group's financial position. The process involves registering and quantifying the risks identified. Quantification of the risks identified is included in the statement of the individual solvency requirement that the Supervisory Board considers every quarter. In 2012, Tryg performed an assessment of the company's risk and solvency (Own Risk and Solvency Assessment, also known as 'ORSA') in preparation for future requirements for insurance companies under EU law (Solvency II). The purpose of the

ORSA is to link strategy, risk management and solvency as the aim of the ORSA is to ensure a sensible correlation between the strategy for assuming risks and the available capital over a period of three to five years.

The Supervisory Board and the Executive Management monitor the Group's general policies and guidelines, procedures and controls in significant risk areas, and receive reports on trends in these areas as well as the application of the defined frameworks. The Supervisory Board checks that the company's risk management and internal controls are effective. Any non-compliance with frameworks and guidelines is reported to the Supervisory Board.

The Supervisory Board's Risk Committee monitors the company's risk management and control on an ongoing basis and reports on this quarterly to the Supervisory Board.

The Group's internal control systems are based on clear organisational structures and guidelines, general IT controls and segregation of functions, which are supervised by the internal auditors. In 2012, Tryg introduced decentralised risk management whereby risk managers in the individual business areas carry out controlling tasks for the risk management environment and Tryg's compliance function.

Total remuneration of the Supervisory Board in 2012

DKK	Fee	Audit Committee	Risk Committee	Remuneration Committee	Total
Mikael Olufsen	900,000			112,500	1,012,500
Torben Nielsen	600,000	225,000	150,000		975,000
Jens Bjerg Sørensen	300,000	104,583	69,722		474,306
Paul Bergqvist	300,000			75,000	375,000
Jesper Hjulmand	300,000			75,000	375,000
Lene Skole	300,000	150,000	100,000		550,000
Tina Snejbjerg	300,000	104,583	69,722		474,306
Bill-Owe Johansson	300,000				300,000
Mari Thjømøe	209,167				209,167
Jørgen Huno Rasmussen	209,167				209,167
Vigdis Fossehagen	209,167			52,292	261,458
Lone Hansen	209,167				209,167
Jørn Wendel Andersen ^{a)}	90,833	45,417	30,278		166,528
Christian Brinch ^{a)}	90,833				90,833
Rune Torgeir Joensen ^{a)}	90,833	45,417	30,278		166,528
Berit Torm ^{a)}	90,833			22,708	113,542

^{a)} Resigned board members.

Total remuneration of the Executive Management in 2012

DKK	Basic salary	Pension	Car/ car allowance	Total fixed salary	Value of matching shares ^{a)}	Total fee
Morten Hübbe	8,215,144	2,053,786	255,000	10,523,930	850,000	11,373,930
Tor Magne Lønnum	4,638,741	1,007,173	154,564	5,800,478	550,000	6,350,478
Lars Bonde	4,121,583	1,030,396	255,000	5,406,979	400,000	5,806,979


a) At the time of allocation.

The Executive Management has established a formal group reporting process comprising monthly reporting, including budget reporting and deviation reporting, among other things.


Going concern assumption

When discussing and adopting the annual report, the Supervisory Board considers whether the financial statements have been prepared on a going-concern basis, including the underlying assumptions and uncertainties.

Whistleblowing scheme

Tryg has set up an Ethical Hotline which is managed by an external partner, which allows employees, customers or business partners to report any serious wrongdoing or suspicions of such. Reporting takes place in confidence to the Chairman of the Audit Committee and Tryg's internal Audit Manager.  [See more about Tryg's Ethical Hotline at tryg.com > Governance > Ethical Hotline.](#)

Openness about risk management

Risk management is an integral part of Tryg's business operations. The Group seeks at all times to minimise the risk of unnecessary losses in order to optimise returns on the company's capital.  [Read more about Tryg's risk management in the section Capital and risk management on page 38 and in note 1 page 77.](#)

Audit

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

Each year, the annual general meeting appoints an independent auditor recommended by the Supervisory Board. In connection with the Supervisory Board's review of the annual report, it discusses accounting policies and other issues. The results of the audit are discussed in the Audit Committee and at board meetings for the purpose of assessing the auditor's observations and conclusions. The internal and independent auditors' long-form audit reports are reviewed by the Supervisory Board. The audit agreement and associated audit fee are agreed between the Supervisory Board and the auditor on the basis of a recommendation from the Audit Committee. Each year, the Audit Committee reviews the framework for the independent auditors' performance of non-audit services.


At least once a year, the internal and external auditors meet with the Audit Committee without the presence of the Executive Management. The Chairman of the Audit Committee will deal with any matters that need to be reported to the Supervisory Board.

Internal audit

Tryg has set up an internal audit department which regularly reviews the quality of the Group's internal control systems and business procedures. The department is responsible for planning, performing and reporting the audit work to the Supervisory Board.

Deviations and explanations

The Supervisory Board follows the Recommendations on Corporate Governance with the exception of the recommendation for the number of independent members of the board committees as stated in item 5.10.2 of the Recommendations on Corporate Governance.

 [The deviation is explained in Tryg's statutory corporate governance report, which is available at tryg.com > Downloads.](#)



Supervisory Board



Mikael Olufsen^{a)}

Chairman

Born 1943. Joined: 1997. Nationality: Danish. Professional board member. Former CEO of Toms Chokoladefabrikker A/S.

Education: MSc in Forestry, PMD Harvard Business School.

Chairman: TryghedsGruppen smba, Tryg A/S, Tryg Forsikring A/S, Egmont Fonden (Egmont Foundation), Egmont International Holding A/S, Ejendomsselskabet Gothersgade 55 ApS, Ejendomsselskabet Vognmagergade 11 ApS, Malaplast Co. Ltd and Gigtforeningen (Danish Rheumatism Association).

Board member: WWF Verdensnaturfonden (WWF in Denmark) and Danmark-Amerika Fondet (Denmark-America Foundation).

Committee memberships: Chairman of Remuneration and Nomination Committee in Tryg A/S.

Number of shares held: 3,018

Change in portfolio in 2012: 0

Experience from managing international companies, including strategic development, and experience as a board member of Danish and international companies.



Torben Nielsen^{b)}

Deputy Chairman

Born 1947. Joined: 2011. Nationality: Danish. Professional board member. Adjunct Professor, CBS. Former Governor, Danmarks Nationalbank.

Education: Savings bank training, Graduate Diploma in Organisation and Work Sociology as well as Credit and Financing.

Chairman: Investeringsforeningen Sparinvest, Eik banki p/f, Plass Data A/S, VP Lux S.å.r.l., Investeringsforeningen Sparinvest SICAV, Luxembourg and Museum Sydøstdanmark.

Deputy Chairman: Tryg A/S, Tryg Forsikring A/S, VP Securities A/S and Bankernes Kontantservice A/S.

Board member: Nets Holding A/S and member of the Executive Board of Bombøssens and DLR Kredit A/S.

Committee memberships: Audit and Risk Committee (Chairman) and Nomination Committee in Tryg A/S.

Number of shares held: 3,500

Change in portfolio in 2012: +2,000

Special skills in management, governance, finance, financial services and risk management from his role as Governor of Danmarks Nationalbank and board positions.



Paul Bergqvist^{b)}

Born 1946. Joined: 2006. Nationality: Swedish. Professional board member. Former CEO of Carlsberg A/S.

Education: Economist and engineer.

Chairman: Sverige Bryggerier AB, East Capital Explorer AB, HTC Group AB, Pieno Zvaigzdes AB, Svenska Returpack AB, Norrköpings Segel Sällskap and Östkind's Häradsallmänning.

Board member: Tryg A/S, Tryg Forsikring A/S and Björk Eklund Group AB.

Committee memberships: Remuneration Committee in Tryg A/S.

Number of shares held: 100

Change in portfolio in 2012: 0

International management and board experience within M&A, strategic development, marketing, branding and financial management. Being a Swedish citizen, Paul Bergqvist has special insights into Swedish market conditions.



Bill-Owe Johansson

Employee representative

Born 1959. Joined: 2010. Nationality: Swedish. Claims Handler (Moderna). Employed in 2002.

Education: Insurance training courses.

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

Number of shares held: 200

Change in portfolio in 2012: 0



Vigdis Fossehagen

Employee representative

Born 1955. Joined: 2012. Nationality: Norwegian. Chairman of Finansforbundet (Finance Sector Union of Norway) in Tryg, Norway. Employed in 1996.

Education: Educated in the area of agricultural mechanics.

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

Committee memberships: Remuneration Committee in Tryg A/S.

Number of shares held: 0



Jens Bjerg Sørensen^{a)}

Born 1957. Joined: 2011. Nationality: Danish. CEO of the public limited company Schouw & Co and Dutch Consul. Former CEO of BioMar A/S.

Education: Academy Economist, Graduate Diploma in Marketing Management and IEP – Executive Programme from Insead.

Chairman: Dovista A/S. Chairman or Deputy Chairman in Schouw & Co companies.

Board member: Tryg A/S, Tryg Forsikring A/S, TryghedsGruppen smba and Aida A/S.

Committee memberships: Audit and Risk Committee in Tryg A/S.

Number of shares held: 118

Change in portfolio in 2012: 0

Experience from international management, strategic development, finance, M&A and branding.

- a) Dependent board member.
 b) Independent board member, see definition in Corporate Governance Recommendations.



Jesper Hjulmand^{a)}

Born 1963. Joined: 2010. Nationality: Danish. CEO of SEAS-NVE amba. Former CFO and CEO of NVE and Budget Manager and Chief Accountant of Rockwool A/S.

Education: MSc in Economics and Business Administration and Lieutenant-Colonel in the Royal Danish Air Force Reserve.

Chairman: Dansk Energi- og Forsyningssektorens Arbejdsgiverforening, Energi Danmark A/S, CLEVER A/S.

Board member: TryghedsGruppen smba, Tryg A/S, Tryg Forsikring A/S, DI General Council and Forskerparken CAT A/S.

Committee memberships: Remuneration Committee in Tryg A/S.

Number of shares held: 1,750

Change in portfolio in 2012: 0

Experience from positions with SEAS-NVE and the Royal Danish Air Force, within the fields of M&A, strategy, organisational and management development, communication and business development.



Mari Thjømøe^{b)}

Born 1962. Joined: 2012. Nationality: Norwegian. Professional board member and independent advisor. Former CFO of KLP.

Education: Master of Economics and Business Administration, Financial Analyst (CFA) and management programme at the London Business School.

Chairman: Bank2 ASA, Norgani Hotels AS and Seilspport Maritimt Forlag AS.

Board member: Tryg A/S, Tryg Forsikring A/S, Petoro AS, SinOceanic Shipping ASA, Argentum Fondsinvesteringer AS and Sevan Marine ASA.

Number of shares held: 200

Change in portfolio in 2012: +200

Management experience from a number of major enterprises such as Norsk Hydro and Statoil. She has special knowledge of strategic and financial planning, restructuring, investment and investor relations. As a Norwegian citizen, she has special insights into Norwegian market conditions.



Jørgen Huno Rasmussen^{a)}

Born 1952. Joined: 2012. Nationality: Danish. CEO of FLSmidth & Co. A/S.

Education: Graduate Diploma in Organisation, Graduate Engineer and Ph.d.

Chairman: Subsidiaries in the FLSmidth Group, LundbeckFond Invest A/S and the Lundbeck Foundation.

Deputy Chairman: Cembrit Holding A/S and TryghedsGruppen smba.

Board member: Tryg A/S, Tryg Forsikring A/S, Vestas Wind Systems A/S and Bladt Industries A/S.

Number of shares held: 366

Change in portfolio in 2012: 0

As the CEO of FLSmidth, Jørgen Huno Rasmussen has experience in international management and special competencies within strategy, business development, communication, risk management and finance.



Lene Skole^{b)}

Born 1959. Joined: 2010. Nationality: Danish. Executive Vice President of Coloplast A/S. Former CFO of The Maersk Company Ltd., UK.

Education: A.P. Møller Group international shipping education, Graduate Diploma in Financing and various international management programmes.

Board member: Tryg A/S, Tryg Forsikring A/S and DFDS A/S.

Committee memberships: Audit and Risk Committee in Tryg A/S.

Number of shares held: 745

Change in portfolio in 2012: +335

Experience from international corporations via her work in Coloplast and Mærsk UK and skills in strategy, economics, financing and communication.



Tina Snebjerg

Employee representative

Born 1962. Joined: 2010. Nationality: Danish. Senior clerk in Tryg's personnel department. Employed since 1987.

Education: Insurance training.

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

Committee memberships: Audit and Risk Committee in Tryg A/S.

Number of shares held: 86

Change in portfolio in 2012: 0



Lone Hansen

Employee representative

Born 1966. Employed in 1990. Joined: 2012. Nationality: Danish. 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.

Number of shares held: 86

Change in portfolio in 2012: 0



Back row, from left Truls Holm Olsen, Lars Bonde, Rikke Larsen, Nicklas Larsen, Tor Magne Lønnum.
Front row, from left Morten Hübbe, Per Fornander, Birgitte Kartman.

Group Executive Management

Morten Hübbe

Group CEO

Born 1972. Employed in 2002. Joined the Group Executive Management in 2003. Appointed Group CEO in 2011. Member of the Executive Management and the Group Executive Management.

Education: BSc in International Business Administration and Modern Languages, MSc in Finance and Accounting and management programme at Wharton.

Board member: Forsikring & Pension (Danish Insurance Association) and Tjenestemændenes Forsikring.

Number of shares held: 9,910

Change in portfolio in 2012: +2,820

Tor Magne Lønnum

Group CFO

Born 1967. Employed in 2011. Joined the Group Executive Management in 2011. Member of the Executive Management and the Group Executive Management.

Education: State-authorized public accountant, Executive Master of Business and Administration, University of Bristol and École Nationale des Ponts et Chaussées.

Board member: Tryg Garantiforsikring A/S (Chairman), Thermopylae AS (Chairman) and Finansnærings Fellesorganisasjon.

Number of shares held: 3,510

Change in portfolio in 2012: +1,810

Lars Bonde

Group Executive Vice President, Private, Country Manager in Denmark and COO

Born 1965. Employed in 1998. Joined the Group Executive Management in 2006. Member of the Executive Management and the Group Executive Management.

Education: Insurance training and LL.M.

Board member: Finanssektorens Arbejdsgiverforening (Danish Employers' Association for the Financial Sector) and Tjenestemændenes Forsikring.

Number of shares held: 3,687

Change in portfolio in 2012: +733

Truls Holm Olsen

Group Executive Vice President, Corporate and Country Manager in Norway

Born 1964. Employed in 1998. Joined the Group Executive Management in 2009.

Education: LL.M.

Board member: Tryg Garantiforsikring A/S, Energon AS, Norsk Naturskadepool (Norwegian Natural Perils Pool) and Tryg Almennyttige Stiftelse.

Number of shares held: 2,017

Change in portfolio in 2012: +1,000

Rikke Larsen

Group Executive Vice President, People & Reputation

Born 1971. Employed in 2000. Joined the Group Executive Management in 2012.

Education: LL.M. and lawyer.

Number of shares held: 35

Change in portfolio in 2012: 0

Birgitte Kartman

Group Executive Vice President, Claims

Born 1960. Employed in 1996. Joined the Group Executive Management in 2009.

Education: LL.M.

Board member: The Danish Insurance Academy

Number of shares held: 2,617

Change in portfolio in 2012: +1,010

Per Fornander

Group Executive Vice President and Country Manager in Sweden

Born 1963. Employed in 2011. Joined the Group Executive Management in 2011.

Education: Marketing DIHM, IHM Business School in Stockholm.

Board member: Tryg Garantiforsikring A/S, Svensk Försäkring, Försäkringsbranschens Arbetsgivarorganisation and Försäkringsbranschens Pensionskassa.

Number of shares held: 2,110

Change in portfolio in 2012: +1,010

Nicklas Larsen

Acting Group Executive Vice President, Commercial

Born 1973. Employed in 2011. Joined the Group Executive Management in 2012.

Education: Graduate engineer and MSc in Business Administration and Financing.

Number of shares held: 0

Change in portfolio in 2012: 0

Corporate Social Responsibility

In Tryg, corporate social responsibility is an integrated part of running a healthy business. Thus, responsibility and sustainability are key to developing our business and to our branding. More specifically, Tryg focuses on reducing the climate impact of its activities and on protecting and promoting human rights in the Nordic countries. Tryg's CSR commitment concentrates on four thematic areas: Climate, Prevention, Inclusion and Well-being.

Moreover, anti-corruption and responsible sourcing and investments guide all Tryg's processes and planning activities. [See Tryg's CSR policy at tryg.com > CSR > CSR strategy > CSR policy.](#)

Climate

In handling claims, we come face to face with the consequences of climate change every year. Damage caused by cloudbursts, landslides and hurricanes impacts Tryg's customers considerably. The prevention of climate-related claims is therefore a key priority, and together with customers, researchers and the authorities, Tryg is focusing on finding new ways of minimising and handling the consequences of such perils. The climate perspective is also used to identify new ways of cutting operating costs.

In 2012, Tryg made its expertise available to the Danish Ministry of the Environment and participated in the recording of the ministry's climate campaign movie. The campaign focuses on how citizens can prevent water damage caused by climate change. In 2013, we expect to launch a climate check programme for our customers which will help them identify preventive measures and give benefits to customers who implement such measures.

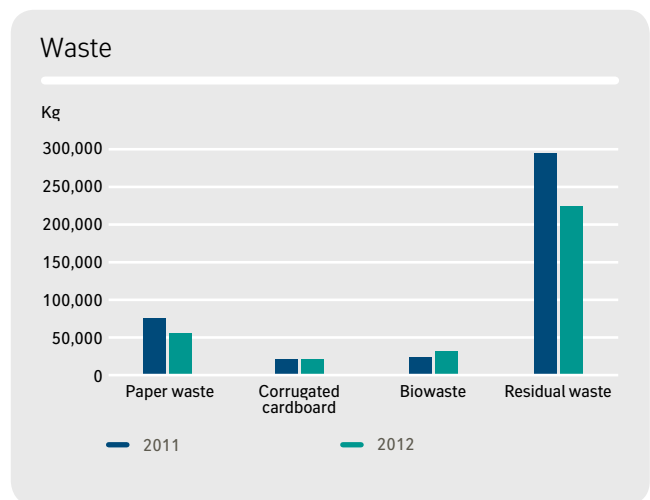
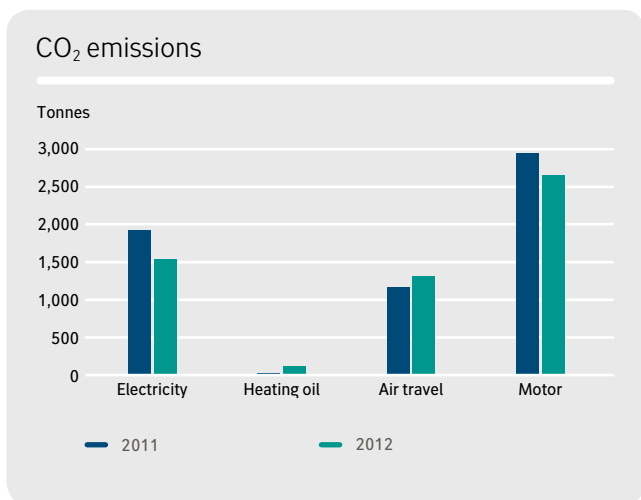
Such initiatives benefit society significantly in that they minimise damage to infrastructure and buildings as well as reducing CO₂ emissions.

[See the climate targets at tryg.com > CSR > Thematic areas > Climate.](#)


Another focus area is Tryg's Mobility Management programme which unites our interest in reducing CO₂, improving the health of our employees and cutting costs with society's interest in reducing road congestion and promoting sustainable transport. Key to the programme is changing the transport habits of Tryg's employees, both those who drive to and from work and those who take a taxi when going to meetings. The programme has been developed in collaboration with the Municipality of Ballerup, Formel M and neighbouring businesses in Ballerup.

Specific initiatives aimed at making it easier for employees to choose to go by bike or public transport as alternatives to private motor vehicles include access to commuter bicycles to and from the nearest bus and train station, more bicycle parking spaces, more changing and showering facilities and the offer of bicycle repairs at the main office. Two electric cars are available when attending meetings and supplement a new taxi arrangement with a company offering environmentally friendly solutions. Moreover, air travel has been reduced considerably since 2009 through the use of video conference facilities.


The main sources of CO₂ emissions from Tryg's buildings and transport activities come from heating, electricity and waste as well as air



travel. Tryg has introduced a number of initiatives aimed at reducing emissions. These include the use of low-energy bulbs and LED lighting, electricity savings achieved by having cleaning done in daylight hours rather than at night and increased focus on reducing waste. For paper waste alone, Tryg in Norway achieved a 53% reduction in 2012 compared to 2011. An internal campaign planned for 2013 will encourage employees to act more sustainably in terms of their paper consumption, waste handling and transport and travel.

CO₂ emissions were reduced by a total of 27.5% from 2007 to 2012. The CO₂ reduction target for 2013 is 23% compared to 2007. Since 2007, Tryg has produced climate accounts on its consumption of electricity, energy, air travel and vehicular transport.  [See the climate accounts at tryg.com > CSR > Thematic areas > Climate.](#)


Human rights

Today, Tryg is finding that social responsibility is a significant competition parameter in the insurance market. In particular, inclusion and diversity are central issues in our partnerships with customers, NGOs and public institutions.  [Read more about the targets for our human rights efforts at tryg.com > CSR > Thematic areas > Inclusion.](#)

 [Read more about labour rights at tryg.com > CSR > Thematic areas > Well-being > Labour rights.](#)



Inclusion

Today, non-discrimination is an important human rights issue in the Nordic countries. Tryg is therefore taking active steps to ensure equal treatment and to create an inclusive culture in Tryg. By reflecting the society of which we are part and exploring diversity as a quality and a resource, we want to contribute to creating an inclusive society.

The purpose of Tryg's efforts within the fields of diversity and inclusion is to make the most of the potential which arises when employees from different backgrounds work together for the benefit of customers and colleagues. For this reason, we work actively with diversity emanating from gender, age, ethnicity, disability, sexual orientation, faith and religion. Priority is given to efforts aimed at women in management, the active recruitment of employees of different ethnicities, accessibility for employees with disabilities, marking of religious festivals and access to rooms for reflection as well as tolerance of different sexual orientations.  [Read more about the activities at tryg.com > CSR > Thematic areas > Inclusion.](#)

At Tryg, we are devoted to creating an attractive workplace characterised by equal opportunities for men and women. We have signed the 'Charter for Women in Management' and submitted our first report in 2012. In spring 2012, Tryg's action plan was turned into an activity plan for the year, comprising specific initiatives such as a course for employees who are planning a management career, a new programme for 'successor planning' to promote equal access to management positions for men and women, a new internal mentor scheme for managers and employees and introductory courses on diversity and inclusion for new managers and new employees. Moreover, we have examined whether higher levels of sickness absence among young women hamper their access to management positions. In order to prevent sickness absence, the office in Bergen has taken on a health visitor who advises mothers on the work/life balance.

With a view to ensuring equal pay for women and men performing the same work, or work of the same value, Tryg carried out a number of job assessments in 2012 and ensured an equalisation of pay where inequalities were identified.

In 2012, the proportion of women in management fell from 37.5% to 34.0%. The aim is to increase the share by 2% by 2014.  [See the action plan for women in management at tryg.com > CSR strategy > Plans of action.](#)  [See the report for the Charter for More Women in Management \(in Danish only\) at tryg.com/dk > CSR > Inclusion.](#)

Translating diversity into improved well-being and better customer service requires knowledge about legislation prohibiting discrimination, but also insights into the stereotypes and prejudices which we all carry with us and which are inherent in our daily routines. Tryg has therefore developed a workshop on diversity, aimed at disseminating information about diversity and at removing structural barriers to diversity in connection with recruitment, employment, promotion and dismissal, and at using diversity actively in the consultancy offered to customers and in the development of the business.

In 2012, the Private sales function held a total of ten workshops, and the aim is to hold 30 workshops in 2013. In 2012, as a supplement to these workshops, Tryg took part in the City of Copenhagen's Innovækst project, the purpose of which is to measure the results of diversity efforts. Tryg also signed the City of Copenhagen's Diversity Charter.  [Watch the film on diversity in Tryg \(in Danish\) at tryg.com > CSR > Thematic areas > Inclusion.](#)

In August 2012, Tryg commissioned a study on access for people with disabilities at our main office in Ballerup. Access to Tryg and the canteen facilities were assessed, and the study showed that all minimum requirements were met, and Tryg was given seven out of seven points. This means, among other things, that access for wheelchair users and people with visual, hearing and developmental disabilities was satisfactory, which is in line with Tryg's efforts to ensure non-discrimination and socially responsible conduct.

In 2012, Tryg held a career day for people with disabilities, which was attended by 60 people. The career day was intended to provide inspiration for people with physical or mental disabilities on how to improve their chances in the job market. The day was part of a national campaign for job seekers launched by the Danish Ministry of Employment and Disabled Peoples Organisations Denmark.

One of the central partnership agreements made in 2012 was with the Union of Education Norway (UDF) and resulted in a joint project with the Norwegian Red Cross on training refugee guides. The guides are volunteers who help refugees to become integrated into their local communities. Guides for the project are recruited among Tryg and UDF employees and as part of a regional partnership with local Red Cross offices. The partnership agreement runs for three years and aims to create dialogue and common values for Tryg, customers and society. The efforts strengthen Tryg's ambition of being the leading

peace-of-mind provider in the Nordic region and its ability to increase customer satisfaction and loyalty.

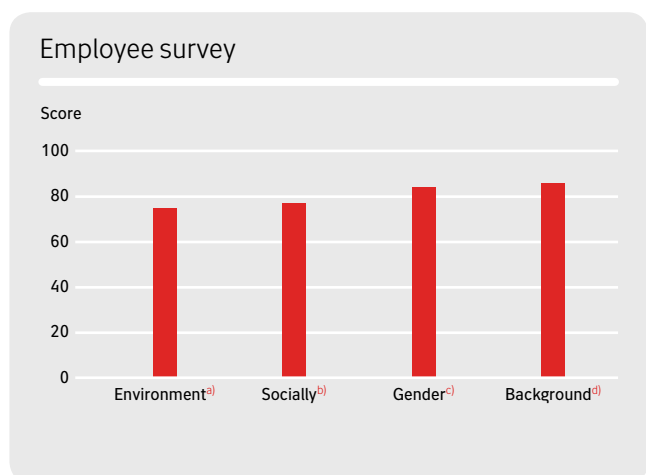
A total of fourteen new refugee guides were recruited in 2012. The plan for 2013 is to strengthen and disseminate knowledge about the project, to extend it to the Oslo area and to develop a set of guidelines for children, young people and unaccompanied asylum seekers on life in Norway.

Personal data

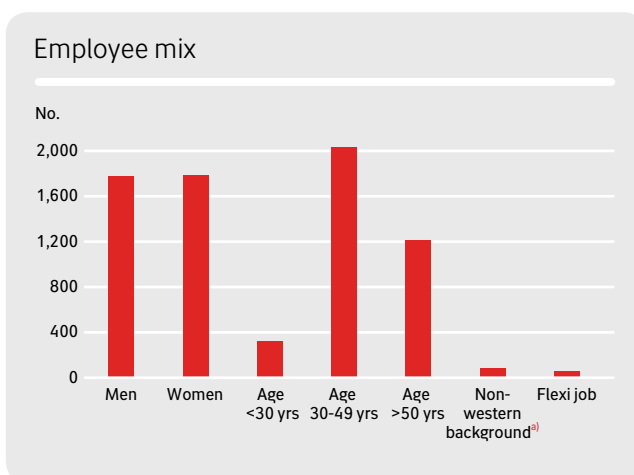
As an insurance company, we handle a variety of personal data every day. The correct processing of personal data and the promotion of correct data protection are therefore Tryg's contribution to protecting and promoting the right to privacy. Ensuring the correct use of personal data in our daily customer contact and claims handling activities is crucial to our customer services. In order to increase Tryg employees' knowledge about the significance and importance of the consent to use and disclose information on insurance matters and claims history, 40 seminars on personal data protection were held in 2012 by Tryg departments and units in business areas and staff functions.

Tryg also advises its employees on good behaviour in the social media when topics on which they communicate relate to Tryg.

 See Tryg's guidelines on social media communication at tryg.com > CSR > CSR strategy > Plans of action.



- a) Tryg is environmentally responsible
- b) Tryg is socially responsible
- c) Tryg offers equal opportunities for women and men
- d) Tryg's employees are accepted regardless of their background and lifestyle



- a) Non-western background is calculated by Statistics Denmark.



CSR in sourcing

In 2012, responsible sourcing was introduced as a new provision in Tryg's general procurement terms and conditions, requiring suppliers to comply with human rights and reduce the climate impact of their activities. All new contracts include a similar requirement and a right to rescind contracts with suppliers who aid and abet human rights violations. Moreover, 2012 also saw suppliers of motor services being introduced to an extended CSR programme, whereby they are required to report annually on their CO₂ emissions, measures introduced to protect human rights and labour rights as well as anti-corruption measures. 🌐 [Watch the film on CSR for caravan workshops \(in Danish\) at tryg.com > CSR > CSR in sourcing.](#)

CSR in investments

A small proportion of Tryg's investment portfolio is invested in shares and corporate bonds which are managed by external partners. They are all obliged to integrate environmental considerations and social and governance (ESG) issues into their investment decision-making, for example through membership of UN PRI.

Tryg contributes to the DI Frontier Market Energy and Carbon Fund, the purpose of which is to establish, run and sell plants for the generation of renewable energy in sub-Saharan Africa based on hydropower, wind power, solar power and biomass. 🌐 [See more about CSR in investments at tryg.com. > CSR > CSR in investments.](#)



Claims prevention in Norway In 2012, Tryg focused on claims prevention and implemented a range of different measures to prevent and limit the claims that may occur. This benefits customers and provides peace of mind, while also serving the interests of the company and our investors.



In 2012, Tryg organised Security Days in cooperation with the University of Trondheim (NTMU), Norway. The seminar in Trondheim was a pilot project which will inform the development of tailored claims prevention seminars, which may in future be extended to Tryg's departments in Bergen and Oslo. The objective was to strengthen our customers' competencies and inspire them to implement health, environmental and safety concerns in their day-to-day operations.

Providing our customers with knowledge within areas of specific importance to them will both help to reduce claims and increase customer value. However, it also strengthens our role as a peace-of-mind provider and should be viewed in the context of Tryg's strong focus on corporate social responsibility.



Tryg's Group consolidated financial statements are prepared in accordance with IFRS and published in Danish and English.

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Statement by the Supervisory Board and the Executive Management

The Supervisory Board and the Executive Management have today considered and adopted the annual report for 2012 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. 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 2012 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 2012.

Furthermore, in our opinion the Management's report 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, 7 February 2013

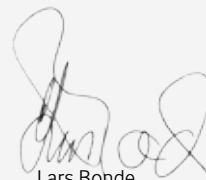
Executive Management



Morten Hübbe
Group CEO

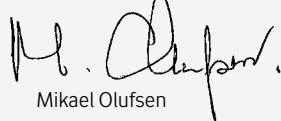


Tor Magne Lønnum
Group CFO

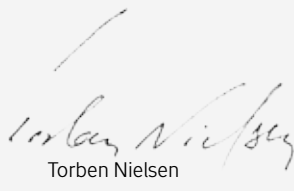


Lars Bonde
Group Executive Vice President

Supervisory Board



Mikael Olufsen
Chairman



Torben Nielsen
Deputy Chairman



Paul Bergqvist



Vigdis Fossehagen



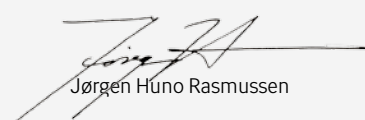
Lone Hansen



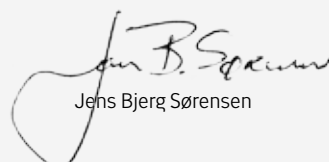
Jesper Hjulmand



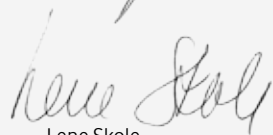
Bill-Owe Johansson



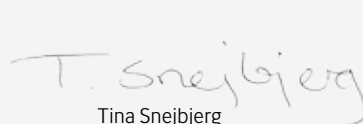
Jørgen Huno Rasmussen



Jens Bjerg Sørensen



Lene Skole



Tina Snebjerg



Mari Thjømøe

Independent auditor's reports

To the shareholders of Tryg A/S

Report on the consolidated financial statements and parent financial statements

We have audited the consolidated and parent financial statements of Tryg A/S for the financial year 1 January to 31 December 2012, page 69-141, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and notes, including the accounting policies, for the Group as well as for the parent company, 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 the parent financial statements are prepared in accordance with the Danish Financial Business Act. In addition, the consolidated and parent financial statements are prepared in accordance with Danish disclosure requirements for listed financial services companies.

Management's responsibility for the consolidated financial statements and 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 Danish disclosure requirements for listed financial services companies as well as for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial services companies, and for such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated and parent financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and parent financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated and parent financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and parent financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated and parent financial statements. We believe that the audit evidence is sufficient and appropriate to provide a basis for our audit opinion. Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2012, and of the results of its operations and cash flows for the financial year 1 January to 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial services companies. Moreover, in our opinion, the parent financial statements give a true and fair view of the parent company's financial position at 31 December 2012, and of the results of its operations for the financial year 1 January to 31 December 2012 in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial services companies.

Statement on the management commentary

Pursuant to the Danish Financial Business Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated and parent financial statements. On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated and parent financial statements.

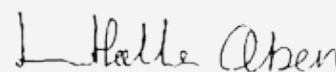
Ballerup, 7 February 2013

Deloitte

Statsautoriseret Revisionspartnerselskab



Lars Kronow
State Authorised
Public Accountant



Lone Møller Olsen
State Authorised
Public Accountant



Financial highlights

DKKkm	2008	2009	2010	2011	2012
Gross premium income	16,622	17,390	18,894	19,948	20,314
Gross claims	-11,262	-12,467	-15,111	-15,783	-14,675
Total insurance operating costs	-2,810	-2,861	-3,136	-3,271	-3,295
Profit/loss on gross business	2,550	2,062	647	894	2,344
Profit/loss on ceded business	-597	-518	-311	507	86
Insurance technical interest, net of reinsurance	474	145	124	171	62
Technical result	2,427	1,689	460	1,572	2,492
Investment return after insurance technical interest	-937	1,083	550	61	585
Other income and costs	-49	-38	-4	-30	-60
Profit/loss for the year before tax	1,441	2,734	1,006	1,603	3,017
Tax	-513	-625	-265	-455	-837
Profit/loss for the year, continuing business	928	2,109	741	1,148	2,180
Profit/loss on discontinued and divested business after tax ^{a)}	-82	-101	-148	-8	28
Profit/loss for the year	846	2,008	593	1,140	2,208
Run-off gains/losses, net of reinsurance	783	692	824	944	1,015
Statement of financial position					
Total provisions for insurance contracts	25,228	29,042	32,031	34,220	34,355
Total reinsurers' share of provisions for insurance contracts	1,036	1,320	1,588	2,067	2,317
Total equity	8,209	9,631	8,458	9,007	10,979
Total assets	38,445	44,740	50,591	53,184	54,313
Key ratios					
Gross claims ratio	67.8	71.7	80.0	79.1	72.2
Net reinsurance ratio	3.6	3.0	1.6	-2.5	-0.4
Claims ratio, net of ceded business	71.4	74.7	81.6	76.6	71.8
Gross expense ratio	16.5	16.6	16.7	16.6	16.4
Combined ratio	87.9	91.3	98.3	93.2	88.2
Gross expense ratio without adjustment	16.9	16.5	16.6	16.4	16.2
Operating ratio	85.8	90.4	97.6	92.2	87.8
Relative run-off gains/losses	4.1	3.6	3.9	4.0	4.1
Return on equity after tax (%)	9.3	22.5	6.6	13.1	22.1
Solvency ratio (Solvency I)	100	97	125	112	90

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 2010' issued by the Danish Society of Financial Analysts. The adjustment, which is made pursuant to the Danish Financial Supervisory Authority's and the Danish Society of Financial Analysts' definitions of expense ratio and combined ratio, involves the addition of a calculated expense (rent) in respect of owner-occupied property based on a calculated market rent and the deduction of actual depreciation and operating costs on owner-occupied property.

^{a)} Profit/loss on discontinued and divested business after tax includes Marine Hull insurance, which was divested in 2010, and the Finnish branch of Tryg Forsikring, which was sold in 2012, but is awaiting authority approval. Comparative figures are restated accordingly.

Income statement

DKKm		2011	2012
Note	General insurance		
	Gross premiums written	20,192	20,128
	Ceded insurance premiums	-1,123	-1,147
	Change in premium provisions	-96	354
	Change in reinsurers' share of premium provisions	45	35
4	Premium income, net of reinsurance	19,018	19,370
5	Insurance technical interest, net of reinsurance	171	62
	Claims paid	-15,250	-15,480
	Reinsurance cover received	1,142	964
	Change in claims provisions	-533	805
	Change in the reinsurers' share of claims provisions	354	131
6	Claims, net of reinsurance	-14,287	-13,580
	Bonuses and premium discounts	-148	-168
	Acquisition costs	-2,368	-2,490
	Administration expenses	-903	-805
	Acquisition costs and administration expenses	-3,271	-3,295
	Reinsurance commissions and profit participation from reinsurers	89	103
7	Insurance operating costs, net of reinsurance	-3,182	-3,192
3	Technical result	1,572	2,492
	Investment activities		
15	Income from associates	1	6
	Income from investment property	118	123
8	Interest income and dividends	1,252	1,196
9	Price adjustments	-264	-16
8	Interest expenses	-113	-100
	Administration expenses in connection with investment activities	-92	-99
	Total investment return	902	1,110
5	Return on insurance provisions	-841	-525
	Total investment return after insurance technical interest	61	585
	Other income	136	106
	Other costs	-166	-166
	Profit/loss before tax	1,603	3,017
10	Tax	-455	-837
	Profit/loss on continuing business	1,148	2,180
11	Profit/loss on discontinued and divested business	-8	28
	Profit/loss for the year	1,140	2,208
27	Earnings per share of DKK 25 – continuing business	19.0	36.0
	Earnings per share of DKK 25	18.9	36.5
	Diluted earnings per share of DKK 25	18.9	36.4
	Earnings per share of DKK 25 – discontinued and divested business	-0.1	0.5
	Diluted earnings per share of DKK 25 – discontinued and divested business	-0.1	0.5

Statement of comprehensive income

DKKm	2011	2012
Profit/loss for the year	1,140	2,208
Other comprehensive income		
Other comprehensive income which cannot subsequently be reclassified as profit or loss		
Revaluation of owner-occupied property for the year	20	42
Tax on revaluation of owner-occupied property for the year	-6	-12
Actuarial gains/losses on defined-benefit pension plans	-399	-62
Tax on actuarial gains/losses on defined-benefit pension plans	111	16
Deferred tax on contingency fund provision	-22	0
	-296	-16
Other comprehensive income which can subsequently be reclassified as profit or loss		
Foreign currency translation adjustment of foreign entities for the year	29	193
Hedging of currency risk in foreign entities for the year	-27	-184
Tax on hedging of currency risk in foreign entities for the year	7	46
	9	55
Total other comprehensive income	-287	39
Comprehensive income	853	2,247

Statement of financial position

DKKm		2011	2012
Note	Assets		
12	Intangible assets	952	759
	Operating equipment	102	138
	Owner-occupied property	1,745	1,443
	Assets under construction	10	11
13	Total property, plant and equipment	1,857	1,592
14	Investment property	2,199	2,081
15	Equity investments in associates	14	21
	Total investments in associates	14	21
	Equity investments	187	199
	Unit trust units	2,378	3,261
	Bonds	38,400	38,862
	Deposits with credit institutions	1,635	949
	Derivative financial instruments	614	547
	Total other financial investment assets	43,214	43,818
16	Total investment assets	45,427	45,920
17	Reinsurers' share of premium provisions	192	237
21	Reinsurers' share of claims provisions	1,875	2,080
17	Total reinsurers' share of provisions for insurance contracts	2,067	2,317
	Receivables from policyholders	1,158	1,149
	Total receivables in connection with direct insurance contracts	1,158	1,149
	Receivables from insurance enterprises	317	227
	Receivables from Group undertakings	1	1
	Other receivables	189	612
16	Total receivables	1,665	1,989
18	Current tax assets	93	0
16	Cash at bank and in hand	402	504
19	Assets held for sale	0	742
	Total other assets	495	1,246
	Interest and rent receivable	497	369
	Other prepayments and accrued income	224	121
	Total prepayments and accrued income	721	490
	Total assets	53,184	54,313

Statement of financial position

DKKm		2011	2012
Note	Equity and liabilities		
20	Equity	9,007	10,979
2	Subordinate loan capital	1,589	1,597
21	Premium provisions	6,932	6,688
21	Claims provisions	26,904	27,242
	Provisions for bonuses and premium discounts	384	425
	Total provisions for insurance contracts	34,220	34,355
22	Pensions and similar liabilities	1,026	1,102
23	Deferred tax liability	1,191	1,143
24	Other provisions	11	98
	Total provisions	2,228	2,343
	Debt relating to direct insurance	410	415
	Debt relating to reinsurance	191	256
25	Amounts owed to credit institutions	11	14
26	Debt relating to unsettled funds transactions and repos	4,161	1,470
16	Derivative financial instruments	35	66
18	Current tax liabilities	260	652
19	Liabilities associated with assets held for sale	0	742
	Other debt	740	1,030
	Total debt	5,808	4,645
	Accruals and deferred income	332	394
	Total equity and liabilities	53,184	54,313
1	Risk management		
2	Capital management		
28	Contractual obligations, collateral and contingent liabilities		
29	Related parties		
30	Financial highlights		
31	Accounting policies		

Statement of changes in equity

DKKm	Share capital	Revaluation reserves	Reserve for foreign currency translation adjustment	Equalisation reserves	Other reserves	Retained earnings	Proposed dividend	Total
Equity at 31 December 2010	1,598	28	82	59	1,078	5,357	256	8,458
2011								
Profit/loss for the year					76	664	400	1,140
Revaluation of owner-occupied property for the year		20						20
Foreign currency translation adjustment of foreign entities for the year			30			-1		29
Hedging of currency risk in foreign entities for the year			-27					-27
Actuarial gains and losses on pension obligation						-399		-399
Tax on changes in equity		-6	7			89		90
Total comprehensive income	0	14	10	0	76	353	400	853
Nullification of treasury shares	-65					65		0
Dividend paid							-256	-256
Dividend, treasury shares						14		14
Purchase of treasury shares						-91		-91
Exercise of share options						15		15
Issue of share options and matching shares						14		14
Total changes in equity in 2011	-65	14	10	0	76	370	144	549
Equity at 31 December 2011	1,533	42	92	59	1,154	5,727	400	9,007

Statement of changes in equity

DKKm	Share capital	Revaluation reserves	Reserve for foreign currency translation adjustment	Equalisation reserves	Other reserves	Retained earnings	Proposed dividend	Total
Equity at 31 December 2011	1,533	42	92	59	1,154	5,727	400	9,007
2012								
Profit/loss for the year					-40	654	1,594	2,208
Change in equalisation reserve for the year				2		-2		0
Revaluation of owner-occupied property		42						42
Foreign currency translation adjustment of foreign entities for the year			192		-1	2		193
Hedging of currency risk in foreign entities for the year			-184					-184
Actuarial gains and losses on pension obligation						-62		-62
Tax on changes in equity		-12	46			16		50
Total comprehensive income	0	30	54	2	-41	608	1,594	2,247
Dividend paid							-400	-400
Dividend, treasury shares						6		6
Purchase and sale of treasury shares						66		66
Exercise of share options						44		44
Issue of share options and matching shares						9		9
Total changes in equity in 2012	0	30	54	2	-41	733	1,194	1,972
Equity at 31 December 2012	1,533	72	146	61	1,113	6,460	1,594	10,979

Proposed dividend per share DKK 26 (DKK 6.52 in 2011).

Dividend per share is calculated as the total dividend proposed by the Supervisory Board after the end of the financial year divided by the number of shares at the end of the year (61,316,103 shares). The dividend is not paid until approved by the shareholders at the annual general meeting. In the financial statements of Tryg Forsikring A/S's Norwegian branch, it has included contingency fund provisions in the amount of DKK 2,394m (DKK 2,430m in 2011). In the financial statements of Tryg Forsikring A/S's Swedish branch, it has included contingency fund provisions in the amount of DKK 160m (DKK 144m in 2011). In Tryg Forsikring A/S, these provisions, due to their nature as additional provisions, are included in equity (retained earnings), net of deferred tax. Tryg Forsikring A/S's possible payment of dividend to Tryg A/S is influenced by this amount. The dividend payment is also affected by a contingency fund provision of DKK 670m, which is included in equity in Tryg Forsikring A/S. Tryg Garantiforsikring A/S has a similar contingency fund provision amounting to DKK 139m, which is also included in the company's equity. 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.

Cash flow statement

DKKm	2011	2012
Cash from operating activities		
Premiums	19,991	20,200
Claims	-15,121	-15,105
Ceded business	-25	42
Costs	-3,252	-3,094
Changes in other debt and other amounts receivable	112	-137
Cash flow from insurance activities	1,705	1,906
Interest income	1,379	1,340
Interest expenses	-109	-100
Dividend received	10	15
Taxes	-210	-425
Other income and costs	-30	-61
Cash flow from operating activities, continuing business	2,745	2,675
Cash flow from operating activities, discontinued and divested business	-168	37
Total cash flow from operating activities	2,577	2,712
Investments		
Acquisition and refurbishment of real property	-50	-53
Sale of real property	2	278
Acquisition and sale of equity investments and unit trust units (net)	-191	-563
Purchase/sale of bonds (net)	-3,523	-1,897
Deposits with credit institutions	1,124	163
Purchase/sale of operating equipment (net)	-18	-54
Hedging of currency risk	-27	-184
Investments, continuing business	-2,683	-2,310
Investments, discontinued and divested business	1	-74
Total investments	-2,682	-2,384
Financing		
Exercise of share options/purchase of treasury shares (net)	-76	110
Dividend paid	-256	-400
Change in amounts owed to credit institutions	-19	3
Financing, continuing business	-351	-287
Financing, discontinued and divested business	0	58
Total financing	-351	-229
Change in cash and cash equivalents, net	-456	99
Cash and cash equivalents – discontinued and divested business at 1 January 2012	0	-11
Foreign currency exchange rate adjustment of cash and cash equivalents, beginning of year	1	14
Change in cash and cash equivalents, gross	-455	102
Cash and cash equivalents, beginning of year	857	402
Cash and cash equivalents, end of year	402	504

1 Risk management

Risk management principles

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

Risk management at Tryg is organised on the basis of three lines of defence:

The first line of defence is the business managers, who manage and control all significant risks associated with their own activities. This takes place on an operational level and involves establishing business procedures, contingency plans and control descriptions and ensuring that risks are hedged as appropriate.

The second line of defence is the risk management function, which ensures a consistent risk management approach across business areas. This function carries out measurements and assessments at Group level, and recommendations for capital management and general risk hedging (reinsurance, inflation swaps, currency hedging etc.) are made.

The third line of defence is the internal audit, which most important task is to carry out an independent assessment of the control environment etc. for the Supervisory Board.

Risk management

The Supervisory Board has overall responsibility for the company's risk management and proactively defines risk appetite and the risk management framework, assessing the total risk and capital requirements within Tryg on an ongoing basis. This is achieved by means of policies and guidelines drawn up in accordance with Section 71 of the Danish Financial Business Act and by continuously taking a view on the calculation of the company's capital requirements.

In order to be able to monitor the organisation's risk management work closely, the Supervisory Board has appointed a special Risk Committee

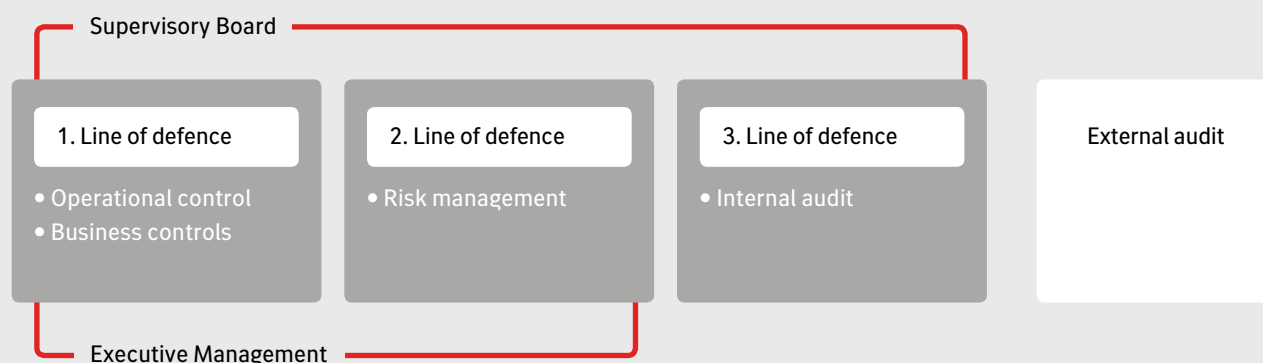
consisting of representatives from the Supervisory Board, which reviews Tryg's capital and risk status on a quarterly basis.

Tryg's risk management is administered through a risk management environment, in which the Risk Management Committee, with representatives from the Group Executive Management, monitors the overall risk and asset management process. The areas of underwriting and reinsurance, provisions, investment risk as well as operational risk and security are administered by similar sub-committees. To support risk management in the organisation, Tryg has established a structure where each business area is supported by a risk manager responsible for risk identification, risk control, event registration, contingency plans and compliance.

Effective risk management involves identifying, assessing and quantifying risk in all significant areas. As an insurance company, Tryg is able to utilise statistical experience as a basis for identifying and quantifying most risks. This takes place within the framework of Tryg's internal model, which is used for calculating the capital requirement, determining the investment profile, selecting a reinsurance programme and defining earnings requirements for product and business areas. In addition, there will be several risks, often associated with the company's strategy, operational matters or similar, which cannot be readily assessed based on historical experience. In order to reflect these risks as well, an identification process has been established where all business managers and the Group Executive Management assess significant risks relating to business plans and the most important activities.

Further to this, Tryg has established an ORSA (Own Risk and Solvency Assessment) process, which is to demonstrate the correlation between risk assessments and profiles relative to the assumptions used in the internal model. In addition to the ORSA, a capital plan is prepared to demonstrate that the company's capital base can support the selected business plan over a three to five-year period taking into account the dividend policy, also when the business plan is subjected to a number of negative stress scenarios. The ORSA process is part of the future Solvency II regime.

Line of defence



Under the internal capital model, the capital requirement (individual solvency requirement) is determined using a 99.5% safety level, equal to the safety level applied in the future Solvency II requirements.

The actual capital contains a buffer in relation to the individual solvency requirement, which helps to ensure that the company with a high degree of certainty will be able to comply with the dividend policy, which aims for a steadily rising nominal dividend per share corresponding to a payout ratio of 60-90% of net profit/loss for the year. This also supports Tryg's A rating with a stable outlook from the credit rating agency Standard & Poor's.

Risk types

Underwriting risk

The underwriting risk is the risk relating to the conclusion of insurance contracts and thus the risk that premium income does not adequately cover the claims that Tryg is obliged to pay when damage has occurred. This risk can be assessed and managed based on statistical analyses of historical experience within various business sectors.

The insurance premium must be adequate to cover expected claims, but must also comprise a risk premium equal to the return on the part of Tryg's capital that is used to protect against random fluctuations. All things being equal, this means that insurance sectors or areas which, from experience, are subject to major fluctuations, must comprise a larger risk premium as these areas require a larger capital base.

The ongoing assessment of the underwriting risk is based on Tryg's internal capital model, which defines the target premium levels for each area of the insurance business. This applies both when determining and

updating tariffs, and when individually pricing major agreements for the corporate and partner segments. The underwriting risk is managed by means of ongoing profitability monitoring, business processes, acceptance policy, proxies and reinsurance. The overall management framework is defined by the Supervisory Board in Tryg's insurance policy.

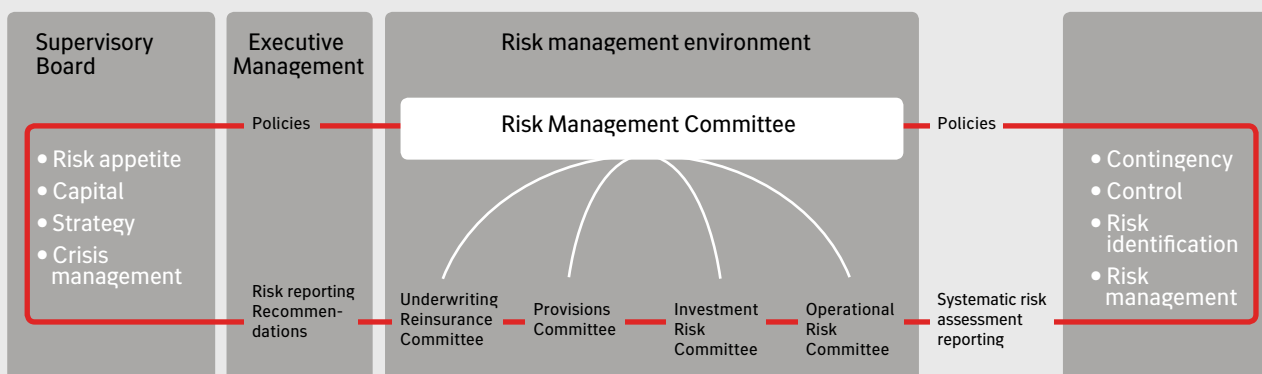
Reinsurance is used to reduce the risk in areas where a special need for this exists. The need for reinsurance is assessed on an ongoing basis using Tryg's internal capital model, in which the price of reinsurance is compared with the reduction in the capital requirement that can be achieved.

In light of the considerable cloudburst claims in Denmark in 2010 and 2011 and similar cloudburst claims in the rest of Europe, Tryg has adjusted its risk assessment associated with weather-related events upwards. As a consequence of this, in 2012/2013 Tryg took out what is known as an aggregate cover for small or medium-sized events resulting in nature-related claims. The aggregate cover amounts to DKK 500m, with an annual retention of DKK 400m.

In the field of buildings and contents insurance, major events in 2013 were covered by catastrophe reinsurance cover of DKK 5.5bn with retention of DKK 150m. The primary risk for individual events is storms, and the scope of the cover is defined using simulation models such that this cover will prove insufficient in statistical terms less than once every 250 years. The reinsurance programme for catastrophes also covers other disastrous events, including terrorist attacks, up to a maximum of DKK 4.0bn.

For accident and workers' compensation policies, Tryg has bought catastrophe reinsurance with retention of DKK 50m and with coverage of up to DKK 1.5bn for claims originating from the same event, including terrorism.

Tryg's risk management environment



Major risk types

Underwriting risk

The risk relating to the conclusion of insurance contracts. The risk that claims at the end of an insurance contract deviate significantly from our pricing assumptions when concluding the contract.

Handled by the Underwriting Reinsurance Committee

Provisioning risk

We make technical provisions at the end of a financial period to cover expected future payments in respect of claims already incurred.

The provisioning risk is the risk that future payments deviate significantly from our assumptions when making the provisions.

Handled by the Provisions Committee

Investment risk

The risk of volatility in the financial markets impacting the Group's results. Investment risk includes elements such as interest rate risk, equity risk, currency risk, credit risk and liquidity risk.

Handled by the Investment Risk Committee

Operational risk

The risk of errors, fraud or failures in internal procedures, systems and processes.

Handled by the Operational Risk Committee

Strategic risk

The risk of changes to the conditions under which Tryg operates, including changed legislation, competition, partnerships or market conditions.

Handled by the Risk Management Committee

Sensitivity analysis

Insurance risk

DKKm	2011	2012
Underwriting risk		
Effect of 1% change in:		
Combined ratio (1 percentage point)	+/- 196	+/- 200
Claim frequency (1 percentage point)	+/- 1,608	+/- 1,599
Average claim	+/- 153	+/- 141
Premium rates	+/- 194	+/- 197
Provisioning risk		
1% change in social inflation	+/- 738	+/- 779
10% error in the assessment of long-tailed lines of business (workers' compensation, motor liability, liability, accident)	+/- 1,725	+/- 1,826
Investment risk		
Interest rate market		
Effect of 1% increase in interest curve:		
Impact of interest-bearing securities	-850	-851
Higher discounting of claims provisions	889	864
Net effect of interest rate rise	39	13
Impact of Norwegian pension obligation ^{a)}	296	291
Equity market		
15% decline in equity market	-279	-367
Effect of derivatives	7	18
Real estate market		
15% decline in real estate markets	-593	-530
Currency market		
Equity:		
15% decline in exposed currency (exclusive of EUR) relative to DKK	-659	-851
Impact of derivatives	629	868
Technical result per year:		
Effect of 15% change in exchange rates of NOK and SEK relative to DKK	+/- 83	+/- 175

a) Additional sensitivity information about pay increase rate and mortality in Note 22 'Pensions and similar obligations'

Denmark has established a national guarantee scheme to cover NBCR (Nuclear Biological Chemical Radioactive) terrorist attacks. Insurance companies in the Danish market pay claims of up to DKK 500m for these types of events, and joint reinsurance then covers up to DKK 5bn. Claims above DKK 5bn will be covered by a government guarantee of DKK 15bn. Tryg's share of the total retention will be approximately DKK 100m, which will be the maximum claim as a consequence of NBCR events.

Natural disasters in Norway are covered by the Norwegian Natural Perils Pool (NNP). Insurance companies in the Norwegian market pay claims of up to DKK 600m for these types of events, and joint reinsurance then covers up to NOK 12.5bn. Tryg pays a market share of this retention, which is again covered by Tryg's catastrophe programme. Tryg also utilises the option of member companies to act as reinsurers for NNP corresponding to its own share of the pool. The risk assumed is subsequently hedged through Tryg's catastrophe programme, thereby reducing costs.

In addition, reinsurance is bought for a number of sectors which, from experience, are exposed to major claims. The largest single risks in Tryg's corporate portfolio are in the area of buildings and contents insurance, protected by reinsurance cover of DKK 1.7bn and with retention of DKK 50m, but with additional annual retention. This means that, in practice, retention is DKK 100m for the first claim, DKK 75m for the second claim and DKK 50m for subsequent claims. If there are more than four major claims in the same year, additional frequency cover has been purchased, reducing retention to DKK 25m for subsequent claims. Tryg buys individual reinsurance cover for buildings and contents risks above this limit. Other sectors covered by reinsurance include liability, motor, fish farming and guarantee insurance.

In the event of a major insurance event covered by the reinsurance programme, receivables from reinsurers may increase, entailing a credit risk. This risk is managed through requirements to assess the reinsurers' credit ratings and to spread reinsurance across several reinsurers.

Provisioning risk

At the end of the term of insurance, the insurance risk relates to the claims provisions made to cover future payments in respect of damage which has already occurred. When damage occurs, there is a certain delay before the customer submits a claim. Depending on the complexity of the claim, a longer or shorter period of time may pass before the size of the claim is finally agreed. This may be a prolonged process, particularly for personal injuries. Even once the claim has been settled, there is a risk that it will be reopened at a later date, triggering further payments.

In determining the claims provisions, both individual assessments and statistical calculations are used. At the end of 2012, claims provisions totalled DKK 27,242m. The duration of these provisions, that is, the average time until these amounts were disbursed to customers, was 3.6 years. Most of the claims provisions relate to personal injury claims. These provisions are exposed to changes in inflation, the discount rate, disbursement patterns, economic trends, legislation and court decisions.

The calculation of claims provisions will always be subject to uncertainty. Historically, many insurers have experienced substantial positive as well as negative impacts on profit (run-off) resulting from provisioning risk, and this is also expected to be the case in future. The Supervisory Board defines the overall framework for managing provision risk in Tryg's insurance policy. This entails, among other things, that assessments of provisions are based on an underlying model analysis, and that internal control calculations and evaluations are performed.

Claims provisions relating to annuities under Danish workers' compensation insurance are discounted using the current market rate and simultaneously increased based on the wage inflation rate each year. This exposes Tryg to an explicit inflation risk. To hedge this, Tryg uses a number of zero coupon inflation swaps in Danish kroner, in which Tryg receives a fixed amount in return for payment of an amount based on the trend in Danish consumer prices.

Notes

DKKm

Claims provisions – estimated accumulated claims

Gross	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Estimated acc. claims, end of year	11,683	11,084	11,408	12,147	11,954	12,908	13,637	14,284	17,551	17,854	15,287	
1 year later	12,074	11,189	11,401	12,050	12,208	13,552	14,340	15,838	17,652	18,296		
2 years later	12,068	10,834	11,252	11,864	11,703	13,572	14,934	15,872	17,591			
3 years later	12,123	10,836	11,136	11,458	11,462	14,134	14,940	15,624				
4 years later	12,111	10,855	10,866	11,187	11,876	14,120	14,888					
5 years later	12,022	10,824	10,659	11,543	11,863	14,017						
6 years later	12,011	10,609	10,729	11,441	11,841							
7 years later	11,743	10,617	10,617	11,454								
8 years later	11,857	10,535	10,576									
9 years later	11,746	10,549										
10 years later	11,676											
	11,676	10,549	10,576	11,454	11,841	14,017	14,888	15,624	17,591	18,296	15,287	151,801
Cumulative payments to date	-11,242	-9,909	-9,925	-10,604	-10,621	-12,406	-12,566	-12,997	-14,012	-13,449	-7,442	-125,172
Provisions before discounting, end of year	434	640	651	850	1,221	1,611	2,323	2,627	3,579	4,847	7,845	26,629
Discounting	-55	-69	-89	-115	-160	-174	-219	-226	-244	-261	-290	-1,900
Reserves from 2001 and prior years												2,114
Other												400
Gross claims provisions, end of year												27,242
Ceded	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Estimated acc. claims, end of year	2,141	1,005	923	959	305	520	192	255	734	1,512	290	
1 year later	2,261	961	935	852	303	483	219	393	815	2,280		
2 years later	2,135	957	979	857	288	467	221	370	812			
3 years later	2,127	1,023	977	850	286	503	209	317				
4 years later	2,125	934	961	816	321	525	209					
5 years later	2,141	929	933	869	316	494						
6 years later	2,149	937	967	851	314							
7 years later	2,070	934	955	851								
8 years later	2,071	999	953									
9 years later	2,029	1,042										
10 years later	2,017											
	2,017	1,042	953	851	314	494	209	317	812	2,280	290	9,578
Cumulative payments to date	-1,958	-909	-880	-817	-303	-488	-180	-283	-550	-1,415	-93	-7,876
Provisions before discounting, end of year	59	133	72	33	11	6	29	34	263	865	198	1,702
Discounting	-2	-5	-5	-1	0	0	-1	-1	-4	-17	-7	-44
Reserves from 2001 and prior years												235
Other												187
Reinsurers' share of claims provisions, end of year												2,080

DKKm

Claims provisions – estimated accumulated claims

Net of reinsurance	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Estimated accumulated claims												
End of year	9,542	10,079	10,485	11,188	11,649	12,387	13,445	14,029	16,817	16,341	14,997	
1 year later	9,812	10,228	10,466	11,198	11,905	13,069	14,121	15,446	16,837	16,017		
2 years later	9,933	9,877	10,273	11,007	11,415	13,104	14,713	15,502	16,779			
3 years later	9,996	9,813	10,159	10,609	11,176	13,631	14,731	15,307				
4 years later	9,986	9,921	9,906	10,371	11,555	13,595	14,680					
5 years later	9,881	9,896	9,726	10,675	11,547	13,523						
6 years later	9,862	9,672	9,762	10,590	11,527							
7 years later	9,673	9,683	9,661	10,603								
8 years later	9,785	9,536	9,623									
9 years later	9,718	9,507										
10 years later	9,659											
	9,659	9,507	9,623	10,603	11,527	13,523	14,680	15,307	16,779	16,017	14,997	142,223
Cumulative payments to date	-9,283	-9,000	-9,044	-9,787	-10,317	-11,918	-12,386	-12,715	-13,463	-12,035	-7,349	-117,297
Provisions before discounting, end of year	376	508	579	816	1,210	1,605	2,294	2,593	3,317	3,982	7,648	24,927
Discounting	-52	-64	-84	-113	-160	-174	-218	-226	-240	-244	-283	-1,856
Reserves from 2001 and prior years												1,879
Other												213
Claims provisions, net of reinsurance, end of year												25,162

Estimated accumulated claims regarding Moderna:

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
End of year								800	1,521	1,862	1,654
1 year later							681	1,161	1,526	1,842	
2 years later						547	894	1,166	1,566		
3 years later					449	623	898	1,182			
4 years later				366	431	637	893				
5 years later			256	361	433	637					
6 years later		140	254	363	433						
7 years later	124	138	256	364							
8 years later	123	139	256								
9 years later	124	139									
10 years later	123										

The acquisition of Moderna in April 2009 affects the diagonals with its share of the claims, net of reinsurance. As a consequence of the merger of Moderna and Tryg's Swedish branch in Malmö in 2010, the diagonal is changed corresponding to its share of the claims, net of reinsurance.

Other provisions comprise the claims provisions for Tryg Garantiforsikring A/S and in 2011 the Finnish branch of Tryg Forsikring A/S.

In 2012, the Finnish branch is included under liabilities associated with assets held for sale. The amounts in foreign currency in the table are translated to Danish kroner using the exchange rate at 31 December 2012 to prevent the impact of exchange rate fluctuations.

DKKm	Expected cash flow					Carrying amount Total
	0-1 year	1-2 years	2-3 years	> 3 years	Other	
Claims provisions (continued)						
2012						
Premium provisions, gross	6,107	180	182	189	30	6,688
Premium provisions, ceded	-222	0	0	0	-15	-237
Claims provisions, gross	9,914	4,562	2,956	9,410	400	27,242
Claims provisions, ceded	-941	-387	-190	-375	-187	-2,080
	14,858	4,355	2,948	9,224	228	31,613
2011						
Premium provisions, gross	6,175	204	199	192	162	6,932
Premium provisions, ceded	-180	0	0	0	-12	-192
Claims provisions, gross	10,135	4,452	2,796	8,776	745	26,904
Claims provisions, ceded	-995	-258	-176	-326	-120	-1,875
	15,135	4,398	2,819	8,642	775	31,769

Other comprises Tryg Garantiforsikring A/S and in 2011 the Finnish branch of Tryg Forsikring A/S. In 2012, the Finnish branch is included under liabilities associated with assets held for sale.

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 establishing an adequate control environment for its operations. In practice, this work is organised by means of procedures, controls and guidelines that cover the various aspects of Tryg's operations, including the IT security policy. Tryg has also set up a security and investigation unit to handle internal fraud, IT security, physical security and contingency plans.

Tryg has prepared contingency plans to handle the most important areas, such as contingency plans for handling prolonged IT breakdowns in the individual areas of the business. A crisis management structure has also been established to deal with the eventuality that Tryg is hit by a major crisis. The Supervisory Board defines the overall framework for managing operational risk in Tryg's IT security policy and operational risk policy.

Strategic risk

Strategic risk relates to Tryg's choice of strategic position, including IT strategy, flexibility relative to the market, business partners and reputation, as well as changed market conditions. The Supervisory Board is closely involved in the management of strategic risk.

Investment risk

The overall framework for managing investment risk is defined by the Supervisory Board in Tryg's investment policy.

Interest rate risk

Interest rate risk is the risk of losses resulting from changes in market interest rates. 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 provisions and is designed to replicate the interest rate sensitivity of the discounted provisions to the widest possible extent. Tryg carries out daily monitoring, follow-up and risk management of the Group's interest rate risk. The bond portfolio is thus adjusted continuously to minimise the net interest rate risk.

In practice, it is not possible or expedient to aim for a complete match. The administration costs alone associated with a complete match mean that, in practice, a certain degree of mismatch is acceptable within an appropriate limit defined in the investment policy. Add to this that the provisions are discounted using a mathematical interest rate curve specified by the Danish Financial Supervisory Authority, meaning that it cannot be perfectly replicated in the market and that a certain degree of mismatch is therefore to be accepted.

Interest rate basis risk

The positive or negative additional return stemming from the bond spread risk reflects changes in the price of the bond investment resulting from changes in the market's assessment of the expected credit quality of the specific security and the level of the general credit demand in the market. Tryg covers risk from five years and onwards, primarily using local interest rate swaps, which is a different curve than the Danish Financial Supervisory Authority's discount curve. For example, illiquidity of Norwegian government bonds included in the Danish Financial Supervisory Authority's curve may occasionally result in sharp declines or increases in the value of the Norwegian provisions whereas Tryg's hedging of Norwegian interest rate swaps shows a more moderate response. The net interest rate risk of the match portfolio versus the insurance obligations can thus generate relatively large short-term fluctuations of up to DKK 200-300m, while long-term hedging turns out to have ideal properties.

Bond spread risk

Interest rate basis risk is the risk of various changes in the discount curve and the market interest rate curve, respectively, used by Tryg to

price its financial interest rate assets. In the interest rate curve between one to five years, the interest rate risk is hedged by means of investments in AAA-rated Nordic and European mortgage bonds, government bonds and possibly highly rated corporate bonds with relevant regulatory interest curve properties. Even though the interest rate risk of these corresponds to the interest rate risk of the provisions, there is still a difference and thereby risk as the investments also carry a bond spread risk. They will thus generate a positive or negative additional return relative to the interest rate curve, to which should be added refinancing and investment costs which are not included in the regulatory interest curve.

Tryg manages its bond spread risk by means of ratings and credit ratings, among other things, and uses these to set nominal limitations on purchases from the different bond issuers. Furthermore, Tryg regularly calculates the price sensitivity of its bond portfolio in the event of a change in the bond spread.

Norwegian pension scheme

Tryg is also exposed to interest rate changes as a result of its liabilities under the Norwegian pension scheme, which is a defined-benefit plan

Investment risk	2011	2012
Bond portfolio		
Duration 1 year or less	19,132	20,427
Duration 1-5 years	10,187	15,735
Duration 5-10 years	4,213	2,641
Duration more than 10 years	3,700	2,216
Total	37,232	41,019
Duration	2.1	2.1

The option-adjusted duration is used to measure duration. The option adjustment relates primarily to Danish mortgage bonds and reflects the expected duration-shortening effect of the borrower's option to cause the bond to be redeemed through the mortgage institution at any point in time.

Listed shares	2011	2012
Nordic countries	395	458
United Kingdom	82	102
Rest of Europe	331	483
United States	565	632
Asia etc.	242	429
Total	1,615	2,104
The portfolio of unlisted shares totals	187	199

The share portfolio includes exposure of DKK -120m sold on futures contracts (DKK -44m in 2011). Unlisted equity investments are measured based on an estimated market price.

covering approximately 1,428 employees. This scheme was closed to new employees in 2008, and the total provision was DKK 1,042m at the end of 2012. Changes in the pension provision are not recognised in the income statement, but are charged directly to changes in equity.

Equity and real estate risk

The equity and real estate portfolios are exposed to risks as a consequence of changes in equity markets and real estate markets, respectively. At the end of 2012, the equity portfolio accounted for 4.5% of the total investment assets. This proportion is expected to be in the range 2.3-6.0% in 2013. In 2008, Tryg bought the head office in Ballerup, significantly increasing the proportion of real estate. This proportion is expected to be reduced over time. In addition to owner-occupied property, Tryg's real estate portfolio consists of office and rental property, which account for 17.8% and 22.3%, respectively, of total investment assets.

Currency risk

Currency risk is the risk of incurring a loss on foreign positions as a result of changes in exchange rates. Tryg keeps the currency risk low.

Tryg's premium income in foreign currencies is matched by claims and costs in the same currencies, and only the profit for the period is therefore exposed to currency risk. The risk of a loss of value of statement of financial position items as a consequence of exchange rate fluctuations is hedged by means of currency derivatives in accordance with a general hedging rate of 90-100% per currency. The aim is for the net carrying amount of the Norwegian entity to be hedged 98-100% over time. Foreign currency translation adjustments and hedging of foreign entities are charged directly to equity.

To manage currency risk, Tryg uses currency spots as well as forward exchanges and currency swaps with a typical duration of one to three months. Furthermore, Tryg uses so-called NDF contracts (non-deliverable forward contracts), which are short-term forward contracts on a currency with limited revenue. The contracts are needed to hedge the currency risk relating to Tryg's equity portfolio and Tryg's insurance exposure to these currencies.

Exposure to exchange rate risk	Property	Bonds incl. derivatives	Shares incl. derivatives	Insurance	Hedge	Exposure
2012						
USD	0	0	728	-15	-700	13
EUR	0	1,819	412	-1,547	-338	346
GBP	0	0	94	10	-104	0
NOK	941	14,785	577	-12,950	-3,481	-128
SEK	1	2,702	589	-1,741	-1,546	5
Other	0	731	508	-87	-1,003	149
Total						641
2011						
USD	0	-7	640	-74	-566	-7
EUR	0	1,845	222	-2,174	1,450	1,343
GBP	0	-3	78	5	-83	-3
NOK	873	14,112	391	-12,470	-3,013	-107
SEK	1	3,107	88	-1,683	-1,208	305
Other	0	0	305	-16	-186	103
Total						1,866

Impact of exchange rate fluctuations in SEK and NOK on technical result	2011	2012	Change	Currency effect	Change excl. currency effect
Gross premium income	19,948	20,314	366	376	-10
Gross claims	-15,783	-14,675	1,108	-274	1,382
Total insurance operating costs	-3,271	-3,295	-24	-65	41
Profit/loss on gross business	894	2,344	1,450	37	1,413
Profit/loss on ceded business	507	86	-421	2	-423
Insurance technical interest, net of reinsurance	171	62	-109	3	-112
Technical result	1,572	2,492	920	42	878

Impact of exchange rate fluctuations in SEK and NOK on technical result	2010	2011	Change	Currency effect	Change excl. Currency effect
Gross premium income	18,894	19,948	1,054	383	671
Gross claims	-15,111	-15,783	-672	-291	-381
Total insurance operating costs	-3,136	-3,271	-135	-69	-66
Profit/loss on gross business	647	894	247	23	224
Profit/loss on ceded business	-311	507	818	-11	829
Insurance technical interest, net of reinsurance	124	171	47	5	42
Technical result	460	1,572	1,112	17	1,095

Impact of exchange rate fluctuations in SEK and NOK on statement of financial position	2011	2012	Change	Currency effect	Change excl. Currency effect
Assets					
Intangible assets	952	759	-193	24	-217
Total property, plant and equipment	1,857	1,592	-265	33	-298
Investment property	2,199	2,081	-118	23	-141
Investments in associates	14	21	7	1	6
Other financial investment assets	43,214	43,818	604	1,153	-549
Reinsurers' share of provisions for insurance contracts	2,067	2,317	250	74	176
Receivables	1,665	1,989	324	46	278
Other assets	495	1,246	751	23	728
Prepayments and accrued income	721	490	-231	4	-235
Total assets	53,184	54,313	1,129	1,381	-252
Equity and liabilities					
Equity	9,007	10,979	1,972	7	1,965
Subordinate loan capital	1,589	1,597	8	0	8
Provisions for insurance contracts	34,220	34,355	135	929	-794
Total provisions	2,228	2,343	115	138	-23
Other debt	5,808	4,645	-1,163	300	-1,463
Accruals and deferred income	332	394	62	7	55
Total equity and liabilities	53,184	54,313	1,129	1,381	-252

Impact of exchange rate fluctuations in SEK and NOK on statement of financial position	2010	2011	Change	Currency effect	Change excl. Currency effect
Assets					
Intangible assets	968	952	-16	5	-21
Total property, plant and equipment	1,856	1,857	1	3	-2
Investment property	2,158	2,199	41	2	39
Investments in associates	13	14	1	0	1
Other financial investment assets	40,126	43,214	3,088	116	2,972
Reinsurers' share of provisions for insurance contracts	1,588	2,067	479	6	473
Receivables	1,922	1,665	-257	6	-263
Other assets	1,157	495	-662	2	-664
Prepayments and accrued income	803	721	-82	1	-83
Total assets	50,591	53,184	2,593	141	2,452
Equity and liabilities					
Equity	8,458	9,007	549	2	547
Subordinate loan capital	1,591	1,589	-2	0	-2
Provisions for insurance contracts	32,031	34,220	2,189	98	2,091
Total provisions	2,059	2,228	169	11	158
Other debt	6,095	5,808	-287	29	-316
Accruals and deferred income	357	332	-25	1	-26
Total equity and liabilities	50,591	53,184	2,593	141	2,452

Credit and counterparty risk

Credit risk and counterparty risk is the risk of incurring a loss if counterparties fail to meet their obligations. In connection with investment activities, the primary counterparties are bond issuers and counterparties in other financial instruments. Tryg uses limits and rating requirements to manage credit risk.

As already mentioned, Tryg matches the interest rate sensitivity of the provisions with interest rate swaps, leading to counterparty risk on the derivative contracts. However, a framework agreement concerning cash collateral has been concluded for most of them if the value of the interest rate swap exceeds a certain threshold level (CSA agreement), which reduces the counterparty risk. Moreover, Tryg is exposed to a

natural credit risk as a result of its considerable exposure to different mortgage forms (covered bonds), including mortgage bonds in the Nordic region. The risk is primarily AAA-rated, with an AA-rated risk in exceptional circumstances, and is diversified with a broad range of issuers.

Credit risks from reinsurance counterparties are managed according to framework conditions, such as minimum rating requirements and through the Credit Committee, which monitors the quality of reinsurance counterparties on an ongoing basis. The minimum requirements include a BBB rating from Standard & Poor's for short-tailed business and an A rating from Standard & Poor's for long-tailed business.

Credit risk

Bond portfolio by ratings	2011 DKK m	2011 %	2012 DKK m	2012 %
AAA to A	37,940	98.8	38,387	97.6
Other	372	1.0	716	1.8
Not rated	88	0.2	246	0.6
Bond portfolio by ratings	38,400	100.0	39,349	100.0
Included in assets held for sale	0		487	
Bonds according to statement of financial position	38,400		38,862	
Reinsurance balances				
AAA to A	1,901	97.4	1,578	91.6
Other	0	-	9	0.5
Not rated	50	2.6	136	7.9
Total	1,951	100.0	1,723	100.0

Concentration risk

Concentration risk is the risk that arises as a result of either single large commitments or exposure to relatively few sectors/portfolios. Tryg identifies any risk concentrations by continuously monitoring the credit portfolio, and risk is managed via exposure limits and rating requirements for the exposure.

Liquidity risk

Liquidity risk is the risk that Tryg fails to meet its financial liabilities or cannot meet such liabilities without sustaining a loss. A general insurance company such as Tryg naturally has good liquidity, as premium payments fall due before claims are paid. Payments received are largely invested in securities that can easily be realised and/or mortgaged (repos). Tryg also has access to funding and liquidity from the money and bond markets. Tryg continuously monitors the liquidity requirement and adapts its contingency plans so that it can obtain the necessary liquidity at all times.

Liquidity risk

Maturity of the Group's financial obligations

	0-1 year	1-5 years	> 5 years	Total
2012				
Subordinate loan capital	485	0	1,112	1,597
Amounts owed to credit institutions	14	0	0	14
Debt relating to unsettled funds transactions and repos	1,470	0	0	1,470
Derivative financial instruments	66	0	0	66
Other debt	3,095	0	0	3,095
	5,130	0	1,112	6,242
2011				
Subordinate loan capital	0	0	1,589	1,589
Amounts owed to credit institutions	11	0	0	11
Debt relating to unsettled funds transactions and repos	4,161	0	0	4,161
Derivative financial instruments	35	0	0	35
Other debt	1,601	0	0	1,601
	5,808	0	1,589	7,397

The subordinate loan to TryghedsGruppen smba, which represented DKK 485m at the end of 2012, is scheduled for refinancing in Q1 2013.

2 Capital management

Tryg's capital base consists of equity and additional subordinate loan capital. The relationship between these is evaluated on an ongoing basis in order to maintain an optimum structure which takes into account the return on equity, the capital cost and flexibility. The actual capital is assessed differently by authorities and Standard & Poor's. The authorities require companies to determine the capital base consisting of equity minus intangible assets, discount effect and other statutory corrections plus additional capital. The additional capital can be included by up to 50% of the Solvency I requirement, although additional capital with a definite maturity may not exceed 25% of the Solvency I requirement.

Standard & Poor's uses the term 'Total Adjusted Capital' (TAC), where the subordinate loan capital may generally not exceed 25% of the total capital.

In 2005, Tryg took out a 20-year subordinate bond loan of EUR 150m listed on the London Stock Exchange. In 2009, in connection with the acquisition of Moderna, Tryg took out a subordinate loan with expiry in

2032 of EUR 65m from TryghedsGruppen, which owns 60% of Tryg. Tryg's total holding of subordinate debt subsequently amounted to approximately EUR 215m. In total, debt amounted to 18% of equity at the end of 2012, and interest expenses in 2012 amounted to DKK 80m.

Given Tryg's desire to optimise its capital structure in light of the currently favourable market conditions for core capital, Tryg has decided to refinance the subordinate loan from TryghedsGruppen. Due to the most recent reports about the postponement of the commencement of Solvency II, Tryg has decided that the new subordinate loan should be such that it can be fully recognised according to the current capital adequacy rules. This includes the option of including subordinate loan capital with an indefinite maturity in the capital base by up to 50% of the company's capital requirement. Moreover, it is expected that the subordinate loan can be included as Tier 2 capital under Solvency II.

Viewed separately, the new loan combined with early repayment of the existing subordinate loan will strengthen Tryg's capital base by DKK 800m. Tryg has therefore decided to purchase treasury shares worth DKK 800m as part of an extraordinary distribution.

Notes

	2011	2012
Capital adequacy		
Equity according to annual report	9,007	10,979
Proposed dividend	-400	-1,594
Solvency requirements for subsidiaries – 50%	-2,508	-2,406
Tier 1 capital	6,099	6,979
Subordinate loan capital	848	873
Solvency requirements for subsidiaries – 50%	-2,507	-2,405
Capital base	4,440	5,447
Weighted assets	3,953	6,048
Solvency ratio	112	90

The capital base and the solvency ratio are calculated in accordance with the Danish Financial Business Act.

Subordinate loan capital	Bond loan		TryghedsGruppen smba	
	2011	2012	2011	2012
The fair value of the loan at the statement of financial position date	962	1,119	464	490
The fair value of the loan at the statement of financial position date is based on a price of	86	100	96	101
Total capital losses and costs at the statement of financial position date	10	7	0	0
Interest expenses for the year	50	50	33	30

The share of capital included in the calculation of the capital base totals DKK 873m (DKK 848m in 2011).

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

Loan terms:

	Subordinate bond loan ^{a)}	Subordinate loan capital ^{b)}
Lender	Listed bonds	TryghedsGruppen
Principal	EUR 150m	EUR 65m
Issue price	99.017	100
Issue date	December 2005	April 2009
Maturity year	2025	2032
Loan may be called by lender as from	2015	30 June 2012
Repayment profile	Interest-only	Interest-only
Interest structure	4.5% (until 2015) 2.1% above EURIBOR 3M (from 2015)	5.13% above EURIBOR 3M (interest until 30 June 2012) 7.63-6.63% (max. and min. until 30 June 2012) 5% above EURIBOR 3M (interest 1 July 2012-30 June 2019) 6% above EURIBOR 3M (interest from 1 July 2019)
Effective interest rate	4.4%	0.4 %

a) In December 2005, Tryg Forsikring A/S took out a subordinate bond loan with no option for the creditor to call the loan before maturity or otherwise terminate the loan agreement with Tryg Forsikring A/S. The loan is automatically accelerated upon the liquidation or bankruptcy of Tryg Forsikring A/S.

b) Tryg Forsikring A/S has subscribed the subordinate loan capital in connection with acquisitions made in April 2009. The loan is scheduled for refinancing in Q1 2013.

The prices used for determining fair value in respect of both loans are based on an assessment of the credit spread of the loans conducted by Nordea.

Notes

DKKm	Private	Commercial	Corporate	Sweden	Other	Group
3 Operating segments						
2012						
Gross premium income	9,733	3,687	5,258	1,654	-18	20,314
Gross claims	-7,084	-2,372	-3,929	-1,267	-23	-14,675
Gross operating expenses	-1,524	-748	-648	-306	-69	-3,295
Profit/loss on ceded business	81	32	-37	-3	13	86
Insurance technical interest, net of reinsurance	27	5	6	24	0	62
Technical result	1,233	604	650	102	-97	2,492
Total investment return after insurance technical interest						585
Other income and costs						-60
Profit/loss before tax						3,017
Tax						-837
Profit/loss on continuing business						2,180
Profit/loss on discontinued and divested business after tax						28
Profit/loss						2,208
Run-off gains/losses, net of reinsurance	326	212	506	-29	0	1,015
Intangible assets				502	257	759
Equity investments in associates					21	21
Reinsurers' share of premium provisions	1	0	236	0	0	237
Reinsurers' share of claims provisions	249	319	1,448	64	0	2,080
Assets held for sale					742	742
Other assets					50,474	50,474
Total assets						54,313
Premium provisions	2,899	1,397	1,414	978	0	6,688
Claims provisions	6,479	6,203	13,011	1,549	0	27,242
Provisions for bonuses and premium discounts	291	32	101	0	1	425
Liabilities associated with assets held for sale					742	742
Other liabilities					8,237	8,237
Total liabilities						43,334

Notes

DKKm	Private	Commercial	Corporate	Sweden	Other	Group
3 Operating segments						
2011						
Gross premium income	9,425	3,715	5,259	1,586	-37	19,948
Gross claims	-7,469	-2,801	-4,227	-1,319	33	-15,783
Gross operating expenses	-1,542	-755	-671	-303	0	-3,271
Profit/loss on ceded business	273	132	107	-9	4	507
Insurance technical interest, net of reinsurance	80	19	41	31	0	171
Technical result	767	310	509	-14	0	1,572
Total investment return after insurance technical interest						61
Other income and costs						-30
Profit/loss before tax						1,603
Tax						-455
Profit/loss on continuing business						1,148
Profit/loss on discontinued and divested business after tax						-8
Profit/loss						1,140
Run-off gains/losses, net of reinsurance	185	147	630	-18	0	944
Intangible assets				499	453	952
Equity investments in associates					14	14
Reinsurers' share of premium provisions	1	2	189	0	0	192
Reinsurers' share of claims provisions	256	374	1,182	62	1	1,875
Other assets					50,151	50,151
Total assets						53,184
Premium provisions	2,877	1,461	1,474	982	138	6,932
Claims provisions	5,688	6,644	12,794	1,300	478	26,904
Provisions for bonuses and premium discounts	238	23	123	0	0	384
Other liabilities					9,957	9,957
Total liabilities						44,177

Description of segments

Please refer to the accounting policies for a description of operating segments. Amounts relating to eliminations, restructuring expenses and discontinued and divested business are included under 'Other'. Other assets and liabilities are managed at Group level and are therefore not allocated to the individual segments but are included under 'Other'.

Costs are allocated according to specific keys, which are believed to provide the best estimate of assessed resource consumption. The operating business segments consist of Private, Commercial, Corporate and Sweden (Private and Commercial). Finland is included under 'Discontinued and divested business'/'Other'. The comparative figures have been restated accordingly.

Notes

DKKm	2008	2009	2010	2011	2012
3 Geographical segments					
Danish general insurance					
Gross premium income	9,393	9,533	9,648	10,019	9,910
Technical result	1,678	1,190	195	1,033	1,441
Run-off gains/losses, net of reinsurance	674	423	615	770	571
Key ratios					
Gross claims ratio	65.0	71.4	81.6	83.3	71.1
Net reinsurance ratio	3.7	2.5	0.7	-8.1	-0.2
Claims ratio, net of ceded business	68.7	73.9	82.3	75.2	70.9
Gross expense ratio	16.2	14.6	16.2	15.1	14.5
Combined ratio	84.9	88.5	98.5	90.3	85.4
Number of full-time employees, end of period	2,356	2,296	2,349	2,315	2,187
Norwegian general insurance					
Gross premium income	7,009	6,750	7,490	7,916	8,239
Technical result	831	618	389	598	1,017
Run-off gains/losses, net of reinsurance	109	277	177	181	464
Key ratios					
Gross claims ratio	70.6	70.8	76.7	73.2	72.4
Net reinsurance ratio	3.6	3.7	3.1	3.2	-1.0
Claims ratio, net of ceded business	74.2	74.5	79.8	76.4	71.4
Gross expense ratio	16.9	17.0	15.7	17.0	16.8
Combined ratio	91.1	91.5	95.5	93.4	88.2
Number of full-time employees, end of period	1,450	1,398	1,338	1,338	1,282
Swedish general insurance^{a)}					
Gross premium income	225	1,111	1,769	2,050	2,183
Technical result	-93	-75	-124	-59	131
Run-off gains/losses, net of reinsurance	0	-8	32	-7	-21
Key ratios					
Gross claims ratio	95.1	80.6	84.6	82.0	75.3
Net reinsurance ratio	0.9	1.8	0.8	2.6	1.5
Claims ratio, net of ceded business	96.0	82.4	85.4	84.6	76.8
Gross expense ratio	48.4	25.1	22.4	20.3	18.6
Combined ratio	144.4	107.5	107.8	104.9	95.4
Number of full-time employees, end of period	105	425	414	423	444

Notes

DKKm	2008	2009	2010	2011	2012
3 Geographical segments					
Other ^{b)}					
Gross premium income	-5	-4	-13	-37	-18
Technical result	11	-44	0	0	-97
Tryg					
Gross premium income	16,622	17,390	18,894	19,948	20,314
Technical result	2,427	1,689	460	1,572	2,492
Run-off gains/losses, net of reinsurance	783	692	824	944	1,015
Key ratios					
Gross claims ratio	67.8	71.7	80.0	79.1	72.2
Net reinsurance ratio	3.6	3.0	1.6	-2.5	-0.4
Claims ratio, net of ceded business	71.4	74.7	81.6	76.6	71.8
Gross expense ratio ^{c)}	16.5	16.6	16.7	16.6	16.4
Combined ratio	87.9	91.3	98.3	93.2	88.2
Number of full-time employees, end of period, continuing business	3,911	4,119	4,101	4,076	3,913
Number of full-time employees, end of period, discontinued and divested business	180	217	191	242	189

a) Moderna Försäkringar is included in 'Swedish general insurance' from 2 April 2009.

b) Amounts relating to eliminations, restructuring expenses and discontinued and divested business are included under 'Other'.

c) Adjustment of gross expense ratio included only in 'Tryg'. Explanation of adjustment as a footnote to Financial highlights.

DKKm

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

	Accident and health		Health care		Workers' compensation	
	2011	2012	2011	2012	2011	2012
Gross premiums written	1,803	1,838	361	327	1,192	1,076
Gross premium income	1,790	1,831	360	350	1,225	1,089
Gross claims	-1,176	-1,456	-279	-224	-418	-687
Gross operating expenses	-250	-241	-32	-29	-162	-135
Profit/loss on ceded business	-15	-12	0	0	-89	-14
Insurance technical interest, net of reinsurance	11	4	4	1	-2	-21
Technical result	360	126	53	98	554	232
Gross claims ratio	65.7	79.5	77.5	64.0	35.1	63.1
Combined ratio	80.5	93.3	86.4	72.3	55.6	76.8
Claims frequency ^{a)}	4.2%	4.2%	109.0%	106.3%	18.6%	16.5%
Average claims DKK ^{b)}	37,586	39,432	5,765	5,837	88,842	97,258
Total claims	35,293	36,243	51,597	47,547	11,507	9,582
	Fire and contents (Private)		Fire and contents (Commercial)		Change of ownership	
	2011	2012	2011	2012	2011	2012
Gross premiums written	4,758	4,803	2,850	2,758	50	35
Gross premium income	4,665	4,831	2,793	2,793	112	89
Gross claims	-4,193	-3,664	-3,103	-2,051	-178	-81
Gross operating expenses	-829	-863	-490	-436	-8	-7
Profit/loss on ceded business	308	97	506	46	0	0
Insurance technical interest, net of reinsurance	37	20	28	14	4	0
Technical result	-12	421	-266	366	-70	1
Gross claims ratio	89.9	75.8	111.1	73.4	158.9	91.0
Combined ratio	101.1	91.7	110.5	87.4	166.1	98.9
Claims frequency ^{a)}	8.6%	7.8%	24.6%	18.6%	9.5%	7.2%
Average claims DKK ^{b)}	12,303	11,856	70,676	58,678	26,050	25,631
Total claims	345,104	306,088	44,803	32,471	6,236	4,280
	Other insurance ^{c)}		Total		Norwegian Group Life 1-year policies	
	2011	2012	2011	2012	2011	2012
Gross premiums written	80	114	19,647	19,574	545	554
Gross premium income	79	100	19,392	19,730	556	584
Gross claims	-6	-127	-15,278	-14,139	-505	-536
Gross operating expenses	-45	-159	-3,207	-3,259	-64	-36
Profit/loss on ceded business	-58	30	509	87	-2	-1
Insurance technical interest, net of reinsurance	1	0	160	54	11	8
Technical result	-29	-156	1,576	2,473	-4	19
Gross claims ratio	7.6	127.0	78.8	71.7	90.8	91.8
Combined ratio	138.0	256.0	92.7	87.7	102.7	98.1
Average claims DKK ^{b)}	12,399	34,658				
Total claims	1,129	512				

Notes

Motor TPL insurance		Motor comprehensive insurance		Marine, aviation and cargo insurance	
2011	2012	2011	2012	2011	2012
2,435	2,400	4,039	4,013	408	392
2,461	2,456	3,903	4,011	403	386
-1,543	-1,742	-2,866	-2,617	-205	-158
-431	-430	-629	-641	-44	-39
-35	-12	-7	-4	-75	-25
30	14	31	16	3	0
482	286	432	765	82	164
62.7	70.9	73.4	65.2	50.9	40.9
81.6	88.9	89.7	81.3	80.4	57.5
5.2%	5.1%	19.9%	18.1%	23.2%	20.1%
23,977	25,090	10,960	11,244	60,838	84,256
75,681	72,300	264,163	240,070	3,320	2,659
Liability insurance		Credit and guarantee insurance		Tourist assistance insurance	
2011	2012	2011	2012	2011	2012
915	945	258	309	498	564
853	918	260	307	488	569
-641	-718	-169	-201	-501	-413
-148	-139	-65	-61	-74	-79
-4	10	-21	-28	-1	-1
6	0	2	3	5	3
66	71	7	20	-83	79
75.1	78.2	65.0	65.5	102.7	72.6
93.0	92.3	98.1	94.5	118.0	86.6
6.8%	10.0%	1.1%	1.2%	12.4%	12.3%
55,012	76,535	3,387,982	3,700,928	8,502	8,889
10,436	8,927	50	57	53,321	53,491

- 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 incurred in the year.
c) Other insurance, gross claims and gross operating expenses include restructuring costs of DKK 28m and DKK 69m, respectively, in 2012.

Notes

DKKm		2011		2012	
4	Premium income, net of reinsurance				
	Direct insurance		20,022		20,395
	Indirect insurance		36		60
			20,058		20,455
	Unexpired risk provision		38		27
			20,096		20,482
	Ceded direct insurance		-1,008		-1,051
	Ceded indirect insurance		-70		-61
			19,018		19,370
	Direct insurance, by location of risk	2011		2012	
		Gross	Ceded	Gross	Ceded
	Denmark	10,022	-573	9,947	-541
	Other EU countries	2,040	-100	2,176	-61
	Other countries	7,998	-335	8,299	-449
		20,060	-1,008	20,422	-1,051
5	Insurance technical interest, net of reinsurance				
	Interest on insurance provisions		841		525
	Discounting transferred from claims provisions		-670		-463
			171		62
6	Claims, net of reinsurance				
	Claims		-16,822		-14,958
	Run-off previous years, gross		1,039		283
			-15,783		-14,675
	Reinsurance cover received		1,591		363
	Run-off previous years, reinsurers' share		-95		732
			-14,287		-13,580
	Run-off previous years, gross, was DKK 756m lower in 2012 than in 2011, primarily due to a negative run-off of DKK 554m relating to the cloudburst on 2 July 2011 and the Norwegian Natural Perils Pool. These run-offs are covered to a wide extent by reinsurance of DKK 518m. The run-off gain from the reinsurance agreement concerning the weather claims frequency is included by DKK 136m.				
7	Insurance operating costs, net of reinsurance				
	Commission regarding direct insurance contracts		-432		-477
	Other acquisition costs		-1,936		-2,013
	Total acquisition costs		-2,368		-2,490
	Administration expenses		-903		-805
	Insurance operating costs, gross		-3,271		-3,295
	Commission from reinsurers		89		103
			-3,182		-3,192

Notes

DKKm	2011	2012
7 Insurance operating costs, net of reinsurance (continued)		
<i>Administration expenses include fee to the auditors appointed by the annual general meeting:</i>		
Deloitte	-7	-6
	-7	-6
<i>The fee is divided into:</i>		
Statutory audit	-6	-6
Tax advice	-1	0
	-7	-6
In addition, expenses have been incurred for the Group's Internal Audit Department.		
In the calculation of the expense ratio, costs are stated exclusive of depreciation and operating costs on the owner-occupied property but including a calculated rent concerning the owner-occupied property based on a calculated market rent of DKK 46m (DKK 33m in 2011).		
Insurance operating costs, gross, classified by type		
Commissions	-432	-477
Staff expenses	-1,901	-1,977
Other staff expenses	-210	-206
Office expenses and fees, headquarter expenses	-528	-473
IT operating and maintenance costs, software expenses	-230	-218
Depreciation, amortisation, impairment losses and write-downs	-149	-129
Other income	179	185
	-3,271	-3,295
Total lease expenses amount to DKK 36m (DKK 39m in 2011).		
<i>Insurance operating costs and claims include the following staff expenses:</i>		
Salaries and wages	-2,277	-2,379
Commission	-11	-10
Allocated share options and matching shares	-14	-9
Pension	-323	-393
Other social security costs	-4	-5
Payroll tax	-351	-369
	-2,980	-3,165
Remuneration for the Supervisory Board and Executive Management is disclosed in Note 29 'Related parties'.		
Average number of full-time employees during the year (continuing business)	4,095	4,016
Restructuring costs		
To achieve the anticipated cost-efficiency and profitability in the new efficiency improvement project, Tryg plans to reduce its staff by approximately 400 employees in 2012-2014.		
Restructuring costs relating to the streamlining project are included with DKK 97m in 2012, consisting primarily of staff expenses.		

Notes

	TOTAL NUMBERS				MARKET VALUE			
	Executive Management	Other senior employees	Other employees	Total	Per option at time of allocation (DKK)	Total value at time of allocation (DKK)	Per option at 31 December (DKK)	Total value at 31 December (DKK)
7 Share option programmes								
Spec. of outstanding options:								
2012								
<i>Allocation 2007-2010</i>								
Allocated in 2007-2010, beginning of year	113,353	479,921	71,886	665,160	99/69/94/75	54	60/118/115	52
Category changes		19,895	-19,895		99/69/94/75			
Exercised	-11,575	-103,177	-6,780	-121,532	99/69/94/75	-10	60/118/115	-10
Cancelled	0	-3,502	-1,197	-4,699	99/69/94/75	0	60/118/115	-1
Expired	-17,245	-100,012	-4,000	-121,257	99/69/94/75	-12		
Outstanding options from 2007-2010 allocation at 31 Dec. 2012	84,533	293,125	40,014	417,672		-	-	41
<i>Allocation 2011</i>								
Allocated in 2011, beginning of year	8,285	101,169	26,220	135,674	72	10	137	19
Category changes		-1,036	1,036	0				
Exercised	0	0	0	0	0	0		
Cancelled	0	-1,381	-690	-2,071	72	0	137	0
Expired	0	0	0	0	0	0		
Outstanding options from 2011 allocation at 31 Dec. 2012	8,285	98,752	26,566	133,603		10		19
Number of options exercisable at 31 Dec. 2012	51,165	153,305	18,670	223,140				
2011								
<i>Allocation 2006-2010</i>								
Allocated in 2006-2010, beginning of year	192,916	588,355	77,773	859,044	64/99/69/94/75	69	0/12/43/53	22
Category changes	30,757	-30,757	0	0	64/99/69/94/75	0	0/12/43/53	0
Exercised	-10,480	-45,850	0	-56,330	64/99/69/94/75	-3	0/12/43/53	0
Cancelled	-78,880	-26,587	-5,887	-111,354	64/99/69/94/75	-9	0/12/43/53	-4
Expired	-20,960	-5,240	0	-26,200	64/99/69/94/75	-2	0/12/43/53	0
Outstanding options from 2006-2010 allocation at 31 Dec. 2011	113,353	479,921	71,886	665,160		-	-	18
<i>Allocation 2011</i>								
Allocated in 2011	8,285	104,967	27,600	140,852	72	10	70	10
Category changes				0				
Exercised	0	0	0	0	0	0	0	0
Cancelled	0	-3,798	-1,380	-5,178	72	0	70	0
Expired	0	0	0	0	0	0	0	0
Outstanding options from 2011 allocation at 31 Dec. 2011	8,285	101,169	26,220	135,674		10		10
Number of options exercisable at 31 Dec. 2011	53,417	236,068	28,666	318,151				

7 Share option programmes

Specification of outstanding options:

Year of allocation	Years of exercise	1 Jan. 2012	Additions	Exercised	Cancelled	Expired	31 Dec. 2012
2007	2010-2012	121,257	0	0	0	-121,257	0
2008	2011-2013	196,894	0	-71,216	-700	0	124,978
2009	2012-2014	149,808	0	-50,316	-1,330	0	98,162
2010	2013-2015	197,201	0	0	-2,669	0	194,532
2011	2014-2016	135,674	0	0	-2,071	0	133,603
Outstanding options at 31 Dec. 2012		800,834	0	-121,532	-6,770	-121,257	551,275

Assumptions for calculation of market value at time of allocation

Year of allocation	Years of exercise	Average share price at time of allocation (DKK)	Expected volatility	Expected maturity	Risk-free interest rate	Average time to expiry, 31 Dec. 2012	Average exercise price, 31 Dec. 2012
2007	2010-2012	456.76	24.10%	4 years	3.90%	0.00	0.00
2008	2011-2013	378.24	20.30%	4 years	3.60%	0.08	366.54
2009	2012-2014	313.51	37.70%	4 years	2.80%	0.58	312.34
2010	2013-2015	320.04	29.20%	4 years	2.70%	1.15	326.02
2011	2014-2016	295.83	30.00%	4 years	3.00%	2.11	314.90

Tryg did not allocate share options in 2012. At 31 December 2012, the share option plan comprised 551,275 share options (800,834 share options at 31 December 2011). Each share option entitles the holder to acquire one existing share with a nominal value of DKK 25 in Tryg A/S. The share option plan entitles the holders to buy 0.9% of the share capital in Tryg A/S if all share options are exercised.

In 2012, the fair value of share options recognised in the consolidated income statement amounted to DKK 7m (DKK 13m in 2011). At 31 December 2012, a total amount of DKK 76m was recognised for share option programmes issued in 2006-2011. Fair values at the time of allocation are based on the Black & Scholes option pricing formula.

The Group Executive Management includes retired managers with a total of 27,465 units with a value of DKK 2.2m at the time of allocation. Risk-takers are included under 'Other senior employees'.

The following assumptions were applied in calculating the market value of outstanding share options at the time of allocation: The expected volatility is based on the average volatility of Tryg shares. The expected term is 4 years, corresponding to the average exercise period of 3 to 5 years.

The risk-free interest rate is based on a bullet loan with the same term as the expected term of the options at the time of allocation. The calculation is based on the strike price as set out in the option agreement and the average share price at the time of allocation.

The dividend payout ratio is not included in the calculation as the strike price is reduced by dividends paid in order to prevent option holders from being placed at a disadvantage in connection with the company's dividend payments. The assumptions for calculating the market value at the end of term are based on the same principles as for the market value at the time of allocation.

7 Matching shares

	TOTAL NUMBERS			MARKET VALUE			
	Executive Management	Risk-takers	Total	Average per matching share at time of allocation (DKK)	Total value at time of allocation (DKKm)	Average per matching share at 31 Dec. (DKK)	Total value at 31 Dec. (DKKm)
2012							
Allocated in 2012	5,948	3,846	9,794	301	3	427	4
Matching shares allocated at 31 Dec. 2012	5,948	3,846	9,794	301	3	427	4
Allocated in 2011	4,979	5,996	10,975	302	4	427	5
Matching shares allocated at 31 Dec. 2012	4,979	5,996	10,975	302	4	427	5
2011							
Allocated in 2011	4,979	5,996	10,975	302	4	319	4
Matching shares allocated at 31 Dec. 2011	4,979	5,996	10,975	302	4	319	4

In 2011 and 2012, Tryg entered into an agreement on matching shares for the Executive Management and selected risk-takers as a consequence of the Group's remuneration policy. The Executive Management and selected risk-takers are allocated one share in Tryg A/S for each share that the Executive Management member or risk-taker acquires in Tryg A/S at market rate for liquid cash at a contractually agreed sum. The shares are reported at market value and are accrued over the 4-year maturation period. In 2012, the reported fair value of matching shares for the Group amounted to DKK 2m.

Notes

DKKm	2011	2012
8 Interest and dividends etc.		
<i>Interest income and dividends</i>		
Dividends	10	15
Interest income cash at bank and in hand	51	26
Interest income bonds	1,173	1,133
Interest income other	18	22
	1,252	1,196
<i>Interest expenses</i>		
Interest expenses subordinate loan capital and credit institutions	-83	-80
Interest expenses other	-30	-20
	-113	-100
	1,139	1,096
9 Price adjustments		
<i>Price adjustments concerning financial assets or liabilities at fair value with value adjustment in the income statement:</i>		
Equity investments	13	2
Unit trust units	-100	378
Share derivatives	16	-2
Bonds	160	202
Interest derivatives	465	263
Other loans	1	0
	555	843
<i>Price adjustments concerning assets or liabilities that cannot be attributed to IAS 39:</i>		
Investment property	15	82
Owner-occupied property	-10	-350
Discounting	-757	-475
Other statement of financial position items	-67	-116
	-819	-859
	-264	-16
Value gains	743	1,001
Value losses	-1,007	-1,017
Price adjustments, net	-264	-16

Foreign currency translation adjustments concerning financial assets or liabilities which cannot be stated at fair value total DKK 37m (DKK 31m in 2011).

Notes

DKKm	2011	2012
10 Tax		
Tax on accounting profit/loss	-401	-754
Difference between Danish and foreign tax rates	-13	-57
Tax adjustment, previous years	32	2
Adjustment of non-taxable income and costs	-64	49
Change in valuation of tax assets	-7	-89
Change in tax rate	0	12
Other taxes	-2	0
	-455	-837
Effective tax rate	%	%
Tax on accounting profit/loss	25	25
Difference between Danish and foreign tax rates	1	2
Tax adjustment, previous years	-2	0
Adjustment of non-taxable income and costs	4	-2
Change in valuation of tax assets	1	3
	29	28
11 Profit/loss on discontinued and divested business		
Gross premium income	633	611
Gross claims	-471	-484
Total insurance operating costs	-159	-244
Profit/loss on gross business	3	-117
Profit/loss on ceded business	-8	-4
Insurance technical interest, net of reinsurance	13	4
Technical result	8	-117
Total investment return after insurance technical interest	-7	32
Other income and costs	-1	113
Profit/loss before tax	0	28
Tax	-8	0
Profit/loss on discontinued and divested business	-8	28

DKKm

11 Profit/loss on discontinued and divested business (continued)
Technical result, net of reinsurance, by line of business

	Motor TPL insurance		Motor comprehensive insurance		Fire and contents (Private)		Other line of business		Total	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Gross premiums written	174	168	157	151	147	150	153	129	631	598
Gross premium income	177	170	157	152	143	149	156	140	633	611
Gross claims	-138	-144	-122	-126	-122	-126	-89	-88	-471	-484
Gross operating expenses	-27	-41	-24	-37	-53	-85	-55	-81	-159	-244
Profit/loss on ceded business	0	0	0	0	0	3	-8	-7	-8	-4
Insurance technical interest, net of reinsurance	5	2	0	0	2	1	6	1	13	4
Technical result	17	-13	11	-11	-30	-58	10	-35	8	-117
Gross claims ratio	78.0	84.7	77.7	82.9	85.3	84.6	57.1	62.9	74.4	79.2
Combined ratio	93.2	108.8	93.0	107.2	122.4	139.6	97.4	125.7	100.8	119.8
Claims frequency ^{a)}	2.3%	2.5%	14.8%	16.0%	2.9%	3.3%				
Average claims DKK ^{b)}	48,875	49,614	9,509	9,493	16,503	15,435				
Total claims	2,818	2,906	12,872	13,324	7,375	8,132				

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 incurred in the year.

Other line of business include accident and health, workers' compensation, marine insurance, fire and contents (commercial), liability insurance and tourist assistance insurance, which are the line of business in which premium income does not exceed DKK 70m.

Tryg Forsikring A/S and If P&C Insurance Company Ltd (Finland) entered into agreement on 6 November 2012 on If's acquisition of Tryg's Finnish branch at a total price of DKK 112m. The sale is expected to be finalised in spring 2013, pending authority approval. The comparative figures have been restated to reflect the sale.

Notes

DKKm	Goodwill	Trademarks and customer relations	Software	Assets under construction	Total
12 Intangible assets					
2012					
Cost					
Balance at 1 January	380	170	882	257	1,689
Foreign currency translation adjustments	17	8	12	0	37
Transferred to assets held for sale	0	0	-4	0	-4
Transferred from assets under construction	0	0	14	-14	0
Additions for the year	0	0	13	82	95
Disposals for the year	0	0	-48	-98	-146
Balance at 31 December	397	178	869	227	1,671
Amortisation and write-downs					
Balance at 1 January	0	-51	-632	-54	-737
Foreign currency translation adjustments	0	-2	-9	0	-11
Transferred to assets held for sale	0	0	3	0	3
Amortisation for the year	0	-20	-143	0	-163
Impairment losses and write-downs for the year	0	0	-2	-38	-40
Reversed amortisation	0	0	36	0	36
Balance at 31 December	0	-73	-747	-92	-912
Carrying amount at 31 December	397	105	122	135	759
2011					
Cost					
Balance at 1 January	377	168	786	115	1,446
Foreign currency translation adjustments	3	2	1	0	6
Transferred from assets under construction	0	0	74	-74	0
Additions for the year	0	0	22	216	238
Disposals for the year	0	0	-1	0	-1
Balance at 31 December	380	170	882	257	1,689
Amortisation and write-downs					
Balance at 1 January	0	-32	-446	0	-478
Foreign currency translation adjustments	0	0	-1	0	-1
Amortisation for the year	0	-19	-172	0	-191
Impairment losses and write-downs for the year	0	0	-13	-54	-67
Balance at 31 December	0	-51	-632	-54	-737
Carrying amount at 31 December	380	119	250	203	952

Software developed in-house is included in 'Software and assets under construction' by DKK 110m at 31 December 2012 (DKK 210m at 31 December 2011)

DKKm

12 Intangible assets (continued)

Impairment test

Goodwill

At 31 December 2012, management performed an impairment test of the carrying amount of goodwill based on the allocation of the cost of goodwill to the cash-generating unit, which consists of the total Swedish insurance activities.

In 2009, Tryg acquired Moderna Försäkringar Sak AB, Modern Re S.A., Netviq AB and MF Bilsport & MC Specialförsäkringar. The insurance activities were incorporated into the Tryg Group's business structure in 2009 and are reported under Sweden. In 2010, the companies, excluding Modern Re S.A., were merged into Tryg Forsikring A/S as Moderna Försäkringar, a branch of Tryg Forsikring A/S. Modern Re S.A. was discontinued in 2011.

Assumptions for impairment test: The value-in-use method is used.

The cash flows appearing from the latest budgets approved by management for the next 5 financial years are used when calculating the value in use of the total Swedish activities acquired. 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. Higher return requirements or lower growth would entail a lower value of the activities, whereas lower return requirements or higher growth expectations would entail a higher value. The impairment test shows a calculated equity of approximately DKK 1.8bn relative to a recognised equity of DKK 0.8bn and did not indicate any impairment.

	Assumed annual growth > 5 years	Required return before tax
2012		
Moderna	2.0%	12.4%
2011		
Moderna	2.0%	12.7%

Trademarks and customer relations

The impairment test performed for trademarks and customer relations did not indicate any impairment.

Software and assets under construction

In 2010, Tryg launched an IT project 'Tryg Transition', the aim of which was to design new IT processes and achieve efficiency improvements at Tryg. In 2012, management chose to change the direction of the project and instead focus on improving the efficiency of the existing processes. Based on this, Tryg Transition is impaired, including the related pilot project in Finland. A total impairment of DKK 123m has been made for Tryg Transition. The part relating to the pilot project in Finland is recognised under discontinued business. All other impairment is recognised under insurance operating costs.

The impairment test compares the carrying amount with the estimated present value of future cash flows.

Notes

DKKm	Operating equipment	Owner-occupied property	Assets under construction	Total
13 Property, plant and equipment				
2012				
Cost				
Balance at 1 January	187	1,760	98	2,045
Foreign currency translation adjustments	3	27	2	32
Transferred to assets held for sale	-8	0	0	-8
Transferred from assets under construction	0	10	-10	0
Additions for the year	55	8	11	74
Disposals for the year	-9	-19	0	-28
Balance at 31 December	228	1,786	101	2,115
Accumulated value adjustments				
Balance at 1 January	0	27	-88	-61
Foreign currency translation adjustments	0	0	-2	-2
Value adjustments for the year at revalued amount in income statement	0	-350	0	-350
Value adjustments for the year at revalued amount in other comprehensive income	0	42	0	42
Balance at 31 December	0	-281	-90	-371
Accumulated depreciation				
Balance at 1 January	-85	-42	0	-127
Foreign currency translation adjustments	-1	-1	0	-2
Transferred to assets held for sale	4	0	0	4
Reversed depreciation	8	0	0	8
Depreciation for the year	-16	-19	0	-35
Balance at 31 December	-90	-62	0	-152
Carrying amount at 31 December	138	1,443	11	1,592

Notes

DKKm	Operating equipment	Owner-occupied property	Assets under construction	Total
13 Property, plant and equipment (continued)				
2011				
Cost				
Balance at 1 January	228	1,397	441	2,066
Foreign currency translation adjustments	0	2	0	2
Transferred from assets under construction	0	340	-340	0
Additions for the year	18	21	-3	36
Disposals for the year	-59	0	0	-59
Balance at 31 December	187	1,760	98	2,045
Accumulated value adjustments				
Balance at 1 January	0	17	-88	-71
Value adjustments for the year at revalued amount in income statement	0	-10	0	-10
Value adjustments for the year at revalued amount in other comprehensive income	0	20	0	20
Balance at 31 December	0	27	-88	-61
Accumulated depreciation				
Balance at 1 January	-110	-29	0	-139
Reversed depreciation	48	0	0	48
Depreciation for the year	-23	-13	0	-36
Balance at 31 December	-85	-42	0	-127
Carrying amount at 31 December	102	1,745	10	1,857

External experts were involved in valuing the owner-occupied property.

Impairment test

Property, plant and equipment

A valuation of the owner-occupied property has been carried out, including the improvements made, and a revaluation of DKK 42m (DKK 20m in 2011) was subsequently included in other comprehensive income and impairment of DKK 350m (DKK 10m in 2011) in the income statement. The impairment test performed for operating equipment did not indicate any impairment. In establishing the market value of the owner-occupied property, the following return percentages were used:

Return percentages weighted average	2011	2012
Office property	6.3	6.9

Notes

DKKm	2011	2012
14 Investment property		
Fair value at 1 January	2,158	2,199
Foreign currency translation adjustments	2	24
Additions for the year	29	35
Disposals for the year	-1	-259
Value adjustments for the year	12	47
Reversed on sale	-1	35
Fair value at 31 December	2,199	2,081

Total rental income for 2012 is DKK 152m (DKK 156m in 2011).

Total expenses for 2012 are DKK 29m (DKK 39m in 2011). Of this amount, expenses for non-let property total DKK 2m (DKK 2m in 2011); total expenses for the income-generating investment property are DKK 27m (DKK 37m in 2011).

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

In establishing the market value of the properties, the following return percentages were used for each property category:

Return percentages weighted average	2011	2012
Business property	7.3	7.0
Office property	6.3	6.4
Residential property	4.8	5.9
Total	6.3	6.5

Notes

DKKm	2011	2012
15 Equity investments in associates		
Cost		
Balance at 1 January	0	0
Balance at 31 December	0	0
Revaluations at net asset value		
Balance at 1 January	13	14
Foreign currency translation adjustments	0	1
Value adjustments for the year	1	6
Balance at 31 December	14	21
Carrying amount at 31 December	14	21

Shares in associates according to the latest annual report:

Name and registered office	Assets	Equity and liabilities	Equity	Revenue	Profit/loss for the year	Ownership share in %
2012						
Komplementarselskabet af 1. marts 2006 ApS, Denmark	0	0	0	0	0	50
Bilskadeinstituttet AS, Norway	9	3	5	15	0	30
AS Eidsvåg Fabrikker, Norway	60	19	42	22	9	28
2011						
Komplementarselskabet af 1. marts 2006 ApS, Denmark	0	0	0	0	0	50
Bilskadeinstituttet AS, Norway	5	0	5	1	0	30
AS Eidsvåg Fabrikker, Norway	49	5	44	19	4	28

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

Notes

DKKm	2011	2012
16 Financial assets		
Financial assets at fair value with value adjustment in the income statement		
Equity investments	187	199
Unit trust units	2,378	3,261
Bonds	38,400	38,862
Deposits with credit institutions	1,635	949
Derivative financial instruments	614	547
Assets held for sale	0	487
Financial assets at fair value with value adjustment in the income statement	43,214	44,305
Loans and receivables measured at amortised cost		
Total receivables in relation to direct insurance contracts	1,158	1,149
Receivables from insurance enterprises	317	227
Receivables from Group undertakings	1	1
Other receivables	189	612
Current tax assets	93	0
Cash at bank and in hand	402	504
Assets held for sale	0	141
Total loans and receivables measured at amortised cost	2,160	2,634
Total financial assets	45,374	46,939
Financial assets at amortised cost only deviate to a minor extent from fair value.		
Financial liabilities		
Financial liabilities at fair value with value adjustment in the income statement		
Derivative financial instruments	35	66
Total financial liabilities at fair value with value adjustment in the income statement	35	66
Financial liabilities measured at amortised cost		
Subordinate loan capital	1,589	1,597
Debt relating to direct insurance	410	415
Debt relating to reinsurance	191	256
Amounts owed to credit institutions	11	14
Debt relating to unsettled funds transactions and repos	4,161	1,470
Current tax liabilities	260	652
Liabilities associated with assets held for sale	0	742
Other debt	740	1,030
Total financial liabilities measured at amortised cost	7,362	6,176
Total financial liabilities	7,397	6,242
Information on valuation of subordinate loan capital at fair value is stated in Note 2.		
Other financial liabilities measured at amortised cost only deviate to a minor extent from fair value.		

Notes

DKKm	Quoted market prices	Observable input	Non- observable input	Total
16 Financial assets (continued)				
Other financial investment assets				
Fair value hierarchy for financial instruments measured at fair value in the statement of financial position				
2012				
Equity investments	0	0	199	199
Unit trust units	3,261	0	0	3,261
Bonds	24,794	14,058	10	38,862
Deposits with credit institutions	949	0	0	949
Derivative financial instruments	0	481	0	481
Assets held for sale	487	0	0	487
	29,491	14,539	209	44,239
2011				
Equity investments	0	0	187	187
Unit trust units	2,378	0	0	2,378
Bonds	26,713	11,657	30	38,400
Deposits with credit institutions	1,635	0	0	1,635
Derivative financial instruments	0	579	0	579
	30,726	12,236	217	43,179
			2011	2012
<i>Financial instruments measured at fair value in the statement of financial position based on non-observable input:</i>				
Carrying amount at 1 January			227	217
Foreign currency translation adjustments			0	5
Gains/losses in the income statement			11	-13
Purchases			8	15
Sales			-29	-10
Transfers to/from the group 'non-observable input'			0	-5
Carrying amount at 31 December			217	209
Gains/losses in the income statement for assets held at the statement of financial position date recognised in price adjustments			11	-13

Bonds measured on the basis of observable input mainly 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.

Non-observable input, total result DKK -13m (DKK 11m in 2011), mainly comprises unlisted shares and bonds. 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 3m (DKK 37m in 2011).

Notes

DKKm	Bonds	Shares	Property	Total
16 Financial assets (continued)				
Reconciliation between investment assets as per 'Investment activities' in the management's review and the statement of financial position				
2012				
Investment assets as per the section 'Investment activities' in the management's review	41,019	2,444	2,081	45,544
Consisting of:				
Cash and cash equivalents allocated to portfolio management	-61	0	0	-61
Debt and receivables relating to unsettled funds and property transactions	905	0	0	905
Unit trust units	-1,037	-2,224	0	-3,261
Deposits with credit institutions	-949	0	0	-949
Derivative financial instruments	-511	0	0	-511
Repo debt and reverse receivables	94	0	0	94
Assets held for sale	-598	0	0	-598
Associated shares	0	-21	0	-21
Investment assets according to statement of financial position	38,862	199	2,081	41,142
Unit trust units				3,261
Deposits with credit institutions				949
Derivative financial instruments				547
Associated shares				21
Total investment assets according to statement of financial position				45,920
2011				
Investment assets as per the section 'Investment activities' in the management's review	37,232	1,860	2,199	41,291
Consisting of:				
Cash and cash equivalents allocated to portfolio management	-33	0	0	-33
Debt and receivables relating to unsettled funds and property transactions	779	0	0	779
Unit trust units	-719	-1,659	0	-2,378
Deposits and derivatives	-2,241	0	0	-2,241
Repo debt and reverse receivables	3,382	0	0	3,382
Associated shares	0	-14	0	-14
Investment assets according to statement of financial position	38,400	187	2,199	40,786
Unit trust units				2,378
Deposits with credit institutions				1,635
Derivative financial instruments				614
Associated shares				14
Total investment assets according to statement of financial position				45,427

Notes

DKKm	2011	2012
16 Financial assets (continued)		
Sensitivity information		
<i>Impact on equity from the following changes:</i>		
Interest rate increase of 0.7-1.0 percentage point	-24	112
Interest rate fall of 0.7-1.0 percentage point	87	-182
Equity price fall of 12%	-223	-279
Fall in property prices of 8%	-330	-283
Exchange rate risk (VaR 99)	-23	-19
Loss on counterparties of 8%	-500	-320

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

Derivative financial instruments

Derivatives with value adjustment in the income statement at market value:

	2011		2012	
	Nominal	Market value in statement of financial position	Nominal	Market value in statement of financial position
Interest derivatives	16,971	606	27,078	511
Share derivatives	44	0	-120	0
Exchange rate derivatives	8,131	-27	2,411	-30
Derivatives according to statement of financial position	25,146	579	29,369	481
Inflation derivatives included in claims provisions	2,931	37	2,590	3
Total derivative financial instruments	28,077	616	31,959	484
Due after less than 1 year	10,288	-57	2,301	-30
Due within 1-5 years	3,656	-21	10,955	42
Due after more than 5 years	14,133	694	18,703	472

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

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

	2011			2012		
	Gains	Losses	Net	Gains	Losses	Net
<i>Gains and losses on hedges charged to other comprehensive income:</i>						
Balance at 1 January	983	-1,280	-297	1,256	-1,580	-324
Price adjustments for the year	273	-300	-27	191	-375	-184
Balance at 31 December	1,256	-1,580	-324	1,447	-1,955	-508

Notes

DKKm	2011	2012
16 Financial assets (continued)		
Price adjustments		
<i>Price adjustments of foreign entities recognised in other comprehensive income in the amount of:</i>		
Balance at 1 January	307	337
Price adjustments for the year	30	192
Balance at 31 December	337	529
Receivables		
Receivables from insurance enterprises	1,475	1,376
Receivables from Group undertakings	1	1
Other receivables	189	612
	1,665	1,989
<i>Specification of write-downs on receivables from insurance contracts:</i>		
Balance at 1 January	135	143
Foreign currency translation adjustments	0	2
Transferred to assets held for sale and write-downs and reversed write-downs for the year	8	-32
Balance at 31 December	143	113
Reversed write-downs are estimated at DKK 48m (DKK 52m in 2011) in one year, but may vary due to major cases/disputes. Written-down receivables are collected by an external collection agency.		
<i>Receivables in connection with insurance contracts include overdue receivables totalling:</i>		
<i>Falling due:</i>		
Within 90 days	170	160
After 90 days	151	108
	321	268
Including write-downs of due amounts	143	113
Other receivables do not include overdue receivables		
17 Reinsurers' share		
Reinsurers' share	2,086	2,354
Write-downs after impairment test	-19	-37
Balance at 31 December	2,067	2,317
Impairment test		
At 31 December 2012, management performed a test of the carrying amount of total reinsurers' share of provisions for insurance contracts. The impairment test resulted in impairment charges totalling DKK 37m (DKK 19m in 2011). Write-downs for the year include reversed write-downs totalling DKK 16m (DKK 1m in 2011). There is no overdue reinsurers' share over and above the share already provided for.		

Notes

DKKm	2011	2012
18 Current tax		
Current tax, beginning of year	90	-167
Foreign currency translation adjustments	0	-16
Current tax for the year	-500	-949
Current tax on equity entries	7	46
Adjustment of current tax in respect of previous years	26	9
Tax paid for the year	210	425
Net current tax, end of year	-167	-652
<i>Current tax is recognised in the statement of financial position as follows:</i>		
Under assets, current tax	93	0
Under liabilities, current tax	-260	-652
Net current tax, end of year	-167	-652
19 Assets held for sale and associated liabilities		
Intangible assets	0	112
Property, plant and equipment	0	2
Investment assets and cash equivalents	0	603
Reinsurers' share of claims provisions	0	7
Receivables	0	18
Assets held for sale	0	742
Premium provisions	0	125
Claims provisions	0	540
Other debt	0	77
Liabilities associated with assets held for sale	0	742
Net assets held for sale	0	0
<p>In the statement of financial position at 31 December 2012, assets and liabilities relating to the Finnish branch are classified as 'Assets held for sale' and 'Liabilities associated with assets held for sale'. The proceeds from the sale of the activity are expected to correspond to or exceed the carrying amounts of the associated assets and liabilities. The activity did not fulfil the conditions for classification as assets held for sale and associated liabilities at 31 December 2011. The Group had no other assets held for sale and associated liabilities at 31 December 2011.</p>		

Notes

DKKm

20 Equity

Share capital

Number of shares, exclusive of treasury shares	2011		2012	
	Number of shares	Nominal value (DKK '000)	Number of shares	Nominal value (DKK '000)
Balance at 1 January	60,633,701	1,515,843	60,373,269	1,509,332
Bought during the year	-316,792	-7,920	0	0
Sold during the year	56,360	1,409	200,000	5,000
Used in connection with exercise of share options	0	0	121,532	3,038
Balance at 31 December	60,373,269	1,509,332	60,694,811	1,517,370

Treasury shares	2011			2012		
	Number of shares	Nominal value (DKK '000)	% of share capital	Number of shares	Nominal value (DKK '000)	% of share capital
Balance at 1 January	3,297,872	82,447	5.16	942,834	23,571	1.54
Bought during the year	316,792	7,920	0.50	0	0	0.00
Sold during the year	0	0	0.00	-200,000	-5,000	-0.33
Cancellation in connection with buyback programme	-2,615,470	-65,387	-4.03	0	0	0.00
Used in connection with issue of employee shares	0	0	0.00	-10	0	0.00
Used in connection with exercise of share options	-56,360	-1,409	-0.09	-121,532	-3,039	-0.20
Balance at 31 December	942,834	23,571	1.54	621,292	15,532	1.01

Pursuant to the authorisation granted by the shareholders, Tryg may acquire up to 10.0% of the share capital in the period up until 14 April 2015. Treasury shares are acquired for use in the Group's incentive programme and as part of the share buyback programme.

21 Premium provisions

	2011	2012
Premium provisions, beginning of year	6,659	6,770
Price adjustment of provisions, beginning of year	22	185
Paid in the financial year	20,016	20,139
Change in premiums in the financial year	-19,924	-20,434
Foreign currency translation adjustments	-3	-2
Premium provisions, end of year	6,770	6,658
Other ^{a)}	162	30
	6,932	6,688

Notes

DKKm	Gross	Ceded	Net of reinsurance
21 Claims provisions			
2012			
Claims provisions, beginning of year	26,159	1,755	24,404
Price adjustment of provisions, beginning of year	720	44	676
	26,879	1,799	25,080
Paid in the financial year in respect of the current year	-7,442	-92	-7,350
Paid in the financial year in respect of prior years	-8,233	-867	-7,366
	-15,675	-959	-14,716
Change in claims in the financial year in respect of the current year	14,978	268	14,710
Change in claims in the financial year in respect of prior years	-300	740	-1,040
	14,678	1,008	13,670
Discounting and foreign currency translation adjustments	960	45	915
Claims provisions, end of year	26,842	1,893	24,949
Other ^{a)}	400	187	213
	27,242	2,080	25,162
2011			
Claims provisions, beginning of year	24,255	1,333	22,922
Price adjustment of provisions, beginning of year	69	5	64
	24,324	1,338	22,986
Paid in the financial year in respect of the current year	-8,413	-750	-7,663
Paid in the financial year in respect of prior years	-6,921	-341	-6,580
	-15,334	-1,091	-14,243
Change in claims in the financial year in respect of the current year	16,623	1,483	15,140
Change in claims in the financial year in respect of prior years	-1,005	-34	-971
	15,618	1,449	14,169
Discounting and foreign currency translation adjustments	1,551	59	1,492
Claims provisions, end of year	26,159	1,755	24,404
Other ^{a)}	745	120	625
	26,904	1,875	25,029

a) Comprises premiums and claims provisions for Tryg Garantiforsikring A/S and, in 2011, the Finnish branch of Tryg Forsikring A/S. In 2012, the Finnish branch is included under 'Liabilities associated with assets held for sale'.

Notes

DKKm	2011	2012
22 Pensions and similar liabilities		
Jubilees, schemes for elderly employees etc.	49	60
Recognised liability, end of year	49	60
<i>Defined-benefit pension plans:</i>		
Present value of pension obligations funded through operations	122	106
Present value of pension obligations funded through establishment of funds	1,868	2,045
Pension obligation, gross	1,990	2,151
Fair value of plan assets	1,013	1,109
Pension obligation, net	977	1,042
<i>Specification of change in recognised pension obligations:</i>		
Recognised pension obligation, beginning of year	1,572	1,990
Adjustment beginning of year regarding plan changes not recognised in the income statement and expected estimate deviation	57	0
Foreign currency translation adjustments	13	120
Present value of pensions earned during the year	49	81
Capital cost of previously earned pensions	58	52
Actuarial gains/losses	310	-22
Paid during the period	-69	-70
Recognised pension obligation, end of year	1,990	2,151
<i>Change in carrying amount of plan assets:</i>		
Carrying amount of plan assets, beginning of year	951	1,013
Adjustment beginning of year regarding plan changes not recognised in the income statement and expected estimate deviation	-17	0
Foreign currency translation adjustments	9	58
Investments in the year	88	130
Estimated return on pension funds	41	41
Actuarial gains/losses	-15	-84
Paid during the period	-44	-49
Carrying amount of plan assets, end of year	1,013	1,109
Total pensions and similar obligations, end of year	977	1,042
Total recognised obligation, end of year	1,026	1,102
<i>Specification of pension cost for the year:</i>		
Present value of pensions earned during the year	40	69
Interest expense on accrued pension obligation	57	51
Expected return on plan assets	-41	-40
Accrued employer contributions	10	11
Total year's cost of defined-benefit plans	66	91
The premium for the following financial years is estimated at:		
Number of active persons and number of pensioners	80 1,472	114 1,428
Estimated distribution of plan assets:	%	%
Shares	5	9
Bonds	77	74
Property	18	17
Average return on plan assets	4.0	2.5

Notes

DKKm				2011	2012
22 Pensions and similar obligations (continued)				%	%
<i>Assumptions used:</i>					
Discount rate				2.7	2.4
Estimated return on pension funds				4.0	2.5
Salary adjustments				4.0	3.5
Pension adjustments				3.8	3.3
G adjustments				3.8	3.3
Turnover				6.0	7.0
Employer contributions				14.1	14.1
Mortality table				Adj. K2005	Adj. K2005
Sensitivity information					
<i>Impact on equity shareholders from the following changes:</i>					
Interest rate increase of 0.3 percentage points				96	84
Interest rate decrease of 0.3 percentage points				-89	-90
Increase in expected return of 1.5 percentage points				18	18
Pay increase rate, increase of 1 percentage point				-109	-105
Pay increase rate, decrease of 1 percentage point				92	86
Mortality +1 year's life				73	70
	2008	2009	2010	2011	2012
Pension obligation	1,123	1,304	1,572	1,990	2,151
Plan assets	628	856	951	1,013	1,109
Surplus/deficit	495	448	621	977	1,042
Actuarial gains/losses associated with the pension obligation	-23	70	-181	-367	22
Actuarial gains/losses associated with pension assets	-173	-42	-47	-32	-84
Actuarial gains/losses in other comprehensive income, end of year	-196	28	-228	-399	-62

Moderna Försäkringar, a branch of Tryg Forsikring A/S, complies with the Swedish industry pension agreement, the FTP plan, which is insured with Försäkringsbranschens Pensionskassa – FPK. Under the terms of the agreement, the Group's Swedish branch has undertaken, along with the other businesses in the collaboration, to pay the pensions of the individual employees in accordance with the applicable rules.

The FTP plan is primarily a defined-benefit plan in terms of the future pension benefits. FPK is unable to provide sufficient information for the Group to use defined-benefit accounting. For this reason, the Group has accounted for the plan as if it were a defined-contribution plan in accordance with IAS 19.30.

This year's premium paid to FPK amounted to DKK 15m, which is about 3% of the annual premium in FPK (2011). FPK writes in its interim report for 2012 that it had a collective consolidation ratio of 104 at 30 June 2012 (consolidation ratio 134 at 30 June 2011). The collective consolidation ratio is defined as the market value of the plan assets relative to the total collective pension obligations.

Notes

DKKm	2011	2012
23 Deferred tax		
Tax asset		
Operating equipment	31	22
Debt and provisions	284	422
Capitalised tax loss	81	13
	396	457
Tax liability		
Intangible rights	136	76
Land and buildings	228	253
Bonds and loans secured by mortgages	49	78
Contingency funds	1,174	1,193
	1,587	1,600
Deferred tax, end of year	1,191	1,143
Unaccrued timing differences of statement of financial position items	30	118
Reconciliation of deferred tax		
Deferred tax, beginning of year	1,282	1,191
Foreign currency translation adjustments	9	56
Change in deferred tax relating to change in tax rate	-10	-12
Change in deferred tax previous years	0	7
Change in capitalised tax loss	0	65
Change in deferred tax taken to the income statement	-6	-247
Change in valuation of tax assets	0	89
Change in deferred tax taken to equity	-84	-6
	1,191	1,143
Tax value of non-capitalised tax loss		
Denmark	18	18
Sweden	4	4

The loss in Tryg A/S cannot be utilised in the Danish joint taxation scheme. The loss can be carried forward indefinitely. Loss determined according to Swedish rules can be carried forward indefinitely.

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 50m (DKK 90m in 2011).

Notes

DKKm	2011	2012
24 Other provisions		
Other provisions, beginning of year	1	11
Change in provisions	10	87
Other provisions, end of year	11	98
<p>Other provisions relate to provisions for the Group's own insurance claims and restructuring costs. A provision of DKK 97m has been made for restructuring in connection with management's plans for efficiency improvements and aims to reduce the Group's cost level.</p>		
25 Amounts owed to credit institutions		
Overdraft facilities	11	14
	11	14
26 Debt relating to unsettled funds transactions and repos		
Unsettled funds transactions	779	1,050
Repo debt	3,382	420
	4,161	1,470
<p>Unsettled funds transactions include debt for bonds purchased in 2011 and 2012; however, with settlement in 2012 and 2013, respectively.</p>		
27 Earnings per share		
Profit/loss on continuing business	1,148	2,180
Profit/loss on discontinued and divested business	-8	28
Profit/loss for the year	1,140	2,208
Average number of shares (1,000)	60,401	60,491
Diluted number of shares (1,000)	0	223
Diluted average number of shares (1,000)	60,401	60,714
Earnings per share, continuing business	19.0	36.0
Earnings per share, discontinued and divested business	-0.1	0.5
Diluted earnings per share, discontinued and divested business	-0.1	0.5
Earnings per share	18.9	36.5
Diluted earnings per share	18.9	36.4

Notes

DKKm	Obligations due by period				Total
	<1 year	1-3 years	3-5 years	> 5 years	
28 Contractual obligations, collateral and contingent liabilities					
Contractual obligations					
2012					
Operating leases	136	215	65	57	473
Other contractual obligations	397	86	0	0	483
	533	301	65	57	956
2011					
Operating leases	130	230	106	84	550
Other contractual obligations	479	183	0	0	662
	609	413	106	84	1,212

The amounts include the following:

Tryg Forsikring A/S and Tryg Forsikring, a Norwegian branch of Tryg Forsikring A/S, have signed a 5-year outsourcing agreement with CSC for an amount of DKK 365m. The contract expires in 2015.

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

Telephony services contract with Telenor for DKK 105m, which expires after 2015.

Lease contracts on premises for DKK 313m. The contracts expire after 5 years.

Collateral

The Danish companies in the Tryg Group are jointly taxed with TryghedsGruppen smba. As of 1 July 2012, the companies and the other jointly taxed companies are thus jointly and severally liable for any obligation to withhold tax deducted at source on interest, royalties and dividends in respect of the jointly taxed companies.

	2011	2012
Tryg Forsikring A/S and Tryg Garantiforsikring A/S have registered the following assets as having been furnished as security for the insurance provisions:		
Equity investments in associates	0	21
Equity investments	0	199
Unit trust units	2,378	3,261
Bonds	33,942	37,458
Deposits with credit institutions	1,637	949
Receivables relating to reinsurance	1,563	1,614
Bonds and cash and cash equivalents included in the item 'Assets held for sale'	0	587
Interest and rent receivable	522	365
Equity investments in and receivables from Group undertakings which have been eliminated in the consolidated financial statements	1,672	2,128
Total	41,714	46,582

The Group has received DKK 315m as cash and cash equivalents (DKK 66m in 2011) as security for current derivative contracts.

DKK 420m (DKK 3,382m in 2011) of the Group's bond portfolio was sold in repo transactions and must be repurchased. The value of the bond portfolio is still recognised in the statement of financial position and has been furnished as security for financial liabilities concerning repo transactions.

Contingent liabilities

Companies in the Tryg Group are party to a number of disputes. Management believes that the outcome of these legal proceedings 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 2012.

DKKm	2011	2012
29 Related parties		
The Group has no related parties with a decisive influence other than the parent company, TryghedsGruppen smba. Related parties with a significant influence include the Supervisory Board, the Executive Management and their members' family.		
Supervisory Board and Executive Management		
Premium income		
- Parent company (TryghedsGruppen smba)	0.3	0.3
- Key management	0.6	0.4
- Other related parties	2.9	3.0
Claims payments		
- Parent company (TryghedsGruppen smba)	0.1	0.0
- Key management	0.0	0.1
- Other related parties	1.4	0.2

Specification of remuneration

2012	Number of persons	Basic salary	Variable salary	Pension	Total ^{a)}
Supervisory Board	12	6	0	0	6
Executive Management	3	18	2	4	24
Risk-takers	11	22	1	5	28
	26	46	3	9	58
Of which retired:	Number of persons	Severance pay			
Supervisory Board	4	0			
Executive Management	0	0			
Risk-takers	1	20			
	5	20			

The maximum amount paid in severance pay to an individual is DKK 20m.

2011	Number of persons	Basic salary	Variable salary	Pension	Total ^{a)}
Supervisory Board	14	5	0	0	5
Executive Management	5	25	0	4	29
Risk-takers	14	31	1	7	39
	33	61	1	11	73
Of which retired:	Number of persons	Severance pay			
Supervisory Board	2	0			
Executive Management	2	8			
Risk-takers	4	0			
	8	8			

The maximum amount paid in severance pay to an individual is DKK 4m.

a) Exclusive of severance pay.

DKKm

29 Related parties (continued)

Fees are charges incurred during the financial year. Variable salary includes the charges for matching shares, which are recognised over 4 years, and share options, which are recognised over 3 years. The Executive Management and risk-takers are included in incentive programmes. Please refer to Note 7 for information concerning this.

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

The Executive Management is paid a fixed remuneration and pension. The variable salary is awarded in the form of a matching share programme, see 'Corporate governance'.

Each member of the Executive Management is entitled to 12 months' notice and severance pay equal to 12 months' salary plus pension contributions (the Group CEO is entitled to severance pay equal to 18 months' salary). Members of the Executive Management can assert no further claims in this respect, for example claims for compensation pursuant to Sections 2a and/or 2b of the Danish Salaried Employees Act, as such claims are regarded as being included in the severance pay.

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.

Intra-group trading involved:

	2011	2012
- Subordinate loan capital	464	490
- Interest expenses	33	30

Transactions between TryghedsGruppen smba and Tryg A/S are conducted on an arm's length basis.

Intra-group transactions:

Administration fee etc. is fixed on a cost-recovery basis. Intra-group accounts are offset and carry interest on market terms. The companies in the Tryg 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.

30 Financial highlights

See page 69.

31 Accounting policies

This table concerns a change in accounting policies for 2012 – page 125 (opposite page).

Reconciliation of profit/loss

DKKm	2011	Change	2011	2012	Change	2012
Profit/loss – IFRS	1,140		1,140	2,208		2,208
Current year's effect of actuarial gains and losses on pension obligation after tax	-288	288	0	-46	46	0
Profit/loss – Danish FSA executive order	852	288	1,140	2,162	46	2,208

31 Accounting policies (continued)

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU on 31 December 2012 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 for Insurance Companies and Multi-Employer Occupational Pension Funds issued by the Danish Financial Supervisory Authority. The deviations from the recognition and measurement requirements of IFRS are:

- Investments in subsidiaries are valued according to the equity method, whereas under IFRS valuation is made at cost or fair value. Furthermore, the requirements regarding presentation and disclosure are less comprehensive than under IFRS.
- The Danish Financial Supervisory Authority'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

Following an amendment to the Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds issued by the Danish Financial Supervisory Authority and applicable from 1 January 2013, but which Tryg has decided to implement early, actuarial gains and losses are recognised directly in other comprehensive income in the parent company. These were previously recognised in the income statement – see the table at the bottom of page 124 (opposite page). In 2011, there was a minor reclassification between derivative financial instruments and claims provisions of DKK 37m.

The comparative figures have been restated to reflect the above changes.

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

Accounting regulation

Implementation of changes to financial reporting standards and interpretations in 2012

The International Accounting Standards Board (IASB) has issued a number of amendments to the International Financial Reporting 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 financial year beginning on 1 January 2012 that have had a significant impact on the Group. New or amended standards and interpretations that have been implemented but have not significantly affected the Group:

- Amendments to IFRS 7 'Disclosures – Transfers of Financial Assets'
- Amendments to IAS 12 'Deferred Tax – Recovery of Underlying Assets'
- Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income'

New and revised executive orders, standards and interpretations which the Group has not yet applied and that have been issued but which are not yet effective:

- Amendments to IFRS 7 related to the offsetting of assets and liabilities^{a)}
- IFRS 9 'Financial Instruments'^{c)}
- Reissue of IFRS 9 to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements^{c)}
- IFRS 10 'Consolidated Financial Statements'^{a)}
- IFRS 11 'Joint Arrangements'^{a)}
- IFRS 12 'Disclosure of Interests in Other Entities'^{a)}
- Amendments to IFRS 10, 11 and 12 'Transition Guidance'^{a)}
- IFRS 13 'Fair Value Measurement'^{a)}
- Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income'^{b)}
- Amendments to IAS 1 'Annual Improvements 2009-2011 Cycle (comparative information)'^{a)}
- Amendments to IAS 16 'Annual Improvements 2009-2011 Cycle (servicing equipment)'^{a)}
- IAS 19 (as revised in 2011) 'Employee Benefits'^{a)}
- IAS 27 (as revised in 2011) 'Separate Financial Statements'^{a)}
- IAS 28 (as revised in 2011) 'Investments in Associates and Joint Ventures'^{a)}
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities'^{d)}
- Amendments to IAS 32 'Annual Improvements 2009-2011 Cycle (tax effect of equity distribution)'^{a)}

a) Effective for annual periods beginning on or after 1 January 2013.

b) Effective for annual periods beginning on or after 1 July 2012.

c) Effective for annual periods beginning on or after 1 January 2015.

d) Effective for annual periods beginning on or after 1 January 2014.

The changes will be implemented going forward from 2013.

Changes to accounting estimates

In June 2012, the Danish Financial Supervisory Authority adjusted the discount curve used for discounting claims provisions. The effect of the transition to a new curve on 30 June 2012 is:

DKKm	Effect
Total investment return after insurance technical interest	150
Profit/loss before tax	150
Claims provisions	-150
Equity and capital base are affected by the same amounts.	

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 relating to insurance contracts
- Valuation of defined-benefit plans
- Fair value of financial assets and liabilities
- Valuation of property
- Valuation of goodwill

Liabilities relating to insurance contracts

Estimates of provisions for insurance contracts represent the Group's most critical accounting estimates, as these provisions involve a number of uncertainty factors.

Claims provisions are estimated based on actuarial and statistical projections of claims and the administration of claims. 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 have been incurred, but not yet reported to the Group (known as IBNR reserves) and future developments in claims which are known to the Group but have not been finally settled. Claims provisions also include direct and indirect claims settlement costs or loss adjustment expenses that arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to Tryg.

The calculation of the claims provisions is therefore inherently uncertain and, by necessity, relies upon the making of certain assumptions as regards factors such as court decisions, amendments to legislation, social inflation and other economic trends, including inflation. The Group's actual liability for losses may therefore be subject to material positive or negative deviations relative to the initially estimated claims provisions. Claims provisions are discounted. As a result, initial changes in discount rates or changes in the duration of the claims provisions could have positive or negative effects on earnings. Discounting affects the motor third-party liability, general third-party liability, workers' compensation classes, including sickness and personal accident, in particular.

The Financial Supervisory Authority's adjusted discount curve, which is based on euro swap rates, national spreads and Danish swap rates, and also an option-adjusted mortgage interest rate spread, is used to discount Danish claims provisions.

The Norwegian and Swedish provisions are discounted based on euro swap rates, to which a country-specific interest rate spread is added that

reflects the difference between Norwegian and Swedish government bonds and the interest rate on German government bonds. Finnish provisions are discounted using the Danish discount curve.

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 expected future return on pension assets.

Fair value of financial assets and liabilities

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

Valuation of property

Property is divided into owner-occupied property and investment property. Owner-occupied property is assessed at the reassessed value that is equivalent to the fair value at the time of reassessment, with a deduction for depreciation and write-downs. The fair value is calculated based on a market-determined rental income, as well as operating expenses in proportion to the property's required rate of return in per cent. Investment property is recognised at fair value. The calculation of fair value is based on market prices, taking into consideration the type of property, location and maintenance standard, and based on a market-determined rental income as well as operating expenses in proportion to the property's required rate of return.

Measurement of goodwill

Goodwill is acquired in connection with the 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 once annually. Impairment testing involves estimating future cash flows and is affected by a number of factors, including discount rates and other circumstances dependent on economic trends, such as customer behaviour and competition.

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

The consolidated financial statements comprise the financial statements of Tryg A/S (the parent company) and subsidiaries controlled by the parent company. Control is achieved where the parent company directly or indirectly holds more than 50% of the voting rights or is otherwise able to exercise or actually exercises a controlling influence.

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and its subsidiaries by combining items of a uniform nature. The financial statements of subsidiaries that present financial statements under other legislative rules are restated with reference to the accounting policies applied by the Group.

Undertakings in which the Group exercises significant influence but not control are classified as associates. Significant influence is typically achieved through direct or indirect ownership or control of more than 20% but less than 50% of the votes.

Investments in joint ventures are recognised using the pro rata consolidation method. Using pro rata consolidation, the Group's share of joint

venture assets and liabilities is recognised in the statement of financial position. The share of income and costs and assets and liabilities are presented on a line-by-line basis in the consolidated financial statements.

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

Newly acquired or divested subsidiaries are consolidated with the results for the period subsequent to taking over or before surrendering control, respectively. Profit and loss in divested subsidiaries and profit and loss from discontinued activities are included under discontinued and divested business in the income statement.

Unrealised gains on transactions between consolidated companies (including associates) are eliminated to the extent of the Group's interest in the companies. Unrealised losses are eliminated in the same way as unrealised gains unless impairment has occurred.

Business combinations

Newly acquired undertakings are recognised in the consolidated financial statements from the date of acquisition. Comparative figures are not restated to reflect new acquisitions.

The purchase method is applied for new acquisitions if the Tryg Group gains control of the company acquired. Identifiable assets, liabilities and contingent liabilities in undertakings acquired are measured at fair value at the date of acquisition. The tax effect of revaluations is taken into account.

The date of acquisition is the date on which control of the acquired company actually passes to Tryg.

The cost of a company is the fair value of the agreed consideration paid plus, for acquisitions before 1 January 2010, costs directly attributable to the acquisition. If the final amount of the consideration is conditional on one or more future events, these adjustments are only recognised in cost if the event in question is likely to occur and its effect on cost can be measured reliably.

Any excess of the cost of acquisition of the enterprise over the fair value of the acquired identifiable assets, liabilities and contingent liabilities is recognised as goodwill under intangible assets. Goodwill is tested for impairment at least once a year. If the carrying amount of an asset exceeds its recoverable amount, the asset is written down to the lower recoverable amount.

Foreign 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 information

Segment information is based on the Group's management and internal financial reporting system and supports management decisions concerning the allocation of resources and the 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 insurance products to private individuals in Denmark and Norway. Commercial encompasses the sale of insurance products to small and medium-sized businesses in Denmark and Norway. Corporate sells insurance products to industrial clients in Denmark and Norway. In addition, Corporate handles all activities involving brokers. Sweden encompasses the sale of insurance products to private individuals and corporate customers in Sweden.

Geographical information is presented for the economic areas 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 relating to investment activities 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 2010 issued by the Danish Society of Financial Analysts and the Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds issued by the Danish Financial Supervisory Authority.

Income statement

Premiums

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

Insurance technical interest

According to the Danish Financial Supervisory Authority's executive order, insurance technical interest is presented as a calculated return on the year's average insurance liability provisions, net of reinsurance. The calculated interest return for grouped classes of risks is calculated as the monthly average provision plus a co-weighted interest from the present yield curve for each individual group of risks. The interest is weighted 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.

Bonuses and premium discounts

Bonuses and premium discounts represent anticipated and refunded premiums to policyholders, where the amount refunded depends on the claims record, and for which the criteria for payment have been defined prior to the financial year or when the insurance was taken out.

Insurance operating costs

Insurance operating costs represent acquisition costs and administration expenses less reinsurance commissions received. Expenses relating to acquiring and renewing the insurance portfolio are recognised at the time of writing the business. Underwriting commission is recognised when a legal obligation occurs and is accrued over the term of the policy. Administration expenses are all other expenses attributable to the administration of the insurance portfolio. Administration expenses are accrued to match the financial year.

Leases

Leases are classified either as operating or finance leases. The assessment of the lease is based on criteria such as ownership, right of purchase when the lease term expires, considerations as to whether the asset is custom-made, the lease term and the present value of the lease payments.

Assets held under operating leases are not recognised in the statement of financial position, but the lease payments are recognised in the income statement over the term of the lease, corresponding to the economic lifetime of the asset. The Group has no assets held under finance leases.

Share-based payment

The Tryg Group's incentive programmes comprise share option programmes and matching shares.

Share option programme

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

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

The options are issued at an exercise price that corresponds to the market price of the Group's shares at the time of allocation plus 10%. No other vesting conditions apply. Special provisions are in place concerning sickness and death and in case of change to the Group's capital position etc. The share option agreement entitles the employee to the options unless the employee resigns his position or is dismissed due to breach of the contract of employment. In case of termination due to restructuring or retirement, the employee is still entitled to the options.

The share options are exercisable exclusively during a 15-day period following the publication of full-year, interim and quarterly reports and in accordance with Tryg's internal rules on trading in the Group's shares. The options are settled in shares. A part of the Group's holding of treasury shares is reserved for settlement of the options allocated.

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

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

Matching shares

Members of Executive Management and risk-takers have been allocated shares in accordance with the matching shares programme. Under this programme, the individual management member is allocated one share in Tryg A/S for each share the Executive Management member or risk-taker acquires in Tryg A/S at the market rate for own liquid cash at a contractually agreed sum in connection with the matching share programme.

The shares are provided free of charge, four years after the time of purchase. The holder must acquire the shares in the open window following publication of the annual report for the previous year. In 2011, however, the shares were traded in the first open window after the Tryg A/S annual general meeting. 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-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 an Executive Management member or risk-taker 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/loss.

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

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

Investment management charges represent expenses relating to the management of investments.

Other income and costs

Other income and costs include income and expenses which cannot be ascribed to the Group's insurance portfolio or investment assets, including the sale of products for Nordea Liv og Pension.

Discontinued and divested business

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

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

The comparative figures in the income statement, including result figures in the five-year financial highlights and key figures, have been restated to reflect discontinued business. Discontinued and divested business in the income statement includes the profit/loss after tax of the sale of the right to renew the marine hull business in 2010 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 is acquired in connection with the acquisition of undertakings. 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 are identified as intangible assets on acquisition. The intangible assets are recognised at fair value at the time of acquisition and amortised on a straight-line basis over the expected economic lifetime of 5-12 years.

Software

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

Costs for Group-developed software that are directly connected with the production of identifiable and unique software products, where there is sufficient certainty that future earnings will exceed the costs in more than one year, are reported as intangible assets. Direct costs include staff costs for software development and directly attributable relevant fixed costs. All other costs connected with the development or maintenance of software are expensed on an ongoing basis.

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

Assets under construction

Group-developed intangible assets are recognised under assets under construction until they are put into use, after which they are reclassified as software and amortised in accordance with the amortisation periods stated above.

Property, plant and equipment

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 years
- Vehicles, 5 years
- Furniture, fittings and equipment, 5-10 years

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

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

Land and buildings

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

Owner-occupied property

Owner-occupied property is property that is used in the Group's operations. Owner-occupied properties are measured in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation

and impairment losses. Revaluations are performed regularly to avoid material differences between the carrying amounts and fair values of owner-occupied property at the statement of financial position date. The fair value is calculated on the basis of market-specific rental income per property and typical operating expenses for the coming year. The resulting operating income is divided by the required return on the property in per cent, which is adjusted to reflect market interest rates and property characteristics, corresponding to the present value of a perpetual annuity.

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

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

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

Assets under construction

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

Investment property

Rental properties that are not occupied by the Group are classified as investment property.

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

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

Changes in fair values are recorded in the income statement.

Impairment test of intangible assets and property, plant and equipment

Operating equipment and intangible assets are assessed at least once a year to ensure that the depreciation and amortisation methods and the depreciation and amortisation periods that are used are in line with the expected economic lifetimes. This also applies to the residual value. Impairment is performed if a decrease in value has been demonstrated. A continuous assessment of owner-occupied property is performed using the same method as for investment property.

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. 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.

Equity investments in associates

Associates are enterprises in which the Group has significant influence but not control, generally in the form of an ownership interest of between 20% and 50% of the voting rights. Equity investments in associates are measured using the equity method so that the carrying amount of the investment represents the Group's proportionate share of the enterprises' net assets.

Profit after tax from equity investments in associates is included as a separate line in the income statement. Income is made up after elimination of unrealised intra-group profits and losses.

Associates with a negative net asset value are measured at zero value. If the Group has a legal or constructive obligation to cover the associate's negative balance, such obligation is recognised under liabilities.

Investments

Investments include financial assets at fair value which are recognised in the income statement. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this at every reporting date.

Financial assets measured at fair value with recognition of value adjustments in the income statement comprise assets that form part of a trading portfolio and financial assets designated at fair value with value adjustment via the income statement.

Financial assets at fair value recognised in income statement

Financial assets are recognised at fair value on initial recognition if they are entered in a portfolio that is managed in accordance with fair value. Derivative financial instruments are similarly classified as financial assets held for sale, unless they are classified as security.

Realised and unrealised profits and losses that may arise as a result of changes in the fair value for the category financial assets at fair value are recognised in the income statement in the period in which they arise.

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

The fair values of quoted securities are based on stock exchange prices at the statement of financial position date. For securities that are not listed on a stock exchange, or for which no stock exchange price is quoted that reflects the fair value of the instrument, the fair value is determined using valuation techniques or using OTC prices. These include the use of similar recent arm's length transactions, reference to other instruments that are substantially the same and a 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 bonds and shares or derivatives if they cannot unambiguously be attributed to the former. Negative fair values of derivatives are recognised under derivative financial instruments. Positive and negative values are only offset when the company is entitled or intends to make net settlement of more financial instruments.

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

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

Reinsurers' share of provisions for insurance contracts

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

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

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

Changes due to unwinding are recognised in insurance technical interest. Changes due to changes in the yield curve or foreign exchange rates are recognised as price adjustments. The Group continuously assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount. Impairment losses are recognised in the income statement.

Receivables

Total receivables comprise accounts receivable from policyholders and insurance companies as well as other accounts receivable. Other receivables primarily contain accounts receivable in connection with property.

Derivative financial instruments are reported from the trading date and are measured in the statement of financial position at fair value. Receivables that arise as a result of insurance contracts are classified in this category and are reviewed for impairment as a part of the impairment test of accounts receivable.

Receivables that are not derivative financial instruments 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.

Assets held for sale and associated liabilities

Assets held for sale comprise non-current assets and disposal groups held for sale. A disposal group is a group of assets which an entity intends to dispose of in a single transaction. Liabilities associated with assets held for sale are liabilities which are directly associated with these assets, which will be transferred as part of the transaction. Assets are classified as 'held for sale' when their carrying amount will be recovered primarily via a formally planned sale within a period of 12 months rather than through continued use.

Impairment or reversal of earlier impairment arising in connection with the first classification as held for sale and gains or losses in connection with subsequent measurements at the lower of carrying amount and fair value less costs to sell are recognised in the income statement under the relevant items. Gains and losses are specified in the notes. Assets and disposal groups held for sale are measured at the lower of carrying amount at the time of classification as held for sale and fair value less costs to sell. Assets are not depreciated or amortised from the time of classification as held for sale.

Assets and associated liabilities are specified separately in the statement of financial position, and the main items are specified in the notes. Comparative figures in the statement of financial position are not restated.

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. Incremental 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, and relates primarily to owner-occupied property.

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 equity. 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, security reserve, administration reserve and guarantee reserve. The Danish and Swedish provisions comprise contingency fund provisions. Deferred tax on the Norwegian and Swedish contingency fund reserves is allocated.

Dividend

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

Treasury shares

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

Proceeds from the sale of treasury shares in connection with the exercise of share options or employee 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 and De Vylder's credibility method. Chain-Ladder techniques are used for lines of business with a stable run-off pattern. The Bornhuetter-Ferguson method, and sometimes the Loss Ratio method, are used for claims years in which the previous run-off provides insufficient information about the future run-off performance. De Vylder's credibility method is used for areas that are somewhere in between the Chain-Ladder and Bornhuetter-Ferguson/Loss Ratio methods, and may also be used in situations that call for the use of exposure targets other than premium volume, for example the number of insured.

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

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

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

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

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

Other correlations are not deemed to be significant.

Reserve 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. A defined-benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on age, years of service and salary. 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.

The liability recognised in the statement of financial position in respect of defined-benefit pension plans is the present value of the defined-benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

Expectations as regards returns on plan assets are based on the returns for each asset class and the current allocation thereof. Market expectations of future returns are taken into consideration.

The defined-benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows by a duration that matches the conditions of the underlying pension obligation.

The actuarial gains and losses arising from experience-based adjustments and changes in actuarial estimates is recognised in other comprehensive income.

The plan is closed for new business.

Other employee benefits

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

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

Income tax and deferred tax

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

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

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

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

Other provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of an event prior to or at the statement of financial position date, and it is probable that future economic benefits will flow out of the Group. Provisions are measured at the best estimate by management of the expenditure required to settle the present obligation. The measurement of provisions is based on a discounting of the costs necessary to settle the obligation if this has a significant effect on the measurement of the obligation.

Provisions for restructurings are recognised as obligations when a detailed formal restructuring plan has been announced prior to or at the statement of financial position date at the latest to the persons affected by the plan.

Own insurance is included under other provisions. The provisions apply to the Group's own insurance claims and are reported when the damage occurs according to the same principle as the Group's other claims provisions.

Debt

Debt comprises debt in connection with direct insurance and reinsurance, amounts owed to credit institutions, current tax obligations and other debt. Derivative financial instruments are assessed at fair value according to the same practice that applies to financial assets. Other liabilities are assessed at amortised cost based on the effective interest method.

Cash flow statement

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

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

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

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

Cash and cash equivalents comprise cash and demand deposits.

Income statement (parent company)

DKKm		2011	2012
Note	Investment activities		
1	Income from Group undertakings	1,189	2,265
	Price adjustments	1	0
	Administration expenses in connection with investment activities	-8	-8
	Total investment return	1,182	2,257
2	Other expenses	-57	-67
	Profit/loss before tax	1,125	2,190
3	Tax	15	18
	Profit/loss on continuing business	1,140	2,208
	Profit/loss for the year	1,140	2,208
	Proposed distribution for the year:		
	Dividend	400	1,594
	Transferred to reserve for net revaluation according to the equity method	911	1,865
	Transferred to retained profit	-171	-1,251
		1,140	2,208
	Statement of comprehensive income		
	Profit/loss for the year	1,140	2,208
	Other comprehensive income		
	Other comprehensive income which cannot subsequently be reclassified as profit or loss		
	Revaluation of owner-occupied property for the year	20	42
	Tax on revaluation of owner-occupied property for the year	-6	-12
	Actuarial gains/losses on defined-benefit pension plans	-399	-62
	Tax on actuarial gains/losses on defined-benefit pension plans	111	16
	Deferred tax on contingency fund provision	-22	0
		-296	-16
	Other comprehensive income which can subsequently be reclassified as profit or loss		
	Foreign currency translation adjustment of foreign entities for the year	29	193
	Hedging of currency risk in foreign entities for the year	-27	-184
	Tax on hedging of currency risk in foreign entities for the year	7	46
		9	55
	Total other comprehensive income	-287	39
	Total comprehensive income	853	2,247

Statement of financial position (parent company)

DKKm		2011	2012
Note	Assets		
4	Equity investments in Group undertakings	8,985	10,889
	Total investments in Group undertakings	8,985	10,889
	Total investment assets	8,985	10,889
	Receivables from Group undertakings	23	85
	Total receivables	23	85
5	Current tax assets	17	24
	Cash at bank and in hand	0	1
	Total other assets	17	25
	Total assets	9,025	10,999
	Equity and liabilities		
	Equity	9,024	10,996
	Debt to Group undertakings	1	0
	Other debt	0	3
	Total debt	1	3
	Total equity and liabilities	9,025	10,999
6	Deferred tax assets		
7	Capital adequacy		
8	Contractual obligations, contingent liabilities and collateral		
9	Related parties		
10	Reconciliation of profit/loss and equity		
11	Accounting policies		

Statement of changes in equity (parent company)

DKKm	Share capital	Revaluation reserves	Retained earnings	Proposed dividend	Total
Equity at 31 December 2010	1,598	1,352	5,269	256	8,475
2011					
Profit/loss for the year		911	-171	400	1,140
Revaluation of owner-occupied property for the year		20			20
Foreign currency translation adjustment of foreign entities for the year		29			29
Hedging of currency risk in foreign entities for the year		-27			-27
Actuarial gains and losses on pension obligation		-399			-399
Tax on changes in equity		112	-22		90
Total comprehensive income	0	646	-193	400	853
Nullification of treasury shares	-65		65		0
Dividend paid				-256	-256
Dividend, treasury shares			14		14
Purchase of treasury shares			-91		-91
Exercise of share options			15		15
Issue of share options			14		14
Total changes in equity in 2011	-65	646	-176	144	549
Equity at 31 December 2011	1,533	1,998	5,093	400	9,024
2012					
Profit/loss for the year		1,865	-1,251	1,594	2,208
Revaluation of owner-occupied property for the year		42			42
Foreign currency translation adjustment of foreign entities for the year		193			193
Hedging of currency risk in foreign entities for the year		-184			-184
Actuarial gains and losses on pension obligation		-62			-62
Tax on changes in equity		50			50
Total comprehensive income	0	1,904	-1,251	1,594	2,247
Dividend paid				-400	-400
Dividend, treasury shares			6		6
Purchase and sale of treasury shares			66		66
Exercise of share options			44		44
Issue of share options			9		9
Total changes in equity in 2012	0	1,904	-1,126	1,194	1,972
Equity at 31 December 2012	1,533	3,902	3,967	1,594	10,996

Proposed dividend per share DKK 26 (DKK 6.52 in 2011). Dividend per share is calculated as the total dividend proposed by the Supervisory Board after the end of the financial year divided by the number of shares at the end of the year (61,316,103 shares). The dividend is not paid until approved by the shareholders at the annual general meeting. Tryg Forsikring A/S's Norwegian branch has in its branch financial statements included contingency fund provisions in the amount of DKK 2,394m (DKK 2,430m in 2011). Tryg Forsikring A/S's Swedish branch has in its branch financial statements included contingency fund provisions in the amount of DKK 160m (DKK 144m in 2011). In Tryg Forsikring A/S, these provisions, due to their nature as additional provisions, are included in equity (retained earnings), net of deferred tax. Tryg Forsikring A/S's possible payment of dividend to Tryg A/S is influenced by this amount and by a contingency fund provision of DKK 670m, which is included in equity in Tryg Forsikring A/S. Tryg Garantiforsikring A/S has a similar contingency fund provision amounting to DKK 139m, which is also included in the company's equity. The contingency fund provisions can be used to cover losses in connection with the settlement of insurance provisions or otherwise for the benefit of the insured.

Notes (parent company)

DKKm	2011	2012
1 Income from Group undertakings		
Tryg Forsikring A/S	1,189	2,265
	1,189	2,265
2 Other expenses		
Administration expenses	-57	-67
	-57	-67
<p>Remuneration for the Executive Management is paid partly by Tryg A/S and partly by Tryg Forsikring A/S and Tryg Forsikring, a Norwegian branch of Tryg Forsikring A/S, and is charged to Tryg A/S via the cost allocation. Remuneration for the Supervisory Board, the Executive Management and risk-takers can be seen from Note 29 concerning related parties of the Tryg Group. Refer to Note 7 of the consolidated financial statements for a specification of the audit fee.</p>		
Average number of full-time employees during the year	0	11
3 Tax		
Reconciliation of tax costs		
Tax on accounting loss before profit/loss in subsidiaries and tax	15	19
Tax adjustment, previous years	0	-1
	15	18
Effective tax rate	%	%
Tax on accounting profit	25	25
Change in respect of previous years	-2	-1
	23	24
4 Equity investments in Group undertakings		
Cost		
Balance at 1 January	6,987	6,987
Balance at 31 December	6,987	6,987
Revaluation and impairment to net asset value		
Balance at 1 January	1,352	1,998
Revaluations for the year	902	2,304
Dividend paid	-256	-400
Balance at 31 December	1,998	3,902
Carrying amount at 31 December	8,985	10,889
Name and registered office	Ownership share in %	Equity
2012		
Tryg Forsikring A/S, Ballerup	100	100
2011		
Tryg Forsikring A/S, Ballerup	100	100

Notes (parent company)

DKKm	2011	2012
5 Current tax assets		
Tax payable, beginning of year	17	17
Current tax for the year	16	24
Adjustment of current tax in respect of previous years	0	-7
Tax paid for the year	-16	-10
	17	24
6 Deferred tax assets		
Capitalised tax losses		
Tryg A/S	0	0
Non-capitalised tax losses		
Tryg A/S	18	18
The loss in Tryg A/S can only be utilised in Tryg A/S. The loss can be carried forward indefinitely.		
The losses are not recognised as tax assets until it has been substantiated that the company can generate sufficient future taxable income to offset the tax losses.		
7 Capital adequacy		
Equity according to annual report	9,024	10,996
Proposed dividend	-400	-1,594
Solvency requirements for subsidiaries – 50%	-2,508	-2,406
Tier 1 capital	6,116	6,996
Subordinate loan capital	848	873
Solvency requirements for subsidiaries – 50%	-2,507	-2,405
Capital base	4,457	5,464
Weighted items	3,970	6,078
Solvency ratio	112	90
8 Contractual obligations, contingent liabilities and collateral		
The Danish companies in the Tryg Group are taxed jointly with TryghedsGruppen smba. As of 1 July 2012, the companies and the other jointly taxed companies are thus jointly and severally liable for any obligation to withhold tax deducted at source on interest, royalties and dividends in respect of the jointly taxed companies.		
Companies in the Tryg Group are party to a number of disputes. Management believes that the outcome of these legal proceedings 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 2012.		

Notes (parent company)


DKKm	2011	2012
<p>9 Related parties Tryg A/S has no related parties with a controlling influence other than the parent company, Trygheds-Gruppen smba. Related parties with a significant influence include the Supervisory Board, the Executive Management and their members' related family. Related parties are the same as for the Tryg Group; please see Note 29 in the consolidated financial statements.</p> <p>Parent company TryghedsGruppen smba TryghedsGruppen smba controls 60% of the shares in Tryg A/S.</p> <p>Transactions with Group undertakings and associates Tryg A/S exercises full control over Tryg Forsikring A/S.</p> <p>Intra-group trading involved:</p> <ul style="list-style-type: none"> - Providing and receiving services -61 -40 - Intra-group account 23 84 <p>Administration fee etc. is settled on a cost-recovery basis. Intra-group accounts are offset and carry interest on market terms.</p>		
<p>10 Reconciliation of profit/loss and equity The executive order on application of International Financial Reporting Standards for companies subject to the Danish Financial Business Act issued by the Danish FSA requires disclosure of differences between the format of the annual report under International Financial Reporting Standards and the rules issued by the Danish FSA. The following is a reconciliation of profit/loss and equity.</p> <p>Reconciliation of profit/loss Profit/loss – IFRS 1,140 2,208</p> <p>Profit/loss – Danish FSA executive order 1,140 2,208</p> <p>Reconciliation of equity Equity – IFRS 9,007 10,979 Deferred tax provisions for contingency funds 17 17</p> <p>Equity – Danish FSA executive order 9,024 10,996</p>		
<p>11 Accounting policies Please refer to the Tryg Group's accounting policies.</p>		

Q4 2012 | Quarterly outline

DKKm	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Private									
Gross premium income	2,283	2,329	2,338	2,385	2,373	2,401	2,405	2,478	2,449
Technical result	124	123	221	231	192	152	351	404	326
Key ratios									
Gross claims ratio	77.3	78.4	73.3	89.2	76.0	80.4	71.8	69.0	70.1
Net reinsurance ratio	1.1	1.3	1.3	-14.3	0.3	-2.3	-2.1	-0.1	1.1
Claims ratio, net of ceded business	78.4	79.7	74.6	74.9	76.3	78.1	69.7	68.9	71.2
Gross expense ratio	16.9	16.1	16.9	16.1	16.3	16.0	16.0	15.0	15.6
Combined ratio	95.3	95.8	91.5	91.0	92.6	94.1	85.7	83.9	86.8
Combined ratio exclusive of run-off	101.5	97.3	92.7	94.3	94.4	98.4	90.1	87.0	88.4
Commercial									
Gross premium income	938	924	929	946	916	920	930	931	906
Technical result	56	4	104	69	133	87	168	193	156
Key ratios									
Gross claims ratio	73.2	78.9	61.6	96.4	64.2	78.2	62.6	56.8	59.8
Net reinsurance ratio	-0.1	2.2	7.0	-24.9	2.1	-7.1	-1.4	2.3	2.8
Claims ratio, net of ceded business	73.1	81.1	68.6	71.5	66.3	71.1	61.2	59.1	62.6
Gross expense ratio	21.3	19.6	21.0	21.2	19.4	20.0	21.1	20.1	20.0
Combined ratio	94.4	100.7	89.6	92.7	85.7	91.1	82.3	79.2	82.6
Combined ratio exclusive of run-off	99.1	99.1	87.6	102.0	95.9	95.7	90.4	86.3	85.8
Corporate									
Gross premium income	1,330	1,282	1,313	1,356	1,308	1,305	1,312	1,311	1,330
Technical result	98	141	176	163	29	150	284	95	121
Key ratios									
Gross claims ratio	78.3	68.2	77.2	85.8	90.0	78.9	64.0	78.2	77.8
Net reinsurance ratio	2.3	9.4	-2.9	-9.5	-4.6	-2.2	1.8	2.5	0.7
Claims ratio, net of ceded business	80.6	77.6	74.3	76.3	85.4	76.7	65.8	80.7	78.5
Gross expense ratio	12.8	12.6	13.0	12.3	13.1	12.6	12.7	11.9	12.2
Combined ratio	93.4	90.2	87.3	88.6	98.5	89.3	78.5	92.6	90.7
Combined ratio exclusive of run-off	99.9	102.8	98.4	98.5	112.9	96.7	92.1	97.3	103.4

DKKm	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Sweden									
Gross premium income	351	353	412	451	370	361	417	477	399
Technical result	-1	-1	14	17	-44	-28	28	48	54
Key ratios									
Gross claims ratio	80.1	76.5	81.1	86.3	88.1	87.5	77.7	75.3	67.2
Net reinsurance ratio	0.3	4.0	1.5	-2.9	0.5	0.6	-0.2	1.0	-0.8
Claims ratio, net of ceded business	80.4	80.5	82.6	83.4	88.6	88.1	77.5	76.3	66.4
Gross expense ratio	21.4	22.4	16.7	14.0	24.9	21.9	17.7	14.5	21.1
Combined ratio	101.8	102.9	99.3	97.4	113.5	110.0	95.2	90.8	87.5
Combined ratio exclusive of run-off	105.8	103.5	93.7	96.7	115.1	107.8	92.8	88.7	87.2
Other^{a)}									
Gross premium income	-3	-9	-6	-5	-17	-2	-7	-1	-8
Technical result	0	0	0	0	0	0	0	-88	-9
Tryg									
Gross premium income	4,899	4,879	4,986	5,133	4,950	4,985	5,057	5,196	5,076
Technical result	277	267	515	480	310	361	831	652	648
Investment return	262	111	-5	-189	144	353	-111	338	5
Profit/loss before tax	524	359	498	279	467	702	701	976	638
Profit/loss	369	271	362	163	344	556	515	733	404
Key ratios									
Gross claims ratio	77.0	75.7	72.4	89.5	78.5	79.9	68.7	70.3	70.2
Net reinsurance ratio	1.1	3.7	1.7	-14.1	-0.9	-2.7	-1.0	1.0	0.9
Claims ratio, net of ceded business	78.1	79.4	74.1	75.4	77.6	77.2	67.7	71.3	71.1
Gross expense ratio	16.9	16.5	16.7	16.1	16.9	16.6	16.5	16.4	16.3
Combined ratio	95.0	95.9	90.8	91.5	94.5	93.8	84.2	87.7	87.4
Combined ratio exclusive of run-off	100.8	99.6	93.5	97.3	101.2	98.5	91.1	91.5	92.1

a) Amounts relating to eliminations, restructuring expenses and discontinued and divested business are included under 'Other'.

 A more detailed version of the table can be found at tryg.com > investor > Downloads

Q4 2012 | Geographical segments

DKKm	Q4 2011	Q4 2012	2011	2012
Danish general insurance				
Gross premium income	2,488	2,456	10,019	9,910
Technical result	273	536	1,033	1,441
Run-off gains/losses, net of reinsurance	266	159	770	571
Key ratios				
Gross claims ratio	82.0	62.6	83.3	71.1
Net reinsurance ratio	-6.0	2.4	-8.1	-0.2
Claims ratio, net of ceded business	76.0	65.0	75.2	70.9
Gross expense ratio	13.1	12.7	15.1	14.5
Combined ratio	89.1	77.7	90.3	85.4
Number of full-time employees, end of period			2,315	2,187
Norwegian general insurance				
Gross premium income	1,991	2,091	7,916	8,239
Technical result	84	54	598	1,017
Run-off gains/losses, net of reinsurance	49	79	181	464
Key ratios				
Gross claims ratio	72.6	79.9	73.2	72.4
Net reinsurance ratio	5.2	-0.6	3.2	-1.0
Claims ratio, net of ceded business	77.8	79.3	76.4	71.4
Gross expense ratio	18.9	18.5	17.0	16.8
Combined ratio	96.7	97.8	93.4	88.2
Number of full-time employees, end of period			1,338	1,282
Swedish general insurance^{a)}				
Gross premium income	488	537	2,050	2,183
Technical result	-47	67	-59	131
Run-off gains/losses, net of reinsurance	16	-2	-7	-21
Key ratios				
Gross claims ratio	83.4	65.7	82.0	75.3
Net reinsurance ratio	2.9	1.9	2.6	1.5
Claims ratio, net of ceded business	86.3	67.6	84.6	76.8
Gross expense ratio	25.8	20.7	20.3	18.6
Combined ratio	112.1	88.3	104.9	95.4
Number of full-time employees, end of period			423	444

DKKm	Q4 2011	Q4 2012	2011	2012
Other^{b)}				
Gross premium income	-17	-8	-37	-18
Technical result	0	-9	0	-97
Tryg				
Gross premium income	4,950	5,076	19,948	20,314
Technical result	310	648	1,572	2,492
Investment return	144	5	61	585
Other income and costs	13	-15	-30	-60
Profit/loss before tax	467	638	1,603	3,017
Run-off gains/losses, net of reinsurance	331	237	944	1,015
Key ratios				
Gross claims ratio	78.5	70.2	79.1	72.2
Net reinsurance ratio	-0.9	0.9	-2.5	-0.4
Claims ratio, net of ceded business	77.6	71.1	76.6	71.8
Gross expense ratio ^{c)}	16.9	16.3	16.6	16.4
Combined ratio	94.5	87.4	93.2	88.2
Number of full-time employees, end of period, continuing business			4,076	3,913
Number of full-time employees, end of period, discontinued and divested business			242	189

a) Moderna Försäkringar is included in 'Swedish general insurance' from 2 April 2009.

b) Amounts relating to eliminations, restructuring expenses and discontinued and divested business are included under 'Other'.

c) Adjustment of gross expense ratio included only in 'Tryg'.

The adjustment is explained in a footnote to Financial highlights.

Other key figures

	2008	2009	2010	2011	2012
Claims ratio, net	70.3	73.8	81.4	75.7	70.7
Expense ratio, net with adjustment	16.9	16.9	17.1	17.0	16.9
Combined ratio, net with adjustment	87.2	90.7	98.5	92.7	87.6
Expense ratio, net without adjustment	17.3	16.8	17.0	16.9	16.6
Gross profit ratio	14.6	9.7	2.4	7.9	12.3
Profit ratio, net of reinsurance	15.3	10.2	2.6	8.3	13.0
Gross technical interest ratio	2.9	0.8	0.7	0.9	0.3
Technical interest ratio, net of reinsurance	3.0	0.9	0.7	0.9	0.3
Return on equity before tax on continuing business (%)	15.8	30.7	11.1	18.4	30.2
Return on equity after tax on continuing business (%)	10.2	23.6	8.2	13.1	21.8
Average premium provisions	5,252	5,654	6,514	6,876	6,810
Average claims provisions	20,454	21,110	23,677	25,894	27,073
Average reinsurers' share of provisions for insurance contracts	1,312	1,178	1,454	1,828	2,192
Reserve ratio, premium provisions (%)	30.7	35.7	36.1	34.8	32.9
Reserve ratio, claims provisions (%)	118.8	129.2	131.7	134.9	134.1
Total reserve ratio	149.5	164.9	167.8	169.7	167.0
Number of full-time employees, end of period, continuing business	3,911	4,119	4,101	4,076	3,912
Number of full-time employees, end of period, discontinued and divested business	180	217	191	242	189
Share performance					
Earnings per share (DKK)	12.8	31.7	9.5	18.9	36.5
Diluted earnings per share (DKK) ^{a)}		31.7	9.5	18.9	36.4
Earnings per share (DKK) of continuing business	14.0	33.3	11.9	19.0	36.0
Number of shares, end of period (1,000)	64,378	63,228	60,634	60,373	60,695
Average number of shares (1,000)	66,184	63,334	62,362	60,401	60,491
Diluted average number of shares (1,000) ^{a)}		63,448	62,444	60,401	60,714
Share price at 31 December (DKK)	328.0	342.8	257.5	319.0	426.5
Net asset value per share (DKK)	127.5	152.3	139.5	149.2	180.9
Market price/net asset value	2.6	2.3	1.8	2.1	2.4
Dividend per share (DKK)	6.5	15.5	4.0	6.52	26.00
Price/earnings	23.4	10.3	21.7	16.8	11.8

^{a)} There has been no dilution of earnings or equity in 2008.

The expense ratio, net without adjustment, is calculated as the ratio of actual insurance operating costs, net of reinsurance, to premium income, net of reinsurance.

Other key ratios are calculated in accordance with 'Recommendations & Financial Ratios 2010' issued by the Danish Society of Financial Analysts.

The adjustment, which is made pursuant to the Danish Financial Supervisory Authority's and the Danish Society of Financial Analysts' definitions of expense ratio and combined ratio, involves the addition of a calculated cost (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.



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 & Financial Ratios 2010' issued by the Danish Society of Financial Analysts.

Run-off gains/losses

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

Capital base

Equity plus share of subordinate loan capital and less intangible assets, tax asset, discounting, equalisation reserve and proposed dividend.

Gross claims ratio

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

Gross insurance technical interest ratio

$$\frac{\text{Insurance technical interest net of reinsurance x 100}}{\text{Gross premium income}}$$

Gross expense ratio

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

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

Gross expense ratio without adjustment

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

Gross profit margin

$$\frac{\text{Technical result x 100}}{\text{Gross premium income}}$$

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

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

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 (excluding the Norwegian and Swedish branches) and Tryg Garantiforsikring A/S (including Finnish branch).

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.

Percentage return on equity

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

Equity margin

$$\frac{\text{Premium income, net of reinsurance x 100}}{\text{Tier 1 capital}}$$

Individual solvency

New Danish solvency requirements for insurance companies comprising the companies' own determination of their capital requirements calculated using their own methods.

The rules entered into force on 1 January 2008, and the figures must be reported to the Danish Financial Supervisory Authority four times a year.

Net asset value per share

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

Tier 1 capital

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

Net reinsurance ratio

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

Norwegian general insurance

Comprises Tryg Forsikring A/S, Norwegian branch, and the Norwegian branch of Tryg Garantiforsikring A/S.

Operating ratio

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

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

Price/earnings ratio

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

Relative run-off gains/losses

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

Reserve ratio, claims provisions

$$\frac{\text{Claims provisions} \times 100}{\text{Gross premium income}}$$

Reserve ratio, premium provisions

$$\frac{\text{Premium provisions} \times 100}{\text{Gross premium income}}$$

Total reserve ratio

Reserve ratio, claims provisions + premium provisions

Earnings per share

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

Claims ratio, net of ceded business

Gross claims ratio + net reinsurance ratio

Solvency II

New solvency requirements for insurance companies issued by the EU Commission. The new rules are expected to come into force in 2014/2015, at the earliest.

Solvency ratio

Ratio between capital base and weighted assets.

Swedish general insurance

Comprises Tryg Forsikring A/S, Swedish branch, and the Swedish branch of Tryg Garantiforsikring A/S.

Dividend per share

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

Diluted number of shares

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

Diluted earnings per share (continuing business)

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


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.

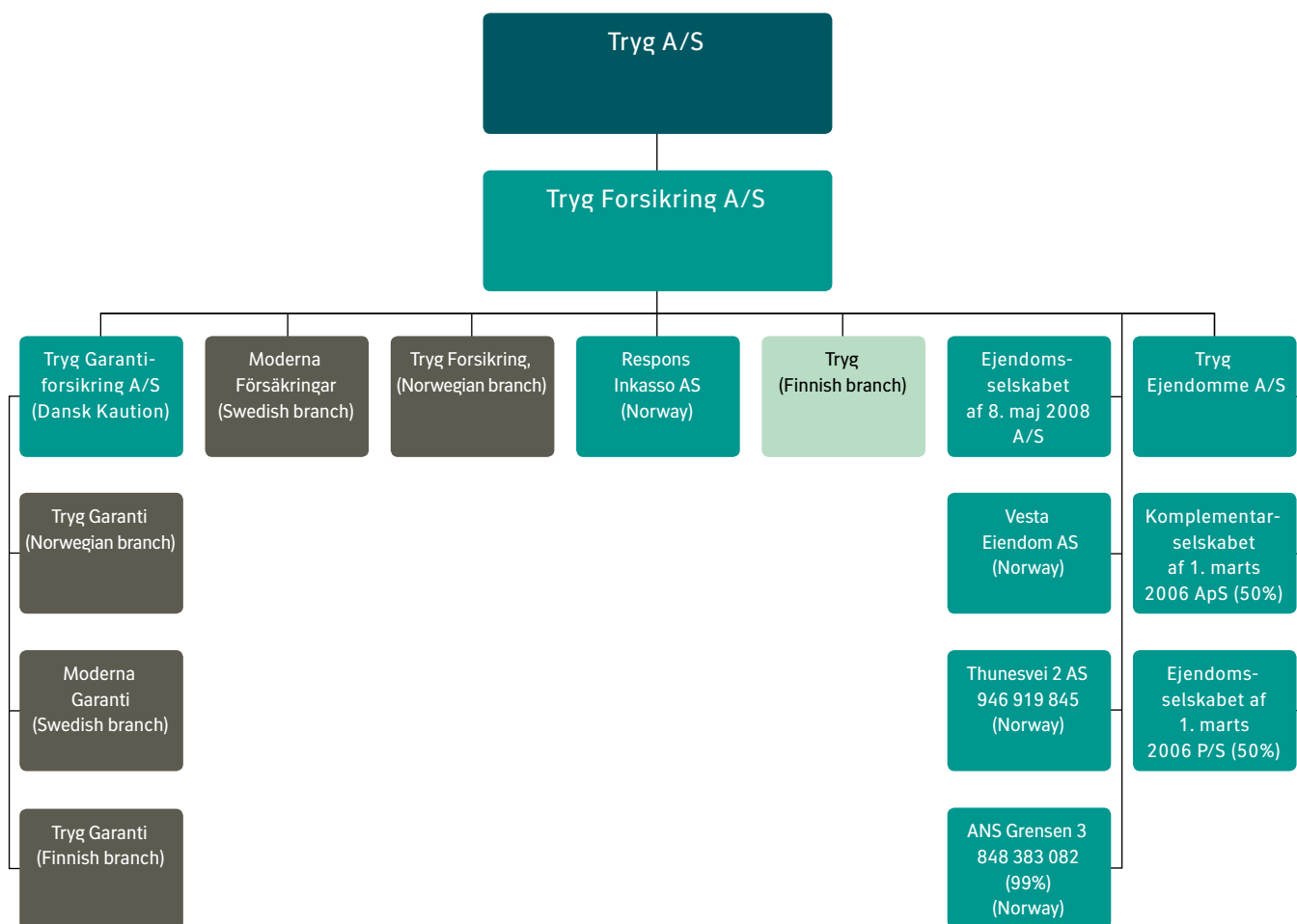
Disclaimer

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 in the annual report on page 38, and in Note 1 on page 77, for a description of some of the factors which may affect the Group's performance or the insurance industry.](#)

Group chart



Group chart at 1 January 2013. Companies and branches are wholly owned by Danish owners and domiciled in Denmark, unless otherwise stated.

■ Company ■ Branch

■ The branch has been sold. Final authority approval expected in Q1 2013.

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 32% of total premium income and comprises mandatory third-party liability insurance providing cover for injuries to a third party or damage to a third party's property, and a voluntary comprehensive insurance policy that provides cover for damage to the customer's own vehicle from collision, fire or theft.

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



Fire and contents – Private

Fire and contents insurance for private customers represents 24% of total premium income and includes, for example, house and contents insurance.

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



Personal accident insurance

Personal accident insurance accounts for 9% 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 14% 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).

Tryg works with the concept of proactive claims handling, pursuing a close dialogue with the claimant to optimise the process. Our proactive claims handling team consists of claims handlers, social counsellors, legal experts, occupational health practitioners, orthopaedic surgeons and a network of psychologists. Proactive claims handling has three winners: the company, the claimant and Tryg in the form of shorter periods of sick leave, enhanced self-esteem for the injured person and reduced expenses.



General third-party liability insurance

General third-party liability insurance represents 5% of total premium income and covers various types of liability, including claims incurred by a company arising from the conduct of its business or in connection with its products, and third-party liability for professionals.



Transport insurance

Transport insurance represents 2% of total premium income and covers damage to goods in transit due to the collision, overturning or crashing of the means of transport.



Health insurance

Health insurance represents 2% of total premium income. The insurance covers the costs of examinations, treatment, medicine, surgery and rehabilitation at a private health facility. In recent years, increasing health costs and waiting times in the public system have led to a significant demand for private health insurance. The growth in health insurance is, however, expected to decline, as the new government has removed the tax deduction from schemes funded by employers.

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