



Annual report 2018

Tryg A/S · Klausdalsbrovej 601, 2750 Ballerup, Denmark · CVR no. 26660212

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Tryg at a glance

1,105 Employees
3 Market position
13.2% Market share



402 Employees
5 Market position
3.0% Market share



2,520 Employees
1 Market position
21.8% Market share



Purpose

As the world changes, we make it easier to be tryg^{a)}.

a) "Tryg" means: feeling protected and cared for.

Attractive dividend policy

We aim to distribute a nominal, stable increase in dividend and to pay out 60-90% of our profit.

Great diversity of products

We offer a broad range of insurance products for private individuals as well as businesses.

Trygheds-Gruppen

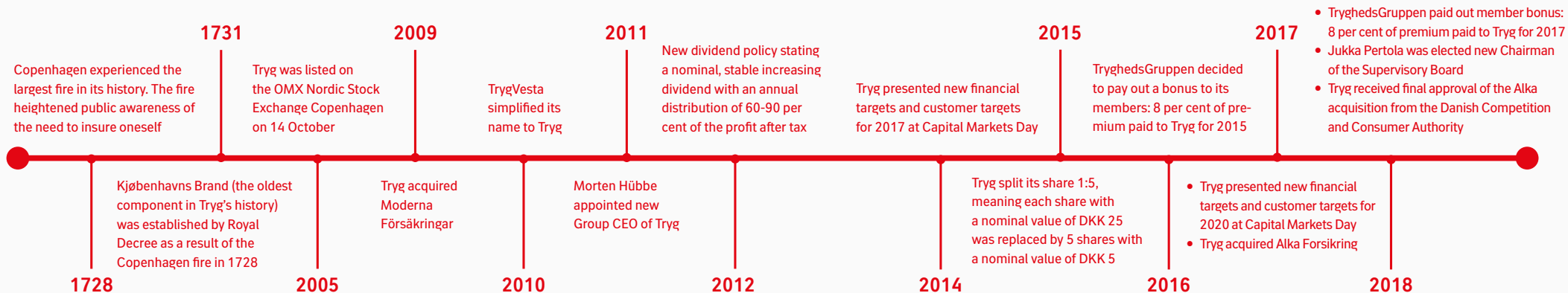
Owns 60% of Tryg and annually contributes around DKK 600m to projects that create peace of mind via TrygFonden.

Strong market position

Tryg is one of the largest non-life insurance companies in the Nordic region. We are the largest player in Denmark and the third-largest in Norway. In Sweden, we are the fifth-largest company in the market.

4 million customers

Our 4,000 employees provide peace of mind for 4 million customers and handle approximately 1 million claims on a yearly basis.



Tryg received the final approval of the Alka acquisition from the Danish Competition and Consumer Authority in November 2018. The acquisition of Alka complements Tryg's position and distribution presence in the Danish private market, Tryg's core market segment.

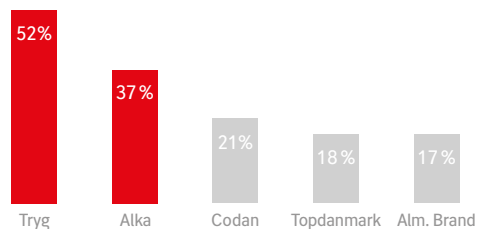
More than 100 years of experience

In 1903, a group of trade union managers founded Arbejdernes Livsforsikring, which became Alka Forsikring in 1944. Alka has thus more than 100 years of experience of insurance in Denmark.

Alka is very strong on customer satisfaction with a score of 80.2 in the annual customer satisfaction survey. A company with a score above 75 holds a very strong position amongst its customers according to EPSI*.

** EPSI Rating is a model used for measuring customer satisfaction. Today, 12 European countries are using this model.*

Tryg and Alka have the strongest brand awareness in Denmark



■ Private ■ Commercial

Gross premium Non-life
(DKK 2.2bn in 2017)

100+ yrs

More than 100 years of experience within the insurance industry



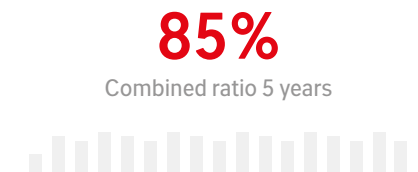
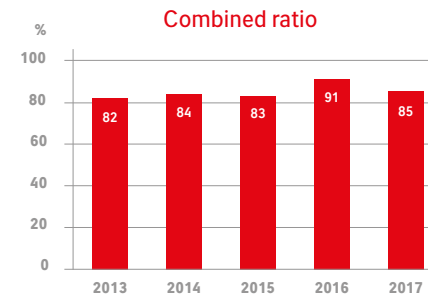
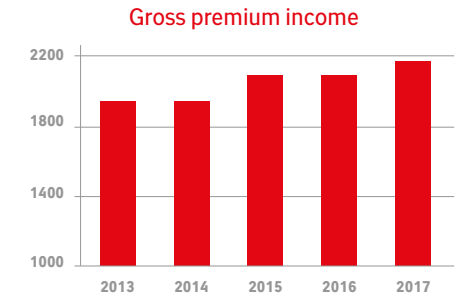
Alka customers will benefit from TryghedsGruppen's member bonus

80.2

A score of 80.2 in the annual customer satisfaction survey is a very strong position amongst customers

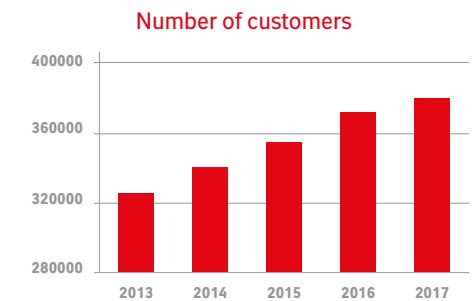


33% of Alka's premiums sold via digital channels



~450
Employees

+370,000
Customers



Business areas

Private

Private provides insurance products to private customers in Denmark and Norway. Private offers a range of insurance products including car, contents, house, accident, travel, motorcycles, dog and health.



Portfolio



Brands



Employees

Own sales agents • Call centres • Real estate agents
Internet • Nordea branches • Car dealers

Distribution channels

Commercial

Commercial provides insurance products including motor, property, liability, workers' compensation, travel and health to small and medium-sized business in Denmark and Norway.



Portfolio



Brands



Employees

Call centres • Internet
Own sales agents • Franchise offices

Distribution channels

Corporate

Corporate provides insurance products including property, liability, workers' compensation, transport, group life etc. to corporate customers under the brand Tryg in Denmark and Norway, and Moderna in Sweden. Tryg is part of the global AXA Corporate solutions network.



Portfolio



Brands



Employees

Own sales agents
Insurance brokers

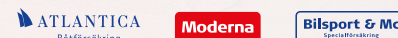
Distribution channels

Sweden

Sweden provides insurance products to private individuals within car, house, dog, child, boat and accident insurance etc.



Portfolio



Brands



Employees

Own sales agents • Call centres
Internet

Distribution channels



Income overview

DKKm	Q4 2018	Q4 2017	2018	2017	2016	2015	2014
Gross premium income	5,053	4,488	18,740	17,963	17,707	17,977	18,652
Gross claims	-3,485	-3,076	-12,636	-11,865	-11,619	-13,562	-12,650
Total insurance operating costs	-787	-616	-2,704	-2,516	-2,737	-2,720	-2,689
Profit/loss on gross business	781	796	3,400	3,582	3,351	1,695	3,313
Profit/loss on ceded business	-184	-170	-624	-779	-951	710	-341
Insurance technical interest, net of reinsurance	-1	-4	-10	-14	-10	18	60
Technical result	596	622	2,766	2,789	2,390	2,423	3,032
Investment return after insurance technical interest	-330	86	-332	527	987	-22	360
Other income and costs	-117	-23	-172	-77	-157	-91	-90
Profit/loss before tax	149	685	2,262	3,239	3,220	2,310	3,302
Tax	-37	-158	-529	-720	-748	-390	-755
Profit/loss on continuing business	112	527	1,733	2,519	2,472	1,920	2,547
Profit/loss on discontinued and divested business after tax	-2	0	-2	-2	-1	49	10
Profit/loss	110	527	1,731	2,517	2,471	1,969	2,557
Run-off gains/losses, net of reinsurance	207	219	1,221	972	1,239	1,212	1,131
Key figures							
Total equity	11,334	12,616	11,334	12,616	9,437	9,644	11,119
Return on equity after tax (%)	3.9	22.1	14.9	28.8	26.2	20.0	23.7
Number of shares 31 December (1,000)	301,743	301,945	301,743	301,945	274,595	282,316	289,120
Earnings per share (DKK)	0.37	1.87	5.73	9.12	8.84	6.91	8.74
Net asset value per share (DKK)			37.56	41.78	34.37	34.16	38.46
Ordinary dividend per share (DKK)	1.65	1.60	6.60	6.40	6.20	6.00	5.80
Proposed extraordinary dividend per share (DKK)				3.31	3.54		
Premium growth in local currencies	13.0	1.9	6.3	1.7	0.1	-0.8	-1.1
Gross claims ratio	69.0	68.5	67.4	66.1	65.6	75.4	67.8
Net reinsurance ratio	3.6	3.8	3.3	4.3	5.4	-3.9	1.8
Claims ratio, net of ceded business	72.6	72.3	70.7	70.4	71.0	71.5	69.6
Gross expense ratio	15.6	13.7	14.4	14.0	15.7	15.3	14.6
Combined ratio	88.2	86.0	85.1	84.4	86.7	86.8	84.2
Run-off, net of reinsurance (%)	-4.1	-4.9	-6.5	-5.4	-7.0	-6.7	-6.1
Large claims, net of reinsurance (%)	1.7	1.8	2.6	1.4	2.2	3.4	3.1
Weather claims, net of reinsurance (%)	1.6	2.8	2.0	1.7	2.0	3.4	2.4
Combined ratio on business areas							
Private	80.1	82.0	81.6	82.1	83.8	85.4	82.5
Commercial	74.2	85.9	80.3	82.6	82.1	83.6	79.4
Corporate	111.8	93.8	95.6	90.0	88.8	90.7	89.8
Sweden	89.2	91.3	86.0	88.1	90.7	83.5	92.0

Improvements in all areas and approval of the Alka transaction



The year 2018 showed improvements in all important areas. Profitability improved, the number of customers increased, and customer loyalty and employee job satisfaction increased. We were also pleased that the acquisition of Alka was approved by the authorities in November 2018.

Excluding Alka one-offs and earnings, technical result for 2018 was DKK 2,826m driven by a combined ratio of 84.5%. The 2018 technical result, as reported, was DKK 2,766m which together with a negative investment return yielded a total profit of DKK 1,731m, corresponding to a return on equity of 14.9 per cent after tax.

First year with new targets and new purpose

At the capital markets day in November 2017, Tryg announced new financial targets and customer targets for the period up until 2020. The acquisition of Alka increased the technical result target from DKK 2,800m to DKK 3,300m.

In 2018, Tryg reported an improvement in the underlying claims level with progress in all areas. Earnings are still not satisfactory for Corporate, and efforts to improve profitability will continue in the coming years. Tryg saw a markedly improved level of customer loyalty – in terms of the degree of customer satisfaction (TNPS), which was 67, and an improved renewal rate for all areas. This also contributed to growth in premium income of 6.3%.

Tryg's new purpose "As the world changes, we make it easier to be tryg" proved its worth and served as a general guide in 2018 – from daily customer contact to strategic decisions.

Dividend payments to shareholders

It is very important for Tryg that our shareholders should receive a nominal, stable increase in dividend. A total dividend per share of DKK 6.60 will be paid out for FY 2018 (DKK 6.40 in 2017) including a Q4 dividend per share of DKK 1.65.

Digitalisation and innovation

The insurance industry is confronted by rapid changes in recent years. To maintain a leading position in the future, Tryg focuses strongly on digitalisation and innovation. The development of digital solutions continues, and more than one third of claims are reported online, while online sales of insurance products have shown a substantial increase. The development of innovative automotive products continued in 2018, and we have now launched products where the driver's behaviour determines the insurance premium payable in all countries.

Claims management and prevention

Tryg continues to utilise its very large purchasing power, which will benefit both shareholders and customers. Prevention is very important, and it is integrated into our products, for example by an alarm in our contents product and through offering a rat blocker as part of the house insurance product.

Efficient distribution and new products

Efficient distribution is important to maintain a low expense ratio. In 2018, the development of online solutions as well as new distribution channels contributed to increasing efficiency. Tryg aims to increase revenue from new products and services. In 2018, we saw a significant increase in the number of products including surety and credit insurance, pet and child insurance policies.

Thanks to our employees

The good results and the many initiatives implemented in 2018 have only been made possible because of the Tryg employees. We are therefore very pleased to note increasing job satisfaction in 2018, up from 76 to 78, compared with 72 for Nordic finance companies as a whole. The Supervisory Board and the Executive Board would like to thank the employees for their great efforts.


Jukka Pertola
Chairman


Morten Højbe
Group CEO

Events in 2018

Q1

New member of Tryg's Executive Board

Johan Kirstein Brammer was appointed Chief Commercial Officer (CCO) and joined the Executive Board. Johan remained responsible for Tryg's Private business concurrently with undertaking his responsibilities as a member of Tryg's Executive Board up until the Alka acquisition was finally approved in November 2018.

Changes to the Supervisory board

At Tryg's annual general meeting, Deputy Chairman Jukka Pertola was appointed Chairman, succeeding TryghedsGruppen's Chairman Jørgen Huno Rasmussen.

Partner agreement with GoMore

Tryg entered into a partner agreement with GoMore, the largest sharing-economy platform for car sharing and ride sharing in the Nordics. GoMore is the 25th platform for which Tryg has tailored an insurance solution. Tryg is now the largest supplier of insurance solutions for sharing-economy solutions in the Nordics.



Claims track-and-trace feature

Private Denmark launched a claims track-and-trace feature, which means that customers are now able to follow the processing of claims online, which supports a positive claims experience.



Q2

Partner agreement with NITO

Tryg Norway entered into a partner agreement with the Norwegian Society of Engineers and Technologists (NITO). It is the largest partner agreement concluded by Tryg Norge for 17 years. NITO has almost 90,000 members.



Tryg acquires Troll Forsikring

Tryg acquired Troll Forsikring in Norway with a portfolio of NOK 120m and 12,000 private customers. Tryg expects the portfolio to gradually produce profitability in line with our Norwegian Private portfolio, and the acquisition will have a negligible impact on Tryg's solvency ratio.



TryghedsGruppen's member bonus

For the third year running, Tryg's majority shareholder TryghedsGruppen paid out a member bonus corresponding to 8% of the premiums paid to Tryg for 2017, equating to the payout of DKK 720m in total to TryghedsGruppen's members who are Tryg's Danish customers.

Q3



Sidekick

Tryg launched a new motor insurance solution in Norway, 'Sidekick'. A similar product in Denmark, 'Tryg Drive', was extended from young drivers to include all ages. Moderna in Sweden offers two similar products: 'Moderna Smart' and 'Moderna Smart Flex'. Tryg now offers motor insurance products where pricing is affected by driving behaviour in all the Nordic countries.

Tryg appoints new CFO

Tryg appointed a new CFO. Barbara Plucnar Jensen is a strong financial profile, who, in addition to her experience from ISS's UK and Irish markets, has solid experience within investments and treasury. She will be responsible for our continued strong financial management through the digital transformation, which is well advanced in the Tryg Group.

New house insurance

Private Denmark launched a new house insurance product, which includes a rat blocker. The rat blocker is another important claims prevention initiative from Tryg. The rat blocker prevents rats from entering private houses from the sewers and damaging houses, pipes etc.

Q4

New personal insurance

Private Denmark launched a new personal insurance product which combines accident, health, dental and sickness insurance under one insurance policy. This means that customers will be covered from top to toe. The new insurance is potentially relevant for up to 800,000 public employees who are not covered by company-paid health insurance plans.

'Tryg Tilbage' and 'Tryg Health'

Corporate Denmark launched a training programme app as part of the 'Tryg Tilbage' concept related to workers' compensation. The concept includes quick diagnosis, quick treatment and subsequent rehabilitation. Also, a new health prevention concept was launched, involving health screening and also an app, 'Tryg Health', giving customers a quick overview of all the services that they can access through 'Tryg Health'.

Strategic partnership with Danske Bank

As part of Tryg's 2020 strategy to strengthen the company's distribution, Tryg entered into a new Nordic partnership with Danske Bank. In Spring 2019, Danske Bank customers will be offered competitive insurance solutions with unique benefits. This partnership will cover all the countries and markets in which Tryg operates – i.e. both private and commercial in Denmark and Norway, and private in Sweden.

Alka acquisition completed

Tryg received approval of the Alka acquisition from the Danish Competition and Consumer Authority and could finally complete the transaction. Tryg firmly maintains its guidance for synergies of DKK 300m related to the Alka acquisition with a full run-rate impact in 2021.



Financial outlook

The Nordic countries are characterised by a high level of non-life insurance penetration. For example, ratios of non-life insurance premiums to GDP are some of the highest in the world. This is ascribable to the fact that households are relatively wealthy and tend to cover their insurance needs well.

Retention levels are also very high in the Nordic region compared to nearly everywhere else in the world. This is a key profitability driver as it helps insurers to keep their overall expenses at a low level. Retention rates hover around 90% in the Private and Commercial (SMEs) segments, which represent around 75% of Tryg's total business. A direct distribution model also contributes substantially to the very efficient set-up. Close to 100% of new sales in Denmark and Norway (Private and Commercial segments) are generated through Tryg's direct multi-channel distribution set-up.

Tryg reported an expense ratio of 14.4 (14.1 excluding Alka) at the end of 2018, while the target for 2020 is an expense ratio ~14%. In the 2017-2020 period, the expense ratio will be impacted by

increased IT investments, which will, for the most part, be offset by improved distribution efficiency.

The Nordic non-life markets remain very stable in terms of top-line growth (assumed to be in line with GDP) and product offerings. Tryg sees a future where personal insurance will become more relevant compared to the current situation. Health, child and accident insurance products are all part of this development, while product innovation is generally regarded as highly important in mature markets. Tryg wishes to quickly adapt to a future that may be characterised by different insurance needs in terms of product offerings and coverages.

The general macroeconomic situation in Scandinavia remains relatively positive, especially compared to the Euro zone. Government indebtedness is low, unemployment rates are below 5% in both Denmark and Norway, while GDP growth is expected to be close to 2%. Tryg expects gross premium income to grow by 0-2% in local currencies in 2019 (exclusive of M&As), which is unchanged from 2018.

Financial targets 2020

Technical result
DKK 3.3bn

Expense ratio
~14

Combined ratio
≤86

Return on equity
≥21%
after tax

Alka acquisition completed

In November 2018, Tryg announced that the acquisition of Alka was completed. Tryg has a target for synergies of DKK 300m related to the acquisition with a full run-rate impact in 2021.

Tryg's reserves position remains strong. At the CMD in November 2017, it was disclosed that run-off gains are expected to be between 3% and 5% in 2020. Tryg's systematic claims reserving approach still includes a margin of approximately 3% on best estimate.

In 2019, weather claims net of reinsurance and large claims are expected to total DKK 600m and DKK 550m, respectively. The weather claims assumption now includes the Alka portfolio.

The interest rate used to discount Tryg's technical provisions is historically low. An interest rate increase will have a positive effect on Tryg's results. An interest rate increase of 1 percentage point will increase the pre-tax result by around DKK 300m, and vice versa.

The investment portfolio is divided into a match portfolio corresponding to the technical provisions, and a free portfolio. The objective is for the return on the match portfolio to be approximately zero as capital gains and losses on the assets side should be mirrored by corresponding developments on the liabilities side. The free portfolio is

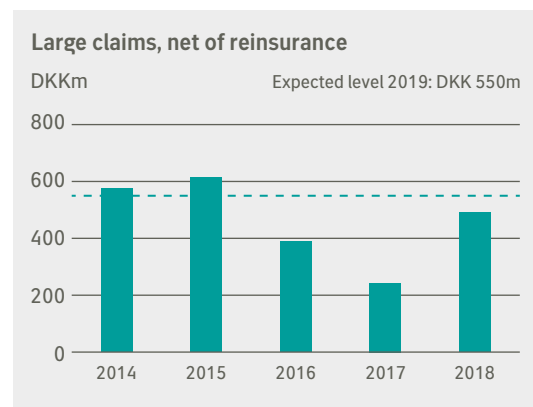
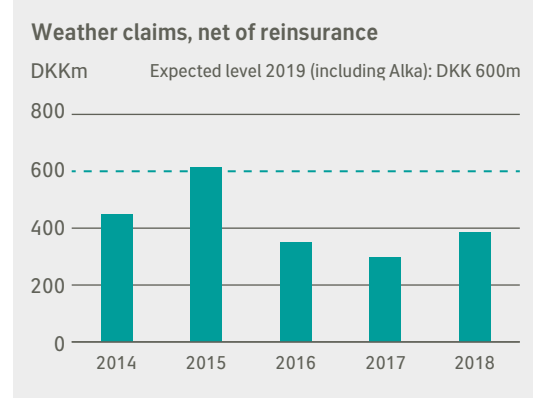
invested in different asset classes with a view to obtaining the best risk-adjusted return.

The return on bonds in the free portfolio (approximately 65% of the free portfolio) will vary, but given current interest rate levels, a very low return is expected. For shares, the expected return is around 7% with the MSCI World Index as benchmark, while the expected return for property is around 5%. The investment return in the income statement also includes the cost of managing investments, the cost of currency hedges, interest expenses on subordinated loans and other minor items.

In the past few years, corporate tax rates have been lowered throughout Scandinavia. In Denmark, the rate will remain at 22% in 2019, while it is 25% in Norway and 22% in Sweden. Capital gains and losses on equities are not taxed in Norway, which reduces the expected tax payable for an average year to 22-23%.

Alka has produced an approximate DKK 300m stand-alone technical result in the past few years. Synergies are expected to be realised in

the amounts of DKK 75m in 2019, DKK 150m in 2020 and DKK 300m in 2021. Following the approval of the acquisition, Tryg will book an annual depreciation charge of DKK 127m pertaining to the DKK 1.4bn value of customer relations and branding.



Targets and strategy

First year with a new purpose

2018 was the first year with Tryg's new purpose 'As the world changes, we make it easier to be tryg'. The purpose has been very well received by the employees in Tryg and serves as a guiding principle that unites and motivates the organisation.

Our customers – our most important asset

Our customers are our most important asset. Tryg strives to continuously strengthen customer relations through our advisory services, products, concepts, claims handling procedures and claims prevention measures.

Our employees – our most important resource

Our employees are our most important resource and key to fulfilling our purpose of making it easier to be 'tryg'. All Tryg employees must feel that they have an opportunity to be successful.

Clear and ambitious targets must be set for each individual employee – and regular feedback must be provided. Tryg was pleased to see an increased level of employee satisfaction in 2018 and has now surpassed the general level of employee satisfaction in the financial sector in the Nordic region. Tryg is aiming for the highest level of employee satisfaction in the financial sector in the Nordic region.

Value creation for our shareholders

Tryg's shareholders must see Tryg as a company setting ambitious targets, and as an efficient and

profitable business. Tryg's performance can be measured by its total shareholder return over the years. Tryg aims to increase the annual ordinary dividend, while maintaining stable results and a high level of return on capital employed.

Financial targets

On 20 November 2017, Tryg presented a set of new targets for 2020. The targets were later updated following the acquisition of Alka. Tryg's main target for 2020 is a technical result of DKK 3,300m. Other targets are a combined ratio target at or below 86, an expense ratio target of around 14 and a return on equity target at or above 21% after tax.

The expense ratio will be improved through an increase in distribution efficiency, but will also be impacted by investments in IT, data and analytics. Striking the right balance between efficiency and the need to re-invest in the business is extremely important. This underpins the new 2020 targets.

To meet the financial targets and improve customer experience, Tryg decided to invest an additional DKK 500m in IT, which will be recognised as an intangible asset.

The technical result for FY 2018, excluding one-off costs related to Alka and Alka's contribution to the technical result, was DKK 2,826m, the combined ratio 84.5 and the expense ratio 14.1.

Purpose

As the world changes, we make it easier to be tryg^{a)}

Grasping opportunities to develop rather than just defending our business

- Digitalisation
- New products
- Analytics

Adjusting to customer preferences and needs

- Self-service
- Straight-through processes
- Packaging of products

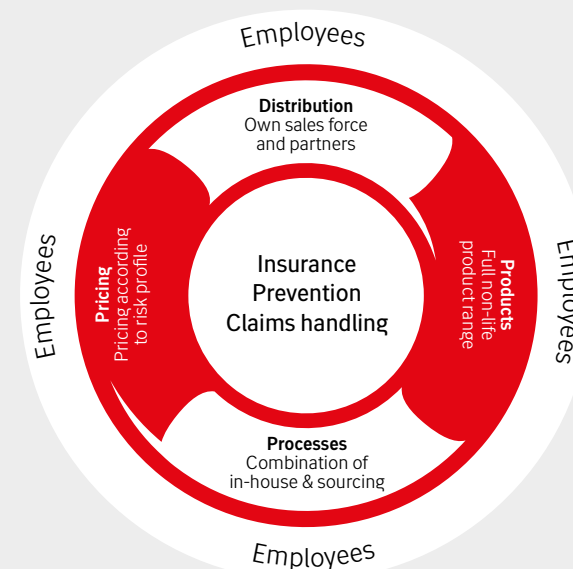
Increase customer relevance and share of wallet

- Product innovation
- Prevention
- Add-on services

Tryg's business model

Tryg makes it easier to be 'tryg^{a)}' for its customers by offering them insurance against risk, efficient claims handling, and advice and services to prevent claims from arising in the first place. By making it easier for our customers to feel protected and cared for, we benefit all of Tryg's stakeholders. Via TryghedsGruppen's 60% ownership of Tryg, part of the company's profit is returned to customers, who are also members of TryghedsGruppen.

Tryg's new purpose is valid for all stakeholders – our customers, our employees and our shareholders.



Segments: Private, Commercial and Corporate

Geography: Denmark, Norway and Sweden

Customer targets

Our customer targets remain highly relevant for realising our financial targets. Tryg has decided to focus on customer satisfaction for interacting customers. This is measured through the Transactional Net Promotor Score (TNPS). The TNPS target for 2020 is 70, and in 2018 we saw a continual increase throughout the year, and a TNPS of 67 was achieved.

There is a strong correlation between customer loyalty and the number of products per customer, and therefore a target of increasing the number of products by 10% per customer has been set, corresponding to four products per customer. In 2018, the number of products per customer increased from 3.5 to 3.8.

Strategic initiatives

Tryg has defined four strategic initiatives that support both our financial targets and our customer targets for 2020. Furthermore, synergies stemming from the Alka acquisition will also support Tryg's 2020 financial and customer targets.

Claims excellence is targeted at reducing claims costs by DKK 600m. The strategic initiative is on track, and in 2018 realised claims cost

savings of an estimated value of DKK 150m. The drivers of the initiative are:

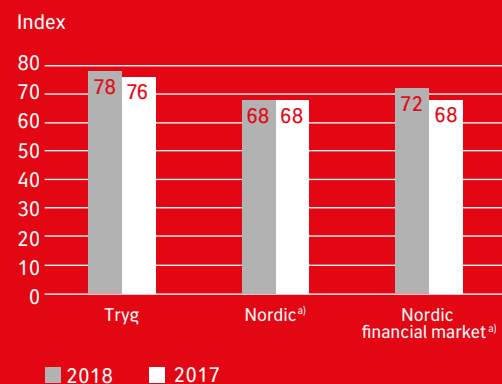
- Further leverage of Tryg's procurement power which reduced claims costs by more than DKK 100m in 2018. This has been achieved by negotiating better contracts with suppliers and ensuring a higher utilisation rate.
- Increased fraud detection expertise, which has been driving an approximately 25% higher level of fraud discovery. The improvement has been achieved through better automated identification of fraudulent behaviour in relation to online claims, and by improving the fraud identification competencies of the claim handlers.
- Improvement of the claims handling process. The claims handling process has been improved through several initiatives, e.g.: using data and speech analytics, more accurate claim assessment and better recourse management. In 2018, Tryg also initiated the implementation of a new claims handling system, which will further improve the claims handling process.

Partner agreement with NITO

In Q2, Tryg Norway entered into a partnership with NITO – the largest partner agreement in Norway in 17 years. NITO has almost 90,000 members.



Employee satisfaction

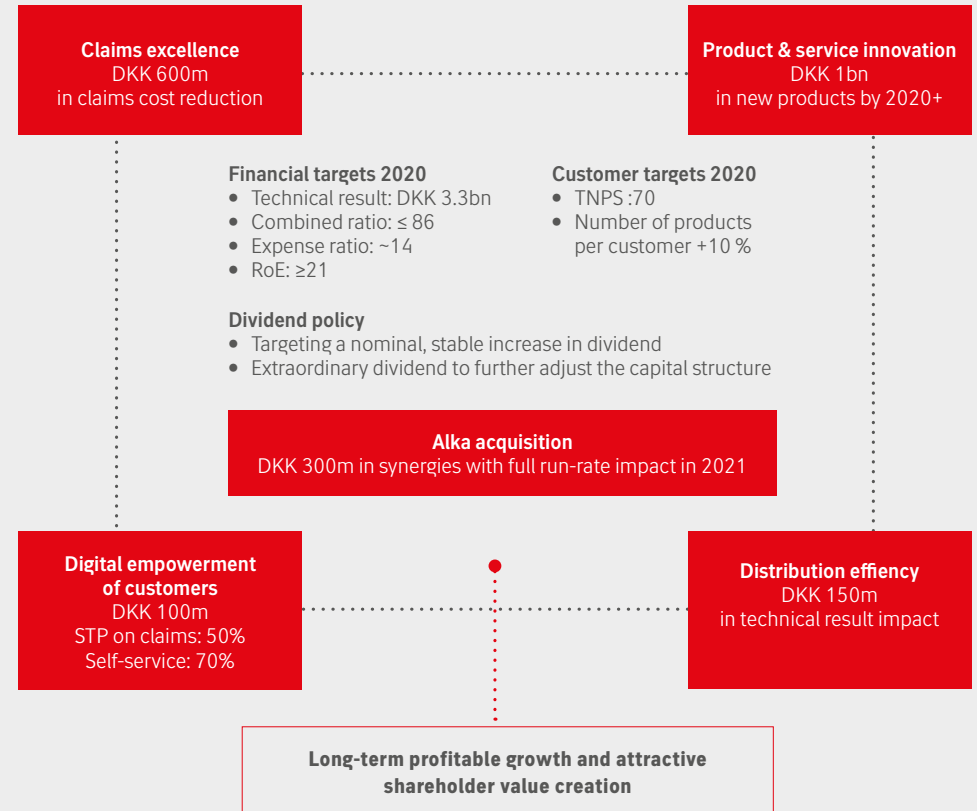


Tryg has an employee satisfaction level above the average of the Nordic sector.

a) Source: Global Employee and Leadership Index

Strategy 2018-2020

Strengthening the core, while embracing the future



Tryg is committed to the **Digital empowerment of customers**. Tryg's target for 2020 is 50% straight-through processing (STP) of claims and a self-service level of 70% for all contacts with Tryg. The aim is to provide customers with seamless digital services that simplify their interaction with Tryg. In 2018, Tryg achieved a STP level of approximately 15% and a self-service level above 50%. The focus on digital services is expected to support both the financial targets with DKK 100m and the customer targets. The 2018 result within this strategic area amounts to approximately DKK 20m and has been achieved through:

- Increased use of robots in the claims handling process. More than 17,000 claims were processed as STP, and in 2019 and 2020 the new claims handling system will further boost the number of STP in Denmark and Norway.
- In 2018, the number of digital self-service interactions surpassed the number of 'analogue' interactions with Tryg. This has been achieved by continuously introducing more digital self-service solutions for customers. Specifically, in Norway Tryg's digital focus led to the launch of the first online sales solution in the market for the Commercial segment.

Tryg's digital solutions also proved important when entering into new partner agreements with, e.g., the Norwegian Society of Engineers and Technologists (NITO), the Federation of Danish Motorists (FDM), OBOS in Norway and Danske Bank.

Product and service innovation is targeted at DKK 1,000m in 2020+. In 2018, the portfolio of these innovative products and services grew to approximately DKK 275m. Through this initiative Tryg wishes to adapt to a future which may be characterised by different insurance needs in terms of products and coverages. The key focus is profitability, and Tryg prefers not to define a specific growth target for this strategic area. The focus within this initiative are:

- Developing products related to personal insurance and technology which are not in the market today. Examples of this are Tryg's new health insurance product which can be customised to individual needs, a new cyber insurance product for the Commercial and Corporate segments, aimed at preventing and helping companies under cyber attack, and 'Tryg Drive' in Denmark and 'SideKick' in Norway, which reward customers for responsible driving behaviour with lower premiums.

- Entering new markets. Tryg is planning to develop its profitable credit and surety business, Tryg Garanti, by introducing the product in countries outside the Nordics.

Distribution efficiency is targeted to have an impact of DKK 150m in 2020. In 2018, Tryg achieved efficiency gains through improved distribution corresponding to an estimated value of approximately DKK 30m. The financial impact of this initiative is more back-end loaded as part of the improvement is driven by increased sales. The primary drivers for this strategic initiative are:

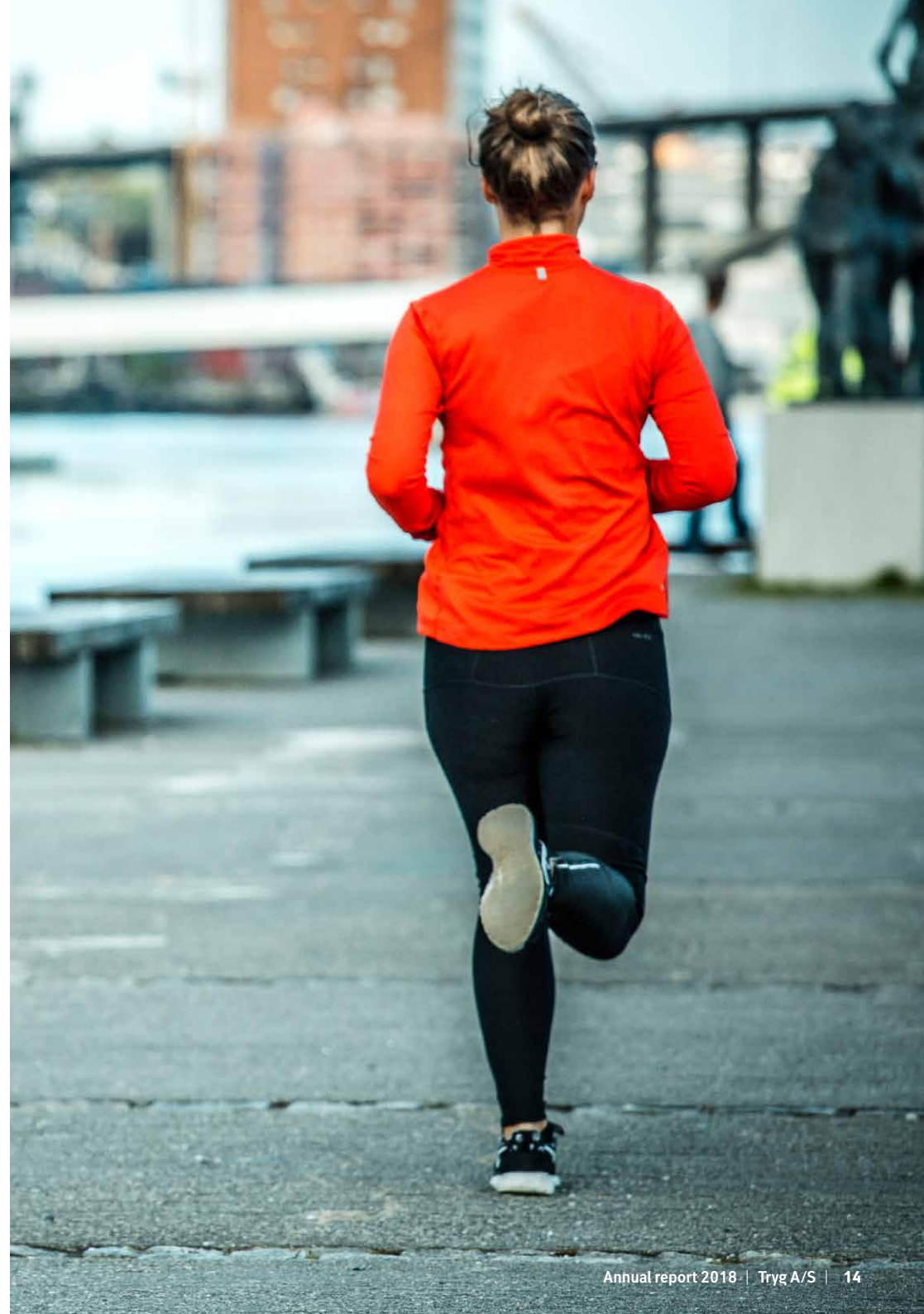
- Changing the mix of distribution channels in the Private and Commercial segments (both in Denmark and Norway) to lower sales costs. In the Danish Private business, Tryg engages with independent sales agents selling exclusively for Tryg. In Norway, the Commercial business employs a similar franchise concept, and in the Danish Commercial business, a new type of sales agent was introduced in Q3 2018 that combines the traditional sales agent and customer centre sales.
- Partner agreements. The new partner agreements with NITO, OBOS, FDM and Danske Bank will contribute significantly to boosting distribution efficiency in 2019/2020, as good leads are made available to the sales organisation.

Alka synergies

As part of the Alka acquisition, synergies in the amount of DKK 300m are expected to be achieved in 2021. Tryg has announced targets of DKK 75m in 2019, DKK 150m in 2020 and DKK 300m in 2021. Tryg will continuously report on the synergies achieved throughout the year.

Corporate Responsibility

Corporate Responsibility (CR) is an integrated part of Tryg's core business and is closely linked to our purpose 'as the world changes, we make it easier to be tryg'. Tryg means feeling protected and cared for. We focus on activities related to human and labour rights, climate and environment as well as anti-corruption, and we are actively working to integrate CR into our insurance, claims handling and prevention activities. CR plays a role in our decision-making, our risk mitigation, the improvement and development of our products and services, the optimisation of our operations and business partners, the development of our employees, and the contributions we make to society at large through our activities and strategic partnerships.



Tryg's results

Tryg reported a technical result of DKK 2,766m (DKK 2,789m), or DKK 2,826m (DKK 2,789) adjusted for the Alka acquisition. The investment result was DKK -332m (DKK 527m) driven primarily by negative development in the equity markets. The 2018 pre-tax result was DKK 2,262m (DKK 3,239m) or DKK 2,398m (DKK 3,239m), adjusted for the Alka acquisition. Different returns in equity investments account for DKK 565m difference in the pre-tax result. Quarterly dividend of DKK 1.65 per share supporting TryghedsGruppen's member bonus. Solvency ratio of 165 following approval of the Alka transaction.

Results 2018

Tryg reported a technical result of DKK 2,766m (DKK 2,789m), or DKK 2,826m (DKK 2,789) adjusted for the Alka acquisition. The investment result was DKK -332m (DKK 527m) driven primarily by negative development in the equity markets. Other income and expenses were DKK -172m (DKK -77m). The 2018 results were impacted by one-offs of DKK -200m in Q4 2018 as a result of the Alka transaction, an amount of DKK -124m of which was booked in the technical result and DKK -76m in other income and expenses. Alka contributed with DKK 63m (for November and December) to the overall technical result.

Tryg reported an improved technical result (excluding Alka) for Private, Commercial and Sweden while Corporate was impacted by a high level of large claims. The combined ratio was 85.1% (84.4%) driven by a claims ratio of 70.7% and an expense ratio of 14.4%. The combined ratio was 84.5% adjusting for the one-offs related to Alka split between a claims ratio of 70.4% and an expense ratio of 14.1%.

Large claims were substantially higher than in 2017 while weather claims were modestly higher, the run-off result was also higher. The return on equity (after tax) was 14.9% (28.8%). Price adjustments

of around 3% and the initiatives launched at the Capital Markets Day (hereafter CMD) in November 2017 had a positive impact on results, as shown by an improvement in the underlying claims ratio for the full year, both for the private segment and at group level. Premium growth in local currencies was 6.3%, or 2.3% exclusive of mergers and acquisitions as well as portfolio acquisitions.

Capital markets developed negatively in 2018. Equities and other 'risky assets' were impacted by several geo-political turbulences and intensifying talk of a trade war between the US and China. Equities returned approximately -11% for 2018 (driven by a -14.9% return in Q4 2018), while emerging market debt (a small asset class for Tryg) returned -6.7%. The negative investment return for 2018 was due primarily to turbulence in the last quarter of 2018, with equities seeing a particularly negative development. The investment return totalled DKK -332 (DKK 527m) for the FY where approximately 2/3 of the difference compared to 2017 can be traced back to vast differences in equity market performance.

In 2018, Danish customers received their third member bonus from TryghedsGruppen (Tryg's 60% majority shareholder). The 8% bonus is appreciated by customers and is expected to

Financial highlights 2018 excluding ALKA

Technical result
DKK 2,826m
(DKK 2,789m)

Combined ratio
84.5
(84.4)

Expense ratio
14.1
(14.0)

Profit before tax
DKK 2,398m
(DKK 3,239m)

FY dividend per share
DKK 6.60

Financial highlights 2018

Technical result
DKK 2,766m
(DKK 2,789m)

Combined ratio
85.1
(84.4)

Expense ratio
14.4
(14.0)

Profit before tax
DKK 2,262m
(DKK 3,239m)

FY dividend per share
DKK 6.60

Customer targets

DKKm	Q4 2018	Q4 2017	Target 2020
Transactional Net Promoter Score (TNPS)	67	62	70
Number of products per customer	3.8	3.5	4 (+10%)

Tryg excluding one-off costs and earnings related to Alka

DKKm	Q4 2018	Q4 2017	2018	2017
Technical result	656	622	2,826	2,789
Profit before tax	285	685	2,398	3,239
Premium growth	4.5	1.9	4.1	1.7
Claims ratio, net of reinsurance	71.5	72.3	70.4	70.4
Gross expense ratio	14.4	13.7	14.1	14.0
Combined ratio	85.9	86.0	84.5	84.4



The underlying claims ratio showed an underlying improvement of 0.4 percentage points for the Group and of 0.5 percentage points for the Private segment.

become an important competitive advantage by boosting customer loyalty and customer targets. TryghedsGruppen has announced that the member bonus is a recurring payment although the level of bonus paid will be decided yearly. Stability is also important from this point of view. Tryg will be implementing price adjustments of around 3% in 2019 to continue improving the underlying level of profitability.

Premiums

Premiums totalled DKK 18,740m (DKK 17,963m), representing 6.3% growth in local currencies. Premiums grew 4.1% in local currencies excluding Alka. Developments were characterised by satisfactory growth in Private Denmark and Private Norway, price increases in the Corporate segment and satisfactory growth in Sweden, driven mainly by pet insurance. Alka contributed DKK 386m to the Group premium as the business was consolidated for approximately two months.

Price adjustments and generally positive economic developments throughout Scandinavia are likely to support top-line developments in 2019.

The Private segment reported growth of 5.1% excluding Alka (DKK 338m), driven by positive developments both in Private Denmark and Private Norway and small bolt-on acquisitions.

Private Denmark continues to perform well, supported by the member bonus from TryghedsGruppen, price adjustments and an increase in customer numbers. Private Norway is building further on the good momentum seen during the second half of 2018, showing top-line growth, also adjusting for portfolio acquisitions.

The Commercial segment reported premium income growth of 3.7% in local currencies, helped by Alka (DKK 48m), portfolio acquisitions and a positive portfolio development. The member bonus continues to support the Danish part of Commercial, which is currently showing very high retention levels.

The Corporate segment reported premium income growth of 4.0% in local currencies, helped by price increases and low-risk fronting agreements. In Corporate Denmark, the development in premium income was positively helped by the member bonus model, a good development in the surety and credit business (Tryg Garanti) and price adjustments. Corporate Norway's top-line development was helped by the pricing initiatives pushed through to improve profitability in a highly competitive market.

The Swedish business grew by 4.9%, driven mostly by the pet insurance segment (double-digit growth) and the extended warranty business.

Additionally, the core private product portfolio also developed favourably.

Claims

The claims ratio, net of ceded business, was 70.7% (70.4%), while the underlying claims ratio (excluding Alka and related one-offs), showed an underlying improvement of 0.4 percentage points driven by price adjustments and claims excellence initiatives. At the CMD in November 2017, Tryg launched a new strategy, which includes a DKK 600m 'claims excellence' programme, and in 2018 savings of DKK 150m were achieved. It is important to note that savings of approximately DKK 50m were impacting previous year's results (run-off gain) and not current-year figures.

Claims inflation is monitored continuously, and price adjustments are pushed through accordingly. Motor insurance remains a very profitable segment, although an increase in claims frequency was seen, especially in the Norwegian part of the business, together with an increase in the average cost of claims due to the gradual introduction of more electronics. Additionally, in Norway approximately half of all new vehicles sold are electric/hybrid, some of which are associated with different risk characteristics compared to normal vehicles. As a result, pricing must be carefully scrutinised.

In 2018, large claims totalled DKK 490m (DKK 243m), while weather claims totalled DKK 384m (DKK 298m). The level of large claims was somewhat below normalised expectations (DKK 550m), while the level of weather claims was also below the normal level (DKK 600m starting in 2019 including Alka). The overall run-off result was DKK 1,221m (DKK 972m) or 6.5% (5.4%) on the combined ratio. The higher level was primarily driven by higher releases in Motor TPL, Workers Compensation and Accident and Health.

Expenses

The expense ratio was 14.4% (14.0%), with one-off costs of DKK 75m relating to the Alka transaction being booked in Q4 2018; without these the expense ratio would have been 14.1%. At the CMD, Tryg announced an expense ratio target around 14% in 2020. Tryg has already launched many initiatives aimed at reducing distribution costs, such as the use of new and cheaper distribution channels and the optimisation of existing channels. The benefits from these initiatives have, to some degree, been invested in digital solutions.

Investment activities

The investment return totalled DKK -332m (DKK 527m), impacted negatively by capital market turbulence in the last three months of 2018.



Tryg pays a Q4 dividend per share of DKK 1.65 bringing the full-year dividend per share to DKK 6.60. 2018 was the seventh year in a row with an increased dividend.

Equities and other risky assets posted negative returns, driven by geo-political turbulence and intensifying talk of a trade war between the US and China. Equities returned approximately -11% for 2018 (driven by a -14.9% return in Q4 2018), while emerging market debt (a small asset class for Tryg) returned -6.7%. The free portfolio posted an overall result of DKK -33m (DKK 598m) for FY 2018, as positive developments in the first nine months were erased by negative developments in the last quarter of the year. The match portfolio result was DKK -2m (DKK 227m) as interest rates and credit spreads generally saw a flat development for the full-year 2018. Other financial income and expenses totalled DKK -297m (DKK -298m).

Other income and costs

Other income and costs were DKK -172m (DKK -77m). The much higher figure compared to 2017 was driven by the inclusion of one-off costs of DKK 76m relating to Alka (transaction costs) and also a DKK 19m depreciation charge relating to customer relations and branding in connection with the Alka transaction.

➤ [More details can be found here in a newsletter at tryg.com \(Modelling the Alka integration\)](#)

Tax

Tryg paid a total tax bill of DKK 529m (DKK 720m), or 23.3% of the profit before tax.

Capital position

The solvency ratio (based on Tryg's partial internal model) was 165 at year-end. The solvency ratio was slightly lower than expected, driven by a longer (than initially estimated) period to obtain the Alka approval and therefore higher interest payments to the seller. Additionally negative investment returns (not related to equities) in Q4 have also weighed negatively on the solvency ratio. Tryg will pay a Q4 dividend of DKK 1.65 per share on 25 January 2019, which is in line with the dividend paid for the first three quarters of the year and also in line with the policy of paying a flat quarterly dividend.

Own funds totalled DKK 8,058m (DKK 13,162m). The comparative figure at the end of 2017 was positively impacted by the raising of capital in the amount of DKK 4bn to fund the Alka acquisition, while the year-end 2018 figure was impacted by intangibles of DKK 5.7bn relating to that acquisition. During 2018, own funds were positively impacted by the net profit, and negatively impacted by the ordinary dividend and the extraordinary dividend paid in March 2018 (announced at the CMD in November 2017) and the issuance of SEK 700m Tier 1 notes during the spring.

Tryg's own funds comprise mainly shareholders' equity, intangibles (fully deducted), Tier 2 instruments (subordinated debt and natural perils pool), Tier 1 instruments and future profits. The vast majority of Tryg's own funds are constituted by shareholders' equity. The Tier 2 capacity has been fully utilised, while currently DKK 140m of Tier 2 bonds are not included in the own funds as they exceed the 50% solvency capital requirement (hereafter SCR). The Tier 1 capacity has also been virtually fully utilised following the SEK 700m spring issue to help fund the Alka acquisition. The future profit item increased during 2018 from DKK 970m to DKK 1,408m. This follows the integration of the highly profitable Alka business and an initial conservative approach together with improved profitability of the underlying business.

Tryg's solvency ratio displays low sensitivities to capital market movements. The highest level of sensitivity is towards spread risk, where a widening/tightening of 100 basis points would impact the solvency ratio by approximately 14 percentage points. Lower sensitivities are displayed towards equity market falls and interest rate movements.

The Supervisory Board regularly assesses Tryg's capital position. In 2018, Tryg announced the payment of DKK 1bn in extraordinary dividend in

March following an announcement at the CMD in November 2017. Continuous assessments of the company's capital position are carried out, in which the SCR is projected based on Tryg's forecasts. The projections include initiatives set out in the company's strategy for the coming years, and also the most significant risks identified by the company. Adequacy is measured in relation to Tryg's strategic targets, including return on equity and dividend policy.

Tryg calculates its individual SCR based on a partial internal model in accordance with the Danish Financial Supervisory Authority's Executive Order on Solvency and Operating Plans for Insurance Companies. The model is based on the structure of the standard model. Tryg uses an internal model to evaluate insurance risks, while other risks are calculated using standard model components. The SCR, calculated using the partial internal model, was DKK 4,892m compared to DKK 4,684m at the end of 2017. The upward move in the SCR during 2018 was primarily driven by the inclusion of Alka, which increases the SCR by DKK 397m. A re-balancing of Alka's investment portfolio will reduce this to approximately DKK 350m in the long term. The SCR, based on the standard formula, was DKK 5,980m compared to DKK 5,838m at the end of 2017.

Tryg has previously (at CMD in November 2017) announced plans to reduce the SCR by up to 10%. The plan included the introduction of a model for Danish workers' compensation, which was adopted in 2018, and the inclusion of the Swedish business in the partial internal model, while also fine-tuning other parts of the model.

Dividend policy

Tryg's dividend policy targets a nominal, stable increase in the dividend on a full-year basis. Tryg introduced quarterly dividends in 2017. The quarterly payment was DKK 1.65 per share, or a total of DKK 6.60 (DKK 6.40) for 2018. This equates to total dividend payments of DKK 1,994m, or 115% of the profit for the year.

Moody's rating

Tryg has an 'A1' (stable outlook) insurance financial strength rating (IFSR) from Moody's. The rating agency highlights Tryg's strong position in the Nordic P&C market, robust profitability, very good asset quality and relatively low financial leverage. Moody's also assigned an 'A3' rating to Tryg's subordinated debt and a 'Baa3' rating to the recent Tier 1 issue. All ratings were confirmed following the announcement of the Alka acquisition.

Results Q4 2018

The technical result was DKK 596m (DKK 622m), impacted by one-off costs of DKK 124m while the consolidation of Alka contributed a positive DKK 63m. The technical result adjusted for the Alka acquisition was DKK 656m. The profit before tax was DKK 149m (DKK 685m), impacted negatively by one-off costs of DKK 200m relating to the Alka transaction and a negative investment result, driven by turbulence in the equity markets. The reported combined ratio for the quarter was 88.2% based on a claims ratio of 72.6% and an expense ratio of 15.6%. The combined ratio excluding Alka and related one-offs was 85.9%, driven by a claims ratio of 71.5% and an expense ratio of 14.4%.

The underlying claims ratio (Tryg excluding Alka and one-offs) improved by 0.4 percentage points for the Group and 0.5 percentage points for the Private segment, continuing the positive trend seen in 2018. Tryg pays a quarterly dividend of DKK 1.65 (DKK 499m) and reports a solvency ratio of 165.

Premiums

Premiums grew 4.5% excluding Alka, impacted by a good organic growth and helped by minor portfolio acquisitions. Premium growth came mostly from the Private segment in both Den-

Financial highlights Q4 2018 excluding ALKA

Technical result
DKK 656m
(DKK 622m)

Combined ratio
85.9
(86.0)

Expense ratio
14.4
(13.7)

Profit before tax
DKK 285m
(DKK 685m)

Q4 dividend per share
DKK 1.65

Financial highlights Q4 2018

Technical result
DKK 596m
(DKK 622m)

Combined ratio
88.2
(86.0)

Expense ratio
15.6
(13.7)

Profit before tax
DKK 149m
(DKK 685m)

Q4 dividend per share
DKK 1.65

mark and Norway, but a positive development was seen also in the Commercial business. Corporate growth was driven mainly by Tryg Garanti and price increases, mostly in the Norwegian part of Corporate, to improve the underlying profitability. Tryg will implement price adjustments of approximately 3% also in 2019 to offset the general claims inflation and improve the profitability of selected parts of the portfolio.

Claims

The claims ratio, net of ceded business, was 72.6% (72.3%), impacted negatively by one-offs in the amount of DKK 49m relating to the Alka acquisition. Large claims were DKK 84m (DKK 79m), which is at a similar level compared to Q4 2017 but below a normal level, while

weather claims were lower than normal at DKK 83m (DKK 126m). The run-off result was DKK 207m (DKK 219m). The underlying claims ratio improved 0.4 percentage points for the Group and 0.5 percentage points for Private.

Expenses

The reported expense ratio was 15.6% (13.7%), impacted negatively by one-offs in the amount of DKK 75m relating to the Alka acquisition. The expense ratio would have been 14.4% excluding the aforementioned one-offs.

Investments

The investment return totalled DKK -330m (DKK 86m) for Q4 2018, driven by a return of DKK -198m (DKK 138m) on the free portfolio,

a return of DKK -42m (DKK 13m) on the match portfolio and other financial income and expenses of DKK -90m (DKK -65m).

The free portfolio negative result was driven by negative developments in equity markets. Tryg's equity portfolio returned approximately -15% in the quarter. Additionally, fixed income returns were also negative, driven by a poor performance of emerging markets debt in Q4 (-6.7% return).

The match portfolio produced a negative return driven by both its components, regulatory deviation and performance. The regulatory deviation produced a DKK -19m (DKK 11m) result as Danish swap rates widened vs the Euro swap rates, while the performance component produced a DKK -23m (DKK 2m) result as Nordic covered bonds spreads widened.

Other financial income and expenses was DKK -90m (DKK -65m), a somewhat higher level than normalised expectations. Increased interest expenses on the loans (Tier 1 & Tier 2 loans), higher leasing costs (IFRS 16 accounting standard on leasing) and a write-down of a couple of minor

strategic investments explain most of the difference compared to Q4 2017.

Other income and expenses

Other income and expenses totalled DKK -117m (DKK -23m). The negative development was driven by one-off costs of DKK -76m in the form of transaction costs in connection with the Alka acquisition. Additionally, Tryg has started the depreciation of customer relations and branding from the Alka transaction. This had an additional negative impact of DKK -19m in the quarter. Tryg has announced that the depreciation of customer relations and branding will have an annual impact (booked on the other income and expenses line) of DKK -127m.

Taxes

Tryg paid DKK 37m of taxes in Q4 or an overall tax rate of just below 25%. The tax effect of losses on the equities portfolio have been offset by adjustments to taxes for previous quarters, resulting in a total tax rate of 24.8 per cent for the quarter and 23.4 per cent for the full year – in line with the expectations of the beginning of the year.



Private

Results 2018

The technical result for 2018 was DKK 1,734m (DKK 1,565m) with a combined ratio of 81.6 (82.1). The development is attributable to the combination of higher premium income relating to the Alka portfolio and an improved level of underlying claims. Organic premium growth, excluding Alka and minor portfolio acquisitions, increased compared to 2017, driven by both the Danish and Norwegian part of the Private segment.

Premiums

Gross premium income increased by 8.9% (1.1%) in local currencies, primarily due to the Alka acquisition. Premiums increased by 12.6% in Denmark, or 6.0% excluding of Alka. The increase was driven by a number of factors, such as increased retention rates, package concepts and a strong interest in Tryg's claims prevention initiatives, including alarms for home insurance policyholders, and rat blockers for house insurance policyholders. Tryg also registered a further increase in awareness of the customer bonus from TryghedsGruppen.

In Norway, premium income increased by 3.8% in local currencies, mainly due to the OBOS and Troll acquisitions. The main driver related

to OBOS has been sales to members, and the private portfolio is now three times bigger than when Tryg acquired the portfolio.

The retention rate in Denmark increased from 90.2 to 91.2, while in Norway the retention rate increased from 85.8 to 86.7. The positive development in Denmark can be ascribed to a positive impact from the member bonus model and a strong focus on customer loyalty. In Private Norway, there was also a strong focus on customer loyalty, and the positive development was likely impacted by a reduction in the number of small, but very aggressive (and unprofitable) competitors in Norway.

Claims

The gross claims ratio totalled 65.5 (66.0), and the claims ratio, net of ceded business, 67.8 (68.4). The underlying claims level, excluding Alka, improved by 0.5 percentage points, which was attributable to the claims excellence programme and price adjustments aimed at mitigating increased claims inflation. The level of weather-related claims was somewhat higher, primarily due to winter weather in Norway in Q1 2018.

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 branches.

The business area accounts for 51% of the Group's total premium income.

Financial highlights 2018

Technical result
DKK 1,734m
(DKK 1,565m)

Combined ratio
81.6
(82.1)

Premium growth
(local currencies)
8.9%
(1.1%)

Expense ratio
13.8
(13.7)

Key figures – Private

DKKm	Q4 2018	Q4 2017	2018	2017
Gross premium income	2,679	2,203	9,466	8,798
Gross claims	-1,719	-1,448	-6,198	-5,807
Gross expenses	-363	-301	-1,309	-1,208
Profit/loss on gross business	597	454	1,959	1,783
Profit/loss on ceded business	-65	-57	-220	-211
Insurance technical interest, net of reinsurance	-1	-3	-5	-7
Technical result	531	394	1,734	1,565
Run-off gains/losses, net of reinsurance	78	48	394	306
Key ratios				
Premium growth in local currencies	21.2	1.1	8.9	1.1
Gross claims ratio	64.2	65.7	65.5	66.0
Net reinsurance ratio	2.4	2.6	2.3	2.4
Claims ratio, net of ceded business	66.6	68.3	67.8	68.4
Gross expense ratio	13.5	13.7	13.8	13.7
Combined ratio	80.1	82.0	81.6	82.1
Combined ratio exclusive of run-off	83.0	84.2	85.8	85.6
Run-off, net of reinsurance (%)	-2.9	-2.2	-4.2	-3.5
Large claims, net of reinsurance (%)	0.0	0.0	0.0	0.0
Weather claims, net of reinsurance (%)	1.3	2.4	2.4	1.9

Expenses

The expense ratio for Private was 13.8 (13.7) and was almost unchanged and in line with the expectations for Tryg in general, reflecting investments in digital solutions financed by distribution efficiency.

Total employee numbers increased from 1,000 at the end of 2017 to 1,329 in 2018, mainly due to the acquisition of Alka and the upscaling of distribution to include more efficient channels.

Results Q4 2018

The technical result totalled DKK 531m (DKK 394m), with a combined ratio of 80.1 (82.0). The higher technical result was due to the inclusion of Alka for approximately two months. The underlying claims ratio, excluding Alka, improved by 0.5 percentage points, which is in line with developments in previous quarters.

Premiums

Gross premiums increased by 21.2% (1.1%) in local currencies and were impacted by the Alka acquisition. Excluding the Alka acquisition, premium growth was 6.1%.

The retention rate in Denmark increased from 90.2 to 91.2, while in Norway the retention rate increased from 85.8 to 86.7.

Claims

The gross claims ratio was 64.2 (65.7), and the claims ratio, net of ceded business, was 66.6 (68.3). The underlying claims ratio excluding Alka improved by 0.5 percentage points. It was impacted by the ongoing claims excellence programme and price adjustments aimed primarily at mitigating claims inflation. Weather claims were lower compared to an average fourth quarter and also below prior-year quarter.

Expenses

The expense ratio was 13.5 (13.7) and was impacted by the integration of Alka.

Financial highlights Q4 2018

Technical result
DKK 531m
(DKK 394m)

Combined ratio
80.1
(82.0)

Claims ratio,
net of ceded business
66.6
(68.3)

Expense ratio
13.5
(13.7)

New house insurance product

In September 2018, Private Denmark launched a new house insurance product, which includes a rat blocker. The rat blocker is another important claims prevention initiative from Tryg. The rat blocker prevents rats from entering private houses from the sewers and damaging houses, pipes etc.

Commercial

Results 2018

The technical result for 2018 was DKK 784m (DKK 667m), with a combined ratio of 80.3 (82.6). The combined ratio was affected by an aggregate level of weather claims and large claims, lower than the previous year, and a higher level of run-off. The development in premiums improved significantly due to the Alka and OBOS acquisitions.

Premiums

The development in gross premium income was positive 3.7% (-0.7%) in local currencies, as mentioned impacted by the Alka and OBOS acquisitions. There was also an underlying improvement in premium income for both the Danish and Norwegian Commercial business. Excluding the acquisitions, growth in Commercial Denmark was 1.1% and in Commercial Norway 1.4%.

To further improve this development, Commercial Denmark will continue to capitalise on the member bonus from TryghedsGruppen and has already started to hire more efficient sales agents to lower the cost of sales. The market position of Commercial Norway was strengthened through the acquisition of OBOS, which – in combination with initiatives supporting greater distribution power – fuelled a positive development in underlying premiums.

The retention rate for Commercial Denmark increased from 87.7 to 88.0, while in Norway the retention rate increased significantly from 86.9 to 87.7. The positive developments in Denmark and Norway can be ascribed to a strong customer focus, while in Denmark the customer bonus model also supported the development.

Claims

The gross claims ratio was 58.6 (62.7), with a claims ratio, net of ceded business, of 62.8 (65.4). The lower claims level was due to a higher level of run-offs, but the aggregate level of large claims and weather claims was also at a lower level compared to prior year.

Expenses

The expense ratio for Commercial was 17.5 (17.2). The expense level is generally too high for Commercial, especially for the distribution part, and Commercial Denmark has therefore started to recruit a new type of sales agents with the aim of lowering cost of sales. In Denmark, Commercial also decided to start working with independent sales agents selling only for Tryg. This is a new type of distribution channel in Denmark that has proven to be very efficient for Private Denmark in Q4.

Commercial encompasses the sale of insurance products to small and medium-sized businesses in Denmark and Norway. Sales are effected via Tryg's own sales force, brokers, franchisees (Norway), customer centres as well as group agreements.

The business area accounts for 21% of the Group's total premium income.

Financial highlights 2018

Technical result
DKK 784m
(DKK 667m)

Combined ratio
80.3
(82.6)

Premium growth
(local currencies)
3.7%
(-0.7%)

Expense ratio
17.5
(17.2)

Key figures – Commercial

DKKm	Q4 2018	Q4 2017	2018	2017
Gross premium income	1,044	977	3,971	3,862
Gross claims	-545	-648	-2,326	-2,423
Gross expenses	-183	-155	-696	-665
Profit/loss on gross business	316	174	949	774
Profit/loss on ceded business	-47	-36	-165	-106
Insurance technical interest, net of reinsurance	1	0	0	-1
Technical result	270	138	784	667
Run-off gains/losses, net of reinsurance	161	88	434	329
Key ratios				
Premium growth in local currencies	6.8	2.3	3.7	-0.7
Gross claims ratio	52.2	66.3	58.6	62.7
Net reinsurance ratio	4.5	3.7	4.2	2.7
Claims ratio, net of ceded business	56.7	70.0	62.8	65.4
Gross expense ratio	17.5	15.9	17.5	17.2
Combined ratio	74.2	85.9	80.3	82.6
Combined ratio exclusive of run-off	89.6	94.9	91.2	91.1
Run-off, net of reinsurance (%)	-15.4	-9.0	-10.9	-8.5
Large claims, net of reinsurance (%)	-1.0	4.8	1.6	3.1
Weather claims, net of reinsurance (%)	2.3	3.9	2.3	1.8

The total number of employees increased from 479 at the end of 2017 to 516 in 2018. The increase was ascribable to the new type of low-cost sales agents in Denmark and the acquisition of Alka.

Results Q4 2018

The technical result was DKK 270m (DKK 138m), with a combined ratio of 74.2 (85.9). The result was positively affected by a substantial decrease in the level of large claims, but also a high level of run-off gains. Premium growth was a positive 6.8% (2.3%), primarily due to the Alka and OBOS acquisitions.

Premiums

Gross premiums increased by 6.8% (2.3%) in local currencies, primarily due to the above-mentioned acquisitions. Excluding the acquisitions premium, growth was 1.9%. The retention rate in Denmark increased to 88.0 (87.7), while the retention rate in Norway increased significantly to 87.8 (86.9) due to a strong focus on customer loyalty.

Claims

The gross claims ratio was 52.2 (66.3), with a claims ratio, net of ceded business, of 56.7 (70.0). The much lower level was due to a substantial decrease in large claims and a higher level of run-offs, but also an underlying improvement driven by claims excellence initiatives.

Expenses

The expense ratio was 17.5 (15.9), which was somewhat higher than for the prior-year period, primarily due to an extraordinarily low level last year. Going forward, Commercial will focus strongly on reducing costs.

Financial highlights Q4 2018

Technical result
DKK 270m
(DKK 138m)

Combined ratio
74.2
(85.9)

Claims ratio,
net of ceded business
56.7
(70.0)

Expense ratio
17.5
(15.9)

Track-and-Trace feature

In Q1 2018, Private Denmark launched a claims track-and-trace feature, which means that customers will be able to follow the processing of claims online.

Corporate

Results 2018

The technical result was DKK 173m (DKK 386m), with a combined ratio of 95.6 (90.0). The result was negatively affected by a significantly higher level of large claims. Premiums were up 4.0% (2.1%) and were impacted by price hikes, an increased level of fronting business and in Denmark a high retention level driven by the customer bonus model. The corporate market is generally challenged in all countries, even following significant price hikes, especially in Norway. Tryg is determined to improve profitability and will increase prices in 2019, which – depending on the reaction from competitors – might reduce premium income.

Premiums

Gross premium income was up 4.0% (2.1%) in local currencies. An increase of around 5.4% was seen in Denmark due to a positive development for the Guarantee business (Tryg Garanti) and very high retention levels, which is probably ascribable to the customer bonus model. In Norway, premium increased by 1.7%, primarily due to price hikes. In Sweden, which accounts for only 20% of the total Corporate business, premium growth was 3.6%.

Claims

The gross claims ratio totalled 79.9 (67.7), and the claims ratio, net of ceded business, 85.7 (79.8). The higher claims level was primarily due to the development in large claims in Norway. A higher level of large claims is bound to happen from time to time, and this is not a problem as such. The issue for Corporate is that the underlying profitability is not satisfactory, and price hikes will therefore be implemented, especially in Norway, and have a greater impact than the initiatives in 2018.

This year, Tryg has communicated very actively to brokers in the Norwegian market that Tryg will implement price hikes to improve profitability, and therefore a reduction in the portfolio is expected.

In Denmark, profitability initiatives will also be implemented, but Tryg's position in the Corporate market in Denmark is generally much better due to the member bonus payments from Trygheds-Gruppen.

In Sweden, more significant steps were taken to improve profitability, especially for specific segments. Profitability still needs improving for motor insurance and liability.

Corporate sells insurance products to corporate customers under the brands 'Tryg' in Denmark and Norway, 'Moderna' in Sweden and 'Tryg Garanti'. Sales are effected both via Tryg's own sales force and via insurance brokers. Moreover, customers with international insurance needs are served by Corporate through its cooperation with the AXA Group.

The business area accounts for 20% of the Group's total premium income.

Financial highlights 2018

Technical result
DKK 173m
(DKK 386m)

Combined ratio
95.6
(90.0)

Premium growth
(local currencies)
4.0%
(2.1%)

Expense ratio
9.9
(10.2)

Key figures – Corporate

DKK m	Q4 2018	Q4 2017	2018	2017
Gross premium income	987	965	3,897	3,852
Gross claims	-915	-720	-3,114	-2,606
Gross expenses	-102	-97	-385	-392
Profit/loss on gross business	-30	148	398	854
Profit/loss on ceded business	-87	-88	-225	-467
Insurance technical interest, net of reinsurance	0	0	0	-1
Technical result	-117	60	173	386
Run-off gains/losses, net of reinsurance	-54	62	271	239
Key ratios				
Premium growth in local currencies	2.9	3.0	4.0	2.1
Gross claims ratio	92.7	74.6	79.9	67.7
Net reinsurance ratio	8.8	9.1	5.8	12.1
Claims ratio, net of ceded business	101.5	83.7	85.7	79.8
Gross expense ratio	10.3	10.1	9.9	10.2
Combined ratio	111.8	93.8	95.6	90.0
Combined ratio exclusive of run-off	106.3	100.2	102.6	96.2
Run-off, net of reinsurance (%)	5.5	-6.4	-7.0	-6.2
Large claims, net of reinsurance (%)	9.5	3.3	11.0	3.2
Weather claims, net of reinsurance (%)	2.5	2.7	1.4	1.2

Expenses

The expense ratio for Corporate was 9.9 (10.2), and it was quite stable throughout the year. As the cost of handling large clients is relatively low – when taking account of premium levels – and as brokers are paid directly by the customers, Corporate should have a much lower expense ratio than Private and Commercial.

The number of employees increased from 250 at the end of 2017 to 265 in 2018, primarily related to the guarantee business.

Results Q4 2018

The technical result was a negative DKK -117m (DKK 60m), with a combined ratio of 111.8 (93.8). The results were negatively impacted by a higher level of large claims and run-off losses on some specific claims. Premium growth was a positive 2.9% (3.0%), primarily due to price hikes and growth in the guarantee business.

Premiums

Gross premiums were up 2.9% (3.0%) in local currencies, primarily due to guarantee business in Denmark, price hikes in Norway and high retention levels, especially in the Danish business.

Claims

The gross claims ratio was 92.7 (74.6), and the claims ratio, net of ceded business, 101.5 (83.7). The much higher level was primarily due to the high level of large claims and run-off loss on some claims in the Swedish business, which led to a total negative run-off for the quarter.

Expenses

The expense ratio was 10.3 (10.1) and in line with the level in Q4 2017.

Financial highlights Q4 2018

Technical result
DKK -117m
(DKK 60m)

Combined ratio
111.8
(93.8)

Claims ratio,
net of ceded business
101.5
(83.7)

Expense ratio
10.3
(10.1)

TryghedsGruppen's member bonus

In June, Tryg's majority shareholder TryghedsGruppen, paid out a member bonus for the third year running. The bonus corresponds to 8% of the premium paid to Tryg in 2017, or the payout of DKK 720m in total to TryghedsGruppen's members and Tryg's Danish customers.

Sweden

Results 2018

Sweden Private posted a result of DKK 201m (DKK 171m), which represented a slight improvement compared to the prior-year result primarily ascribable to reduced expense levels. 2018 was not impacted by mergers and acquisitions, and based on growth of approximately 5% and improved profitability, was a good year for the Swedish Private business.

Premiums

Premium income increased by 4.9% (12.5%) in local currencies. In 2017, growth was driven by the acquisition of Skandia's child insurance portfolio. In 2018, growth of 4.9% was achieved through organic growth, especially from pet insurance, motor insurance and accident insurance. The inbound team performed strongly in 2018. Changed legislation in Sweden has made outbound sales more challenging as companies can't close sales but must have customers accept after the call, for example using text messaging.

Claims

The gross claims ratio totalled 69.6 (70.9) and was affected by a somewhat higher run-off level. In some product areas, we saw slightly higher claims levels, and price adjustments will therefore be implemented in 2019 together with an expected higher level of identifying fraud.

Expenses

The expense ratio was much lower at 16.1 (16.9), which can be ascribed to a continued focus on effective distribution and the integration of the Skandia portfolio. Employee numbers were almost unchanged from 353 at the end of 2017 to 354 in 2018, reflecting a strong focus on efficiency.

Results Q4 2018

Sweden's technical result totalled DKK 38m (DKK 30m), with a combined ratio of 89.2 (91.3). Premium growth was a positive 7.7% (5.1%). The expense level improved to 17.2 (17.7).

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

The business area accounts for 8% of the Group's total premium income.

Financial highlights 2018

Technical result
DKK 201m
(DKK 171m)

Combined ratio
86.0
(88.1)

Premium growth
(local currencies)
4.9%
(12.5%)

Expense ratio
16.1
(16.9)

Key figures – Sweden

DKKm	Q4 2018	Q4 2017	2018	2017
Gross premium income	361	355	1,471	1,487
Gross claims	-259	-259	-1,024	-1,055
Gross expenses	-62	-63	-237	-251
Profit/loss on gross business	40	33	210	181
Profit/loss on ceded business	-1	-2	-4	-5
Insurance technical interest, net of reinsurance	-1	-1	-5	-5
Technical result	38	30	201	171
Run-off gains/losses, net of reinsurance	22	21	122	98
Key ratios				
Premium growth in local currencies	7.7	5.1	4.9	12.5
Gross claims ratio	71.7	73.0	69.6	70.9
Net reinsurance ratio	0.3	0.6	0.3	0.3
Claims ratio, net of ceded business	72.0	73.6	69.9	71.2
Gross expense ratio	17.2	17.7	16.1	16.9
Combined ratio	89.2	91.3	86.0	88.1
Combined ratio exclusive of run-off	95.3	97.2	94.3	94.7
Run-off, net of reinsurance (%)	-6.1	-5.9	-8.3	-6.6
Large claims, net of reinsurance (%)	0.0	0.0	0.0	0.0
Weather claims, net of reinsurance (%)	0.0	2.5	0.5	0.9

Premiums

Gross premiums were up 7.7% (5.1%) in local currencies, driven by growth in motor, accident and pet insurance.

Claims

The gross claims ratio was 71.7 (73.0), and net of ceded business 72.0 (73.6). The decrease was primarily due to a lower level of weather-related claims. As mentioned before, we saw some claims inflation for some products, which will be mitigated through minor price adjustments.

Expenses

The expense ratio was 17.2 (17.7), reflecting a continued focus on efficiency. In the past two years, the expense ratio has been reduced by almost 3 percentage points.

Employee numbers were more or less unchanged at 354 (353).

Financial highlights Q4 2018

Technical result
DKK 38m
(DKK 30m)

Combined ratio
89.2
(91.3)

Claims ratio,
net of ceded business
72.0
(73.6)

Expense ratio
17.2
(17.7)

New strategic partnership

In November 2018, Tryg and Danske Bank entered into a partnership. The partnership covers all the countries in which Tryg operates – both the Private and Commercial segments in Denmark and Norway, and Private, in Sweden.

Investment activities

The investment return totalled DKK -332m (DKK 527m) for FY 2018, driven by a return of DKK -33m (DKK 598m) on the free portfolio, a return of DKK -2m (DKK 227m) on the match portfolio, and other financial income and expenses of DKK -297m (DKK -298m).

The total market value of Tryg's investment portfolio was DKK 41bn (DKK 43bn) at year-end 2018. The investment portfolio consists of a match portfolio of DKK 29bn (DKK 32bn) and a free portfolio of DKK 11bn (DKK 11bn). The match portfolio is composed of fixed-income assets that match the Group's insurance liabilities, so that fluctuations resulting from interest rate changes are offset to the greatest possible extent. The free portfolio is the Group's capital, which is predominantly invested in fixed-income securities with a short duration, but also in equities and properties.

Free portfolio

Financial markets ended the year on a turbulent path driven by a sharp fall in equity markets in the last three months of 2018. Continuous talk of a trade war between the USA and China, public criticism by the US President to the Chair of the Federal Reserve on the direction of interest rates, turbulence in France and Italy and a highly uncertain situation around Brexit and overall growth

expectations revised downwards for 2019-2020, this has been the difficult background of the end of 2018.

Tryg's equity portfolio returned DKK -212m (approximately -11%) in 2018 vs DKK 353m (approximately 16%) in 2017. The drastic difference in returns from equities explains around 2/3 of the difference in the Group's investment return in 2018 vs 2017. The fixed-income portfolio also produced a negative return of DKK -93m (DKK 153m), driven primarily by widening credit spreads across virtually all fixed-income asset classes. The return on the investment property portfolio was DKK 272m (DKK 92m) or 13.0%. The high return on the properties portfolio was helped by a properties revaluation of DKK 80m in Q1 and DKK 75m in Q4.

Equity and property investments totalled DKK 4.1bn, while approximately DKK 2.2bn were invested in credit bonds. The remaining DKK 4.4bn were primarily invested in Nordic covered bonds and Government bonds, including inflation-linked bonds, where current yields remain negative, putting downward pressure on the return on the free portfolio and the overall investment income.

Financial highlights 2018

Investment return
DKK -332m

Free portfolio result
DKK -33m

Equities
-11% return

Match portfolio
DKK -2m

Key figures – investments

DKKm	Q4 2018	Q4 2017	2018	2017
Free portfolio, gross return	-198	138	-33	598
Match portfolio, regulatory deviation and performance	-42	13	-2	227
Other financial income and expenses	-90	-65	-297	-298
Total investment return	-330	86	-332	527

Return – match portfolio

DKKm	Q4 2018	Q4 2017	2018	2017
Return, match portfolio	138	83	200	289
Value adjustments, changed discount rate	-126	-26	7	122
Transferred to insurance technical interest	-54	-44	-209	-184
Match, regulatory deviation and performance	-42	13	-2	227
Hereof:				
Match, regulatory deviation	-19	11	-2	98
Match, performance	-23	2	0	129

Match portfolio

The result of the match portfolio is the difference between the return on the match portfolio and the amount transferred to the insurance business. The result can be split into a 'regulatory deviation' and a 'performance result'. The most important driver of the 'regulatory deviation' is the yield difference between Euro swap rates and Danish swap rates. In Norway and Sweden, Tryg hedges using local swaps corresponding to the EIOPA curve; hence only the Danish exposure is relevant.

The regulatory deviation made a slightly negative contribution of DKK -2m (DKK 98m) as the yield difference between Danish and Euro swap rates was virtually unchanged. The regulatory deviation is sensitive to the yield spread, but as the hedge portfolio has switched to a higher degree of Euro swaps, the sensitivity is lower.

The most important driver of the performance result is the difference in yields between Danish, Norwegian and Swedish covered bonds and

equivalent swap rates. If spreads narrow (versus swap rates), the overall performance is positive; otherwise the overall performance is negative. The performance made a contribution of DKK 0m (DKK 129m) as Nordic covered bonds, were broadly flat against the swap curve, looking at the full-year development. Tryg has previously mentioned that normalised long-term expectations for the match portfolio should be around zero.

Other financial income and expenses

The other financial income and expenses component is primarily made up of interest expenses related to outstanding subordinated debt, the cost of the currency hedge to protect shareholders' equity, the cost of running the investment operations and the new accounting standard related to leasing (IFRS 16). Other financial income and expenses totalled DKK -297m (DKK -298m) for FY 2018. In a newsletter published in the summer of 2016 (Modelling investment income), Tryg wrote

Return – free portfolio

DKKm	Q4 2018	Q4 2018 (%)	Q4 2017	Q4 2017 (%)	2018	2018 (%)	2017	2017 (%)	Investment assets	
									31.12.2018	31.12.2017
Government bonds	4	0.1	3	0.3	-3	-2.9	5	1.3	198	327
Covered bonds	5	0.1	-23	-0.1	13	0.3	30	0.4	3,696	4,111
Inflation linked bonds	1	0.2	10	1.8	-10	-2.0	8	1.5	493	547
Investment grade credit	-4	-0.6	2	0.2	-34	-4.4	29	4.0	820	935
Emerging market bonds	-8	-1.7	4	0.8	-33	-6.7	47	9.1	484	595
High-yield bonds	-35	-3.7	2	0.2	-23	-2.5	22	2.8	862	791
Other ^{a)}	21		3		-3		12		47	159
Interest rate and credit exposure	-16	-0.3	1	0.2	-93	-1.4	153	1.8	6,600	7,465
Equity exposure^{b)}	-284	-14.9	112	4.3	-212	-10.8	353	15.9	1,842	2,185
Investment property	102	4.7	25	1.6	272	13.0	92	5.6	2,238	1,715
Total gross return/Total investment	-198	-1.9	138	1.3	-33	-0.4	598	5.0	10,680	11,365

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

b) In addition to the equity portfolio exposure is derivatives contracts of DKK 235m.

Financial highlights Q4 2018

Investment return of
DKK -330m

Free portfolio result
DKK -198m

Equities
-14.9% return

Match portfolio
DKK -42m

that the 'other financial income and expenses' line should have a quarterly negative impact of approximately DKK -50m. In its Q3 2018 report, Tryg added that considering the new lease accounting standard and the increased interest expenses on the subordinated loans, the overall 'other financial income and expenses' result is now expected to exceed DKK -60m on a quarterly basis.

Investment activities in Q4 2018

The last quarter of 2018 was characterised by very volatile developments especially in equity markets. Tryg's equity portfolio returned DKK -284m (DKK 112m) or -14.9% for the quarter, dominated by a spike in the CBOE Volatility Index (VIX), a key measure of market expectations of near-term volatility in equity markets. The geo-political backdrop was challenging driven by the continuous talk of a trade war between the USA and China, public criticism by the US President to the Chair of the Federal Reserve about the direction of US interest rates as well as more geo-political troubles in France and Italy.

Brexit uncertainty was at its peak as well during the month of December, while a key parliamentary vote is expected to the beginning of January 2019. The fixed-income portfolio also returned a small loss of DKK -16m (DKK 1m), driven primarily by turbulence in the high-yield and emerging-markets

segments (small asset classes for Tryg). Finally, the property portfolio made a positive contribution of DKK 102m (DKK 25m) in the quarter, helped by a property revaluation of DKK 75m in Q4.

The match portfolio had a negative result in both its components, regulatory deviation and performance. The regulatory deviation produced a DKK -19m (DKK 11m) result as Danish swap rates widened 4 basis points vs the Euro swap rates, while the performance component produced a DKK -23m (DKK 2m) result as Nordic covered-bonds spreads also widened in the quarter, primarily in Denmark and Norway.

Other financial income and expenses was DKK -90m (DKK -65m), a somewhat higher level than normalised expectations. Increased interest expenses on loans (Tier 1 & Tier 2 loans), higher leasing costs (IFRS 16 accounting standard on leasing) and a write-down of a couple of minor strategic investments explain most of the difference compared to Q4 2017.

The overall investment result in Q4 was DKK -330m (DKK 86m), where the vast majority of the large swing (vs Q4 2017) can be explained by very different developments in equity markets. Tryg's equity portfolio returned -14.9% in Q4 2018 (DKK -284m) against 4.3% in Q4 2017 (DKK 112m).



Capital and risk management

Risk management is based on Tryg's targets and strategies and the risk exposure limits decided by the Supervisory Board. The assessment and management of Tryg's aggregated risk and the associated capital requirements therefore constitute a central element in the management of the company. Tryg's Supervisory Board defines the framework for the company's target risk appetite and thereby the capital which must be available to cover any losses.

Insurance risk

The insurance risk is managed by limiting the size of single large commitments and through the use of reinsurance, thus reducing the maximum cost of large claims. Furthermore, the insurance risk is managed through geographical limitations and by refraining from offering certain types of insurance such as aviation and marine hull insurance. Operating within these boundaries, Tryg's risk depends on the company's choice of exposure within different segments and industries in the insurance market. Tryg operates in relatively stable markets (Nordic non-life markets), while almost 60% of premiums (including the Alka book) are in the Private segment. Quarterly fluctuations are driven mainly by large claims and weather events, and reinsurance is used extensively to stabilise the overall earnings level.

Investment risk

Invested assets are split into a match portfolio (DKK 29bn) and a free investment portfolio

(DKK 11bn). The objective is for the return on the match portfolio to be as close as possible to zero as capital gains and losses on the assets side should be mirrored by corresponding developments on the liabilities side. The free portfolio is intended to produce the maximum risk-adjusted return. The investment risk associated with the free portfolio is managed through limits on exposures within each asset class (bonds, shares, properties etc.).

Solvency II

The Solvency II regime emphasises the need for sound risk management and introduces additional requirements concerning risk governance, consistency across the Group and top management reporting and involvement. Tryg has been working towards implementing the principles of Solvency II for years and has, among other things, performed risk identification routines, prepared ORSA (Own Risk and Solvency Assessment) reports, acted in a setup comprising three lines of defence and appointed a special Risk Committee under the Supervisory Board. Tryg's partial internal model was approved by the Danish FSA in November 2015. Read more about Tryg's risk management in Note 1 on page 60.

Solvency Financial Condition Report (SFCR)

European insurers had to publish SFCR reports for the first time in 2017, and Tryg was one of the first companies to publish its SFCR report in May 2017.

Tryg is focused exclusively on non-life insurance, it is mainly present in only three countries (Denmark, Norway and Sweden), and it has a fairly simple legal structure, which means that the SFCR report contains very little additional information compared to larger European peers, which typically offer both life and non-life insurance, which are present in many countries and have more complex legal structures. The additional information includes a geographical breakdown of capital charges, a balance sheet according to Solvency II as opposed to IFRS (statutory financial statements), and SCR (Solvency Capital Requirement) components as per the end of 2017. The publication of Tryg's SFCR report attracted a lot of attention in the insurance industry in 2017 with a clear focus on capital quality, including the use of transitional measures and the impact of long-term guarantee measures. Tryg's solvency position does not factor in any benefits from these measures as the company is a pure non-life insurer with relatively short-term liabilities. In 2018, the report attracted less focus as analysts/investors have grown accustomed to the new solvency regime.

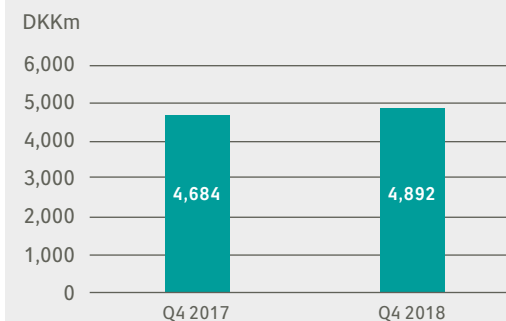
Capital management

Capital management is based on Tryg's partial internal capital model, which was approved by the Danish FSA in November 2015. Tryg has modelled the insurance risk internally, while using

the standard formula for all other risks. The capital model is based on Tryg's risk profile and therefore takes into consideration the composition of Tryg's insurance portfolio, geographical diversification, its claims reserves profile, reinsurance programme, investment mix and Tryg's profitability in general. The solvency ratio is defined as own funds divided by the Solvency Capital Requirement.

The key components of Tryg's own funds are shareholders' equity, qualifying debt instruments (both Tier 1 and Tier 2 debt) and future profit, while all intangibles are deducted in the calculation. Both the Tier 2 and the Tier 1 capacity has been virtually fully utilised; currently some

Solvency Capital Requirement





Tryg will pay a Q4 dividend of DKK 1.65 per share on January 25

DKK 140m of Tier 2 instruments are not included in the own funds as they exceed the 50% SCR limit.

Tryg announced the Alka acquisition in December 2017 and raised DKK 4bn of 'new' equity right after the transaction. In 2018, own funds have primarily been impacted by the net profit and dividend payments. The Alka acquisition was completed on 8 November 2018, hence in the last quarter of the year intangibles were up by approximately DKK 5.7bn. The future profit item has increased from DKK 970m to DKK 1,408m following the integration of the highly profitable Alka business and an initial conservative approach concurrently with improved profitability of the underlying business. Own funds totaled DKK 8,058m at the end of 2018 vs DKK 13,162m at the end of 2017.

The Solvency Capital Requirement (SCR) is calculated in such a way that Tryg statistically should be able to honour its obligations in 199 out of 200 years. In other words, Tryg could have a negative result greater than DKK 4,892m (the SCR) in 1 out of 200 years. Tryg's SCR was DKK 4,892m at the end of 2018, up approximately DKK 200m from the end of 2017. The consolidation of the Alka business resulted in a stand-alone increase of the SCR of just below DKK 400m, while a lower capital charge on equities, following the negative markets in Q4, reduced the SCR by approximately DKK 250m.

At the Capital Markets Day on 20 November 2017, Tryg announced measures to reduce the SCR by up to 10%. The inclusion of Danish workers' compensation in the partial internal model reduced the SCR by approximately DKK 100m in Q4 2017, while further work to include Sweden in the internal model and other minor adjustments will reduce the SCR further. All changes are subject to approval by the Danish FSA.

Tryg's solvency ratio displays low sensitivity towards capital market movements. The highest sensitivity is towards spread risk, where a widening/tightening of 100 basis points will impact the solvency ratio by 14 percentage points. A lower sensitivity is displayed towards equity market falls and interest rate fluctuations. A change in the UFR (Ultimate Forward Rate) will have an insignificant impact. This is unsurprising, considering that Tryg underwrites only non-life risks with a relatively short duration.

Ordinary and extraordinary dividend

The Supervisory Board regularly assesses the capital structure of the company in light of future internal earnings forecasts and balance sheet needs. The projections include initiatives set out in the company's strategy for the coming years, and are based also on the most significant risks identified by the company. The adequacy is measured in relation to Tryg's strategic targets, including return on equity and dividend policy.

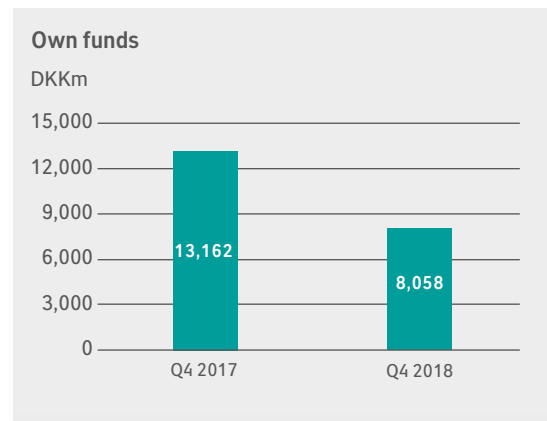
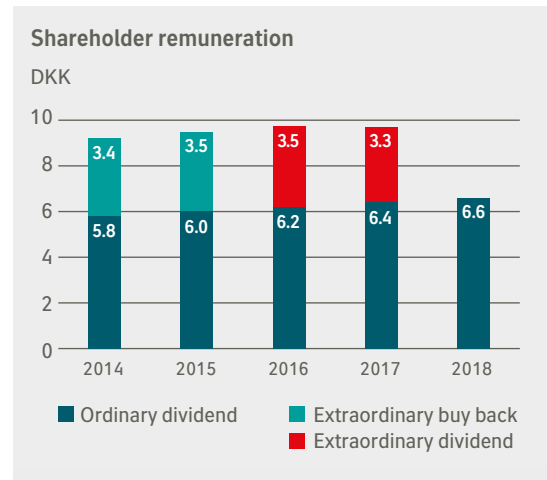
Tryg will pay a Q4 dividend of DKK 1.65 per share on 25 January 2019, which is in line with Q1, Q2 and Q3 levels, and also in line with Tryg's policy of paying out a stable quarterly dividend. The full-year dividend is therefore DKK 6.60 per share, equivalent to a total distribution of just below DKK 2bn. In March 2018 Tryg also paid an extraordinary dividend (announced at CMD in November 2017) of DKK 1bn.

Capital planning and contingency plan

In conjunction with the capital planning, a contingency plan is made. It describes specific measures that may be introduced in the near term, should the company's desired capital position be threatened. Tryg's Supervisory Board has approved both the capital plan and the contingency plan. Read more about Tryg's risk and capital management in note 1 on page 60.

Moody's rating

Tryg has an 'A1' (stable outlook) insurance financial strength rating (IFSR) from Moody's. The rating agency highlights Tryg's strong position in the Nordic P&C market, robust profitability, very good asset quality and relatively low financial leverage. Moody's also assigned an 'A3' rating to Tryg's subordinated debt and a 'Baa3' rating to Tryg's Tier 1 transaction. The ratings were affirmed following the Alka acquisitions.



Investor information

Investor Relations (IR) is responsible for Tryg's communication with the capital markets. It is important that investors, analysts and other stakeholders are able to form a true and fair view of developments, including Tryg's financial results. For this reason, Tryg's IR team strives to be as open and transparent as possible to ensure that stakeholders' information requirements are met at the highest possible level. IR is in charge of communication with equity investors, fixed-income investors and rating agencies.

➤ [See Tryg's IR policy at tryg.com > governance](#)

After the publication of quarterly and annual reports, Tryg's management and IR team travel extensively to meet with shareholders and potential investors. Quarterly analyst presentations are held in Copenhagen and London. Tryg also attends various financial conferences. In 2018, we held around 300 investor meetings – mostly one-to-ones and some group meetings in Europe, the USA, Canada and Asia. The Tryg share is covered by 21 analysts, who continuously update their recommendations and earnings forecasts. Tryg hosts an annual analysts day, while more in-depth capital market days are hosted every three years.

➤ [See a list of analysts and their recommendations at tryg.com > investor > share > analysts](#)

The Tryg share

The Tryg share is listed on NASDAQ Copenhagen. Company announcements and transaction statements are published in both Danish and English, whereas interim reports and annual reports are published in English.

➤ [Subscribe to all financial information at tryg.com](#)
➤ [Follow @TrygIR on Twitter](#)

The Tryg share started the year at a price of DKK 156.0 and ended 2018 at DKK 163.9. The total return (price and dividends) of the share was 12.4%. The positive share price development was driven primarily by high earnings stability and an improved underlying financial performance. The insurance sector's key attraction is its dividend yield. Therefore, earnings and solvency are always carefully scrutinised by investors. In the world of Solvency II, movements in solvency levels can be more difficult to predict and often also difficult to understand. Tryg has a relatively simple business model and a transparent capital position, which is highly appreciated by analysts and investors.

NASDAQ Copenhagen remains the primary exchange for trading in the Tryg share. In 2018, NASDAQ Copenhagen accounted for 65% of the turnover of Tryg shares. This means that approxi-

mately 35% of all trading in 2018 took place on alternative exchanges. Daily turnover on NASDAQ averaged DKK 81 m, and average daily volume was 535,198.

Share capital and ownership

Tryg's share capital totalled 1,510,739,955 on 31 December 2018. It comprises one share class (302,147,991 shares with a nominal value of DKK 5), and all shares rank pari passu. The number of shares was increased by 27,400,000 after the Alka acquisition. The majority shareholder, TryghedsGruppen smba, owns 60% of the shares and is the only shareholder holding more than 5% of the share capital. TryghedsGruppen invests in peace-of-mind and healthcare providers in the Nordic region, and supports non-profit-making activities.

TrygFonden

TrygFonden is the leading and most well-known peace-of-mind supporter in Denmark, supporting hundreds of activities that contribute to creating peace of mind, such as coastal lifeguards, cuddle bears for children in hospitals and defibrillators. Behind TrygFonden is TryghedsGruppen, which owns 60% of the shares in Tryg and which contributed DKK 600m to projects that create peace of mind in all parts of Denmark in 2018.

TryghedsGruppen

In 2018 and for the third year running, Tryg's majority shareholder, TryghedsGruppen, paid out a member bonus to Tryg's customers in Denmark corresponding to 8% of the annual premiums paid for 2017.

TrygFonden

TrygFonden is the leading and most well-known peace of mind supporter in Denmark, supporting hundreds of activities that contribute to this, such as coastal lifeguards, cuddle bears for children at hospitals and defibrillators. Behind TrygFonden is TryghedsGruppen, which owns 60% of the shares in Tryg and contributed DKK 600m to projects that create peace of mind throughout Denmark in 2018.

TryghedsGruppen

In 2018, for the third year running, Tryg's majority shareholder, TryghedsGruppen, paid out a member bonus to Tryg's customers in Denmark corresponding to 8% of the annual premium paid for 2017.

Quarterly dividends started in 2017

Tryg started paying quarterly dividends in 2017. The Tryg share has a distinct income profile in that the business generally grows in line with GDP, producing high margins, which are mostly returned to shareholders. The prolonged period of very low interest rates in the wake of the financial crisis means that investors, all else being equal, attach even greater importance to dividends than in a more normal environment.

This is particularly true for insurance investors as insurance is one of the sectors offering the highest dividend yield. From an investment perspective, a quarterly dividend is a clear reminder of the high profitability of our business and our focus on returning capital to shareholders. Tryg's dividend policy is based on the following assumptions:

- An aspiration to distribute a nominal, stable increasing dividend in nominal terms on a full-year basis.
- 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.
- Annual distribution of 60-90% of our profit after tax.
- The capital level must at all times reflect our return-on-equity targets and statutory capital requirements.
- The capital level may be adjusted via extraordinary dividends.

Annual general meeting

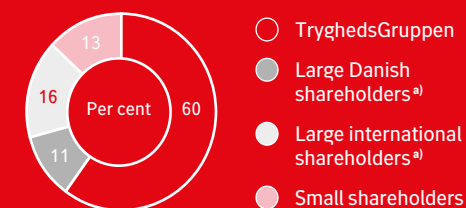
Tryg's annual general meeting will be held on 15 March 2019 at 15:00 CET at Tryg's head office, Klausdalsbrovej 601, 2750 Ballerup, Denmark. The notice will be advertised in the daily press in February 2019 and will be sent to shareholders upon request.

- The annual general meeting will also be announced at tryg.com
- The company announcements published in 2018 can be seen at tryg.com > announcements

Financial calendar 2019

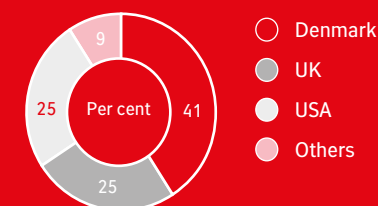
- 23 Jan. 2019** Tryg shares are traded ex-dividend
- 25 Jan. 2019** Payment of Q4 dividend
- 15 Mar. 2019** Annual general meeting
- 10 Apr. 2019** Interim report Q1
- 11 Apr. 2019** Tryg shares are traded ex-dividend
- 15 Apr. 2019** Payment of Q1 dividend
- 10 July 2019** Interim report Q2 and H1
- 11 July 2019** Tryg shares are traded ex-dividend
- 15 July 2019** Payment of Q2 dividend
- 10 Oct. 2019** Interim report Q3 and Q1-Q3
- 11 Oct. 2019** Tryg shares are traded ex-dividend
- 15 Oct. 2019** Payment of Q3 dividend

Shareholders at 31 December 2018



a) Shareholders holding more than 10,000 shares.

Free float – geographical distribution at 31 December 2018



Free float is exclusive of TryghedsGruppen.

Shareholder distribution

DKK M	2018	2017	2016	2015	2014
Dividend	1,994	1,827	1,770	1,759	1,731
Dividend per share (DKK)	6.6	6.4	6.2	6.0	5.8
Payout ratio	115%	73%	72%	89%	68%
Extraordinary share buy back	0	0	0	1,000	1,000
Extraordinary dividend	0	1,000	1,000		
Extraordinary dividend per share (DKK)	0	3.31	3.54		

Corporate governance

Tryg focuses on managing the company in accordance with the principles of good corporate governance and generally complies with the Danish recommendations prepared by the Committee on Corporate Governance. The Recommendations on Corporate Governance are available at corporate-governance.dk. At tryg.com, Tryg has published its statutory corporate governance report based on the 'comply-or-explain' principle for each individual recommendation. This section on corporate governance is an excerpt of the corporate governance report.

✚ [Download Tryg's statutory corporate governance report at tryg.com > Investor > Download](#)

Dialogue between Tryg, shareholders and other stakeholders

Tryg's Investor Relations (IR) department maintains regular contact with analysts and investors. Together with the Executive Board, IR organises investor meetings, conference calls and participates in conferences in Denmark and abroad. IR also communicates with stakeholders on social media via [Twitter@TrygIR](https://twitter.com/TrygIR).

The Supervisory Board is informed about the dialogue with investors and other stakeholders on a regular basis. Tryg has an IR policy, which states, among other things, that all company announcements are published in Danish and English. Tryg

publishes quarterly interim reports in English. Furthermore, Tryg publishes an annual profile in Danish, English and Norwegian. The profile is addressed to Tryg's private shareholders, customers, employees and other stakeholders and will be published on 5 February 2019.

Moreover, Tryg prepares quarterly investor presentations, which are used in our dialogue with investors and analysts. Tryg also publishes IR newsletters on relevant topics on a regular basis. All announcements, financial reports, presentations and newsletters are available at tryg.com. This material provides all stakeholders with a comprehensive picture of Tryg's position and performance.

The consolidated financial statements are presented in accordance with IFRS. At tryg.com, stakeholders are invited to subscribe to press releases, company announcements as well as trading announcements by insiders. A number of internal guidelines ensure that the disclosure of price-sensitive information complies with legislation and stock exchange codes of conduct. Tryg has adopted a number of policies describing the relationship between different stakeholders.

➤ [See the IR policy at tryg.com > Governance > Policies > IR policy](#)

Annual general meeting

Tryg holds an annual general meeting (AGM) every year. As required by the Danish Companies Act and the Articles of Association, the AGM is convened via a company announcement and at tryg.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.

All shareholders are encouraged to attend the AGM. The AGM is held by personal attendance as the Supervisory Board values personal contact with the Group's shareholders. Shareholders may propose items to be included on the agenda for the AGM, and may ask questions before and at the meeting. Shareholders may vote in person at the AGM, 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 the form for voting by post are available at tryg.com prior to the AGM.

Share and capital structure

Tryg's share capital comprises a single share class, and all shares rank *pari passu*. The majority shareholder, TryghedsGruppen smba, owns 60% of the shares and is the only shareholder owning more than 5% of the company's shares. The Supervi-

sory Board ensures that Tryg's capital structure is aligned with the needs of the Group and the interests of its shareholders, and that it 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.

Depending on the development in results, each year the Supervisory Board proposes the distribution of quarterly dividends, and possibly an extraordinary annual dividend if further adjustment of the capital structure is required.

Duties, responsibilities and composition 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 frameworks on the basis of regular and systematic reviews of the strategy and risks. The Executive Board reports to the Supervisory Board on strategies and action plans, market developments and Group performance, funding issues, capital resources and special risks.

The Supervisory Board holds one annual strategy seminar to decide on and/or adjust the Group's

strategy with a view to sustaining value creation in the company. The Executive Board works with the Supervisory Board to ensure that the Group's strategy is developed and monitored. The Supervisory Board ensures that the necessary skills and financial resources are available for Tryg to achieve its strategic targets. The Supervisory Board specifies its activities in a set of rules of procedure and an annual cycle for its work.

Eight members of the Supervisory Board were elected by the annual general meeting for a term of one year. Of the eight members elected at the annual general meeting, five, and thus the majority, are independent persons, thus complying with recommendation 3.2.1. in the Recommendations on Corporate Governance, while the other three members are dependent persons as they are appointed by Tryg's majority shareholder, Trygheds-Gruppen. See pages 41-42 for information on when the individual members joined the Supervisory Board, were re-elected and when their current election period ends. To ensure continuity and integration of new talent on the Supervisory Board, members elected by the annual general meeting may hold office for a maximum of 12 years. The Supervisory Board has 12 members, seven men and five women (currently including two male and two female employee representatives).

The representation of women in Tryg's Supervisory Board is thus compliant with legislation as well as Tryg's policy. The Supervisory Board has members from Denmark, Sweden and Norway.

i See details about the independent board members in the section Supervisory Board on pages 40-42 and at tryg.com > Governance

The Supervisory Board performs an annual evaluation of its work and skills to ensure that it possesses the expertise required to perform its duties in the best possible way. The Supervisory Board focuses primarily on the following qualifications and skills: Intellectual approach, independent mindedness, interpersonal competencies, integrity, inclination to engage, business understanding and judgement, problem-solving skills, networking skills, risk management understanding, ability to assess succession management, general top management experience, finance and/or audit experience, HR/management/talent/organisational experience, business development experience, financial sector experience, risk management and regulatory requirement experience, insurance – commercial and product, insurance – technical (underwriting, provisions, reinsurance), digital experience, experience with new business models and customer relations and interaction experience.

i See CVs and descriptions of the skills in the section Supervisory Board on pages 40-42 and at tryg.com > Governance

Duties and composition of the Executive Board

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

The Supervisory Board considers the composition, development, risk and succession plans of the Executive Board in connection with the annual evaluation of the Executive Board, and regularly in connection with board meetings. Each year, the Supervisory Board discusses Tryg's activities to guarantee diversity at management levels. Tryg ascribes great importance to diversity at all management levels. 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 2018, the share of women at management

level was 33% against 37% in 2017. The target for 2018 of 38% or more women at management level was therefore not met. Compared to 2017, the number of women in management positions decreased by three. In 2018, Tryg increased the total number of management positions and the decrease in share of women in management positions is mainly due to organisational changes.

➤ See the action plan at tryg.com

Board committees

Tryg has an Audit Committee, a Risk Committee, a Nomination Committee, a Remuneration Committee and an IT-Data Committee. The frameworks for the committees' work are defined in their terms of reference.

➤ See The board committees' terms of reference can be found at tryg.com > Governance > Management > Supervisory Board > Board committees, including descriptions of members, meeting frequency, responsibilities and activities during the year

➤ See the tasks of the board committees in 2018 at tryg.com > Governance > Management > Supervisory Board > Board committees

Three out of four members of the Audit Committee and three out of five members of the Risk Committee, including the chairman of the committees, are independent persons. Two out of the four members of the IT-Data Committee, including the chairman of the committee, are independent. Of the four members of the Remuneration Committee, two members are independent persons, and both members of the Nomination Committee are independent. Board committee members are elected primarily based on special skills that are considered important by the Supervisory Board.

Involvement of the employee representatives in the committees is also considered important. The committees exclusively prepare matters for decision by the entire Supervisory Board.

► [The special skills of all members are also described at tryg.com](#)

Remuneration of management

Tryg has adopted a remuneration policy for Tryg in general which contains specific schemes for the Supervisory Board, the Executive Board and other employees in Tryg, whose activities have a material impact on the risk profile of the company, so-called risk-takers. The remuneration policy

for 2018 was adopted by the Supervisory Board in January 2018, and approved by the annual general meeting on 15 March 2018.

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

► [See the remuneration policy at tryg.com](#)

Remuneration of 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 or pension scheme. Their remuneration is based on trends in peer companies, taking into account the required skills, efforts and the scope of the Supervisory Board's work, including the number of meetings held. The remuneration received by the Chairman of the Supervisory Board is three times that received by ordinary members, while the Deputy Chairman's remuneration is twice that received by ordinary members of the Supervisory Board.

Total remuneration of the Supervisory Board in 2018

DKK	Fee	Audit Committee	Risk Committee	IT-Data Committee	Remuneration Committee	Total
Jukka Pertola	1,033,548			140,000	143,549	1,317,097
Torben Henning Nielsen	720,000	225,000	210,000			1,155,000
Jesper Hjulmand	360,000	150,000	140,000			650,000
Lene Skole	360,000	150,000	140,000			650,000
Mari Thjømøe	360,000	150,000	140,000			650,000
Carl-Viggo Østlund	360,000			140,000	100,000	600,000
Ida Sofie Jensen	360,000			140,000	100,000	600,000
Tina Snebjerg	360,000		140,000			500,000
Lone Hansen	360,000			140,000		500,000
Tom Eileng	360,000				100,000	460,000
Anders Hjulmand	360,000					360,000
Elias Bakk	360,000					360,000
Jørgen Huno Rasmussen ^{a)}	226,452				31,451	257,903

^{a)} Resigned from the Supervisory Board in March 2018

Remuneration of the Executive Board

Members of the Executive Board are employed on a contractual basis, and all terms of their remuneration are established by the Supervisory Board within the framework of the approved remuneration policy.

Tryg wants to strike an appropriate balance between management remuneration, predictable risk and value creation for the company's shareholders in the short and long term.

The Executive Board's remuneration consists of a base salary, a pension contribution of 25% of the base salary and other benefits. The base salary must be competitive and appropriate for the market and provide sufficient motivation for all members of the Executive Board to do their best to achieve the company's defined targets. The Supervisory Board can decide that the base salary should be supplemented with a variable pay element of up to 50% of the fixed salary including pension.

The variable pay element consists of a Matching Shares Programme. The Executive Board may buy shares (so-called investment shares) in Tryg A/S

Total remuneration of the Executive Board in 2018

DKK	Base salary	Pension	Car allowance	Other benefits	Total fixed salary	One-off fee	Share-based remuneration ^{c)}	Total fee
Morten Hübbe	10,750,000	2,687,500	255,000	26,000	13,718,500	600,000 ^{d)}	4,481,377	18,799,877
Lars Bonde	5,253,713	1,313,428	255,000	26,000	6,848,141	600,000 ^{d)}	2,237,059	9,685,200
Johan Kirstein Brammer ^{a)}	4,704,301	1,176,075	239,234	24,392	6,144,003	1,925,000 ^{e)}	2,133,460	10,202,463
Christian Baltzer ^{b)}	3,780,645	945,161	200,847	20,478	4,947,132	240,000	-	5,187,132

^{a)} Joined the Executive Board on 23 January 2018

^{b)} Resigned from the Executive Board on 14 October 2018. One-off fee is a severance payment.

^{c)} The maximum investment opportunity offered under the Matching Shares Programme at the beginning of 2019 (performance year 2018)

^{d)} One-off fee related to the Alka acquisition

^{e)} 1 January-8 November, Johan Brammer received a pay supplement of DKK 150,000 per month plus pension for managing two positions as Head of Private Denmark and CCO.

at market price for a predefined amount, which is dependent on the member's performance for the fiscal year. Four years after the purchase, Tryg will grant one matching share per investment share free of charge.

Matching is conditional upon fulfilment of additional conditions such as continued employment and back testing (testing prior to matching, to ensure that the criteria on which the variable salary

is based are still met at the time of matching). The purpose of the Matching Shares Programme is to ensure alignment of the interests of the Executive Board and the company's shareholders.

Each year the Supervisory Board evaluates the performance of the Executive Board against the targets defined by the Supervisory Board for the financial year. The overall fulfilment of the weighted targets determines the number of investment shares of-

ferred to each member of the Executive Board. The targets for 2018 were based on Tryg's technical result, Transactional Net Promoter Score, employee satisfaction levels, the incorporation of Alka and the implementation of the strategy.

➤ [Read more about the Matching Shares Programme in the remuneration policy at tryg.com](#)

Financial reporting, risk management and auditing

As an insurance business, Tryg is subject to the risk management requirements of the Danish Financial Business Act and Solvency II. The Supervisory Board defines Tryg's risk management framework as regards insurance risk, investment risk, compliance risk and operational risk, as well as IT security, in policies and guidelines for the Executive Board. Risks associated with new financial reporting rules and accounting policies are monitored and considered by the Audit Committee, the finance management and the internal auditors. Material legal and tax-related issues and the financial reporting of such issues are assessed on an ongoing basis.

❖ Other risks associated with the financial reporting are described in the section [Capital and risk management on pages 31-32](#) and in [Note 1 Risk management on page 60](#)

Tryg engages in ongoing risk identification, mapping insurance risks and other risks which may endanger the realisation of Tryg's strategy or which may potentially have a substantial impact on Tryg's financial position. The process involves identifying and continually monitoring the risks identified. As in previous years, Tryg undertook an Own Risk and Solvency Assessment (ORSA) in 2018. The purpose of the ORSA is to ensure

and demonstrate a link between strategy, risk management, risk appetite, solvency and capital planning over the planning period.

The Supervisory Board and the Executive Board approve and monitor the Group's overall policies and guidelines, procedures and controls in important risk areas. They receive reports about developments in these areas and about the ways in which the frameworks are applied. The Supervisory Board checks that the company's risk management and internal controls are effective. The Board receives reports on non-compliance with the frameworks and guidelines established by the Supervisory Board. The Risk Committee monitors the risk management on an ongoing basis and reports quarterly to the Supervisory Board.

The Group's internal control systems are based on clear organisational structures and guidelines, general IT controls and segregation of functions, which are supervised by the internal auditors.

As part of the internal control system, Tryg has established independent risk management, compliance and actuarial functions. The functions report to the Executive Board and the Supervisory Board's Risk Committee. Tryg has a decentralised set-up whereby risk manag-

ers in the business areas carry out controlling tasks for the risk management and compliance functions.

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 pages 31-32 and in Note 1 on page 60](#)

Whistleblower line

Tryg has a whistleblower line, which allows employees, customers and business partners to report any serious wrongdoings or suspected irregularities. Reporting takes place in confidence to the chairman of the Audit Committee and the Head of Compliance.

➤ [Read more about Tryg's whistleblower line at tryg.com](#)

Independent and internal audit

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

The annual general meeting annually appoints an independent auditor recommended by the Supervisory Board. At least once a year, the auditors meet with the Audit Committee without the presence of the Executive Board. The chairman of the Audit Committee deals with any matters that need to be reported to the Supervisory Board.

Tryg's internal audit department regularly reviews the quality of the Group's internal control systems and business procedures. It is responsible for planning, performing and reporting on the audit work to the Supervisory Board.

Deviations and explanations

Tryg complies with the Recommendations on Corporate Governance with the exception of the number of independent members of board committees, with which Tryg complies partially, and agreements on termination payments; see recommendations 3.4.2. and 4.1.5. of the Recommendations on Corporate Governance.

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

Supervisory Board



Elias Bakk (1975)
Employee representative
Team Manager in Tryg.
Employed since 2006.

Lone Hansen (1966)
Employee representative
Chairman of the Association for Tied Agents and Key Account Managers in Tryg. Employed since 1990.

Jesper Hjulmand (1963)
Board member
From positions with SEAS-NVE, Jesper Hjulmand has experience in the fields of M&A, strategy, organisational and management development, communication and business development. Chairman of the Board of TryghedsGruppen.

Jukka Pertola (1960)
Chairman
Jukka Pertola has special skills in the fields of management, insurance, IT and digitalisation, communication and finance. Jukka Pertola has more than ten years of board work experience from companies, foundations and organisations.

Torben Nielsen (1947)
Deputy Chairman
Has special skills in the fields of management, finance, financial services and risk management as former Governor of Danmarks Nationalbank.

Tina Snebjerg (1962)
Employee representative
Officer of Tryg's Personnel Department. Employed since 1987.

Carl-Viggo Østlund (1955)
Board member
Has experience from the packaging industry, logistics, insurance, finance and banking, from leading positions in listed and private companies. Carl-Viggo Østlund has special knowledge of Swedish market conditions.

Tom Eileng (1954)
Employee representative
Deputy chairman of Finansforbundet Tryg and Senior Commercial Adviser. Employed since 1986.

Ida Sofie Jensen (1958)
Board member
Has experience from business operations and the healthcare sector as well as management, strategy, politics and finance. Deputy Chairman of TryghedsGruppen.

Anders Hjulmand (1951)
Board member
Is experienced in the counselling of a number of Danish and international, privately and publicly owned companies and foundations, and experienced in the areas of law, management, strategy and business development. Deputy Chairman of TryghedsGruppen.

Lene Skole (1959)
Board member
Has experience from international companies, among other things through previous positions with Coloplast and Maersk Company Limited, UK. Lene Skole has particular skills in the fields of strategy, financing and communication.

Mari Thjømøe (1962)
Board member
Has special skills in the fields of financial planning and control, restructuring/financing, investment analysis, investor relations, asset management, strategic planning, branding as well as special knowledge of the insurance market. Mari Thjømøe has special insights into the Norwegian market.

Supervisory Board

Jukka Pertola

Chairman

Born in 1960. Joined the Supervisory Board in 2017. Finnish citizen.

Career: Professional board member. Former CEO of Siemens.

Education: MSc in Engineering.

Board seats, Chairman: Danish Academy of Technical Sciences (ATV), Gomspace Group AB / GomSpace A/S, Leo Pharma A/S, Siemens Gamesa Renewable Energy A/S, Tryg A/S and Tryg Forsikring A/S, IoT Denmark A/S, Monsenso ApS.

Board seats, Deputy Chairman: Cowi Holding A/S.

Board member: Industriens Pensionsforsikring A/S.

Committee membership: IT-Data Committee in Tryg A/S. chairman in nomination committee and remuneration committee, Remuneration and Nomination Committee (Chairman) in LEO Pharma A/S.

Number of shares held: 4,000

Change in portfolio 2018: +2,800

Torben Nielsen^{b)}

Deputy Chairman

Born in 1947. Joined the Supervisory Board in 2011. Danish citizen.

Career: Professional board member, Adjunct Professor at Copenhagen Business School. Former Governor of Danmarks Nationalbank (Danish Central Bank).

Education: Savings bank training, Graduate Diplomas in Organisation, Work Sociology, Credit and Financing.

Board seats, Chairman: Sydbank A/S, Ny Holmegaard Fonden, Ny Holmegaard Værk, Investeringsforeningen Sparinvest, Vording-borg Borg Fund and KTIF (Kapitalforeningen Tryg Invest Funds).

Board seats, Deputy Chairman: Tryg A/S and Tryg Forsikring A/S.

Board member: Sampension AKP Livsforsikring A/S and member of the Executive Management of Bombøbøssen (pension fund).

Committee memberships: Audit Committee (Chairman), Risk Committee (Chairman) and Nomination Committee in Tryg, Risk Committee (Chairman) in Sydbank and Remuneration and nomination committee at Sampension (Chairman).

Number of shares held: 27,000

Change in portfolio 2018: +6,000

Elias Bakk

Born in 1975. Employee representative. Joined the Supervisory Board in 2017. Swedish citizen. Employed since 2006.

Career: Team Manager Elkjöp Claims NO.

Education: Norra Real Gymnasium.

Education at 'Forsikringsakademiet' for new board members.

Number of shares held: 670

Change in portfolio 2018: 0

Lone Hansen

Born in 1966. Employee representative. Employee since 1990. Joined the Supervisory Board in 2012. Danish citizen.

Chairman of the Association for Tied Agents and Key Account Managers in Tryg.

Education: Certified commercial insurance agent. Various insurance and sales courses and negotiation training.

Board member: Tryg A/S and Tryg Forsikring A/S. Member of the Tied Agents' District Board of Finansforbundet.

Committee memberships: IT-Data Committee in Tryg A/S.

Number of shares held: 898

Change in portfolio 2018: +148

Jesper Hjulmand^{a)}

Born in 1963. Joined the Supervisory Board in 2010. Danish citizen.

Career: CEO of SEAS-NVE A.m.b.A.

Education: MSc (Economic and Business Administration), Lieutenant-Colonel Royal Danish Air Force Reserve, Pathfinder and MBA module 'Strategic business understanding' (SDU).

Board seats, Chairman: Cerius A/S, Energy Denmark A/S, Fibia P/S and TryghedsGruppen smba.

Board member: Tryg A/S, Tryg Forsikring A/S, SEAS-NVE Holding A/S and Central Board of the Confederation of Danish Industry.

Committee memberships: Audit Committee, Nomination Committee, and Risk Committee of Tryg, Representatives of Danish Energy, Representatives of TryghedsGruppen smba and Representatives of Forenet Kredit.

Number of shares held: 8,750

Change in portfolio 2018: 0

Ida Sofie Jensen^{a)}

Born in 1958. Joined the Supervisory Board in 2013. Danish citizen.

Career: Group Managing Director of Lif (Medicine and Health-care Industry), CEO of the subsidiary DLI A/S (Danish Medicine Information) and the subsidiary ENLI ApS (Ethical Board for the Pharmaceutical Industry).

Education: MSc in Political Science (cand.scient.pol.), European Health Leadership Programme INSEAD, Executive Management Programme INSEAD, Executive Program Columbia Business School, Executive Program Singularity University.

Board seats, Deputy Chairman: Hans Knudsen Institutet (business trust).

Board member: Tryg A/S, Tryg Forsikring A/S and Trygheds-Gruppen Smba.

Committee memberships: Remuneration Committee and IT-Data Committee in Tryg A/S.

Number of shares held: 2,368

Change in portfolio 2018: 0

Committee meetings overview 2018

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

Members of the Supervisory Board are elected for a term of one year. Employee representatives are, however, elected for a term of four years.

a) Dependent member of the Supervisory Board.

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

Supervisory Board

Lene Skole^{b)}

Born in 1959. Joined the Supervisory Board in 2010. Danish citizen.

Career: CEO of Lundbeckfonden (+ Lundbeckfond Invest A/S).

Education: The A.P. Møller Group International Shipping Education, Graduate Diploma in Finance and various international management programmes.

Board seats, Chairman: LFI Equity A/S.

Board seats, Deputy Chairman: Ørsted A/S, H. Lundbeck A/S, ALK-Abelló A/S and Falck A/S.

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

Committee memberships: Audit Committee and Risk Committee in Tryg, Audit, Scientific & Nomination Committee in ALK-Abelló A/S, Scientific and Remuneration Committee in H. Lundbeck A/S, Remuneration Committee in Falck A/S and Nomination and Remuneration Committee in Ørsted A/S.

Number of shares held: 7,025

Change in portfolio 2018: 0

Tom Eileng

Born in 1954. Employee representative. Joined the Supervisory Board in 2016. Norwegian citizen. Employed since 1986.

Career: Deputy chairman of Finansforbundet Tryg and Senior Commercial Adviser.

Education: Business Economist. Authorised adviser in life and non-life insurance.

Board member: Tryg A/S, Tryg Forsikring A/S and Vesta Støttefond.

Committee memberships: Remuneration Committee in Tryg A/S.

Number of shares held: 468

Change in portfolio 2018: +148

Tina Snebjerg

Born in 1962. Employee representative. Employed since 1987.

Joined the Supervisory Board in 2010. Danish citizen.

Career: Officer of Tryg's Personnel Department.

Education: Insurance training.

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

Committee memberships: Audit Committee in Tryg and the Central Board of Forsikringsforbundet.

Number of shares held: 898

Change in portfolio 2018: +148

Anders Hjulmand^{a)}

Born in 1951. Joined the Supervisory Board in 2016. Danish citizen.

Career: Lawyer and partner at HjulmandKaptajn.

Education: LL.M.

Board seats, Chairman: B&E STÅL A/S, Brdr. Schlie's Fiskeeksport A/S, Conscius A/S, Danish Label Coating A/S, Friis & Moltke A/S, Nordjyske Jernbaner A/S, Palle Mørch A/S, Pava Produkter A/S, Seafood Danmark A/S, Scan Fish Danmark A/S, Thor Fisk A/S, Lerøy Schlie A/S, PSC A/S, P. Taabell & Co., Hanstholm A/S, GF Inveco A/S, PM Holding ApS and a number of subsidiaries.

Board seats, Deputy Chairman: TryghedsGruppen Smba, CPS A/S and Utzon Foundation.

Board member: Tryg A/S and Tryg Forsikring A/S, FDE Fonden, Effer Krancenter A/S, Sawo A/S and TryghedsGruppen smba.

Number of shares held: 3,622

Change in portfolio 2018: 0

Mari Thjømøe^{b)}

Born in 1962. Joined the Supervisory Board in 2012.

Norwegian citizen.

Career: Professional board member and independent adviser.

Education: MSc in Economics and Business Administration, Chartered Financial Analyst (CFA) as well as Senior Executive Programme from London Business School and Effective Board Management from Harvard Business School.

Board seats, Chairman: Seilsport Maritimt Forlag AS, TF Bank AB and ThjømøeKranen AS.

Board seats, Deputy Chairman: Norconsult A/S and Norconsult Holding.

Board member: Tryg A/S, Tryg Forsikring A/S, Norconsult as, Nordic Mining ASA, Forskningskonsernet Sintef, Sintef AS, Scatec Solar ASA, Hafslund E-CO AS and Ice ASA.

Committee memberships: Chairman of the Audit Committee in Norconsult and the Remuneration Committee in TF Bank AB. Member of Tryg's Audit Committee and Risk Committee, the Audit Committees in Scatec Solar ASA, TF Bank AB, Hafslund E-CO and Ice ASA.

Number of shares held: 3,900

Change in portfolio 2018: +600

Carl-Viggo Östlund^{b)}

Born in 1955. Joined the Supervisory Board in 2015. Swedish citizen.

Career: CEO of Allert Östlund AB, professional board member and independent adviser. Former CEO of the Swedish banks SBAB and Nordnet as well as the insurance company SalusAnsvar.

Education: BSc in International Business and Finance & Accounting.

Board seats, Chairman: Bridge Scandinavia Ventures AB, Creador AB, FCG Fonder AB, HappyX AB, Insiderfonder AB, Irisande Care Group AB, Hypoteket AB, Papilly AB, Ponture AB, Juvinum Food & Beverage AB, Ywonn Media Group AB.

Board member: DBT Capital AB, Havsgaard AB, Holmö Fastigheter AB, Tryg A/S, Tryg Forsikring A/S, Wonderbox AB.

Committee memberships: Remuneration Committee and IT-Data Committee in Tryg.

Number of shares held: 1,810

Change in portfolio 2018: +580

Committee meetings overview 2018

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

Members of the Supervisory Board are elected for a term of one year. Employee representatives are, however, elected for a term of four years.

a) Dependent member of the Supervisory Board.

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

Executive Board



Lars Bonde
Group COO

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

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

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



Morten Hübbe
Group CEO

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

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

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



Johan Kirstein Brammer
Group CCO

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

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

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

Corporate Responsibility in Tryg

Statutory Corporate Responsibility report

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

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

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

 [Download the Corporate Responsibility report](#)

Peace of mind in society

Nightravens

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

Lifebuoys

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

Safe in water

In 2018, Tryg partnered with the Norwegian Society for Sea Rescue, Region West, to offer a course called 'Safe in water'. The course is aimed at 12 to 14-year-old schoolchildren. The courses are run eight times a year, in autumn and winter,

and give the children a chance to experience being in the cold water wearing wetsuits and life jackets, while being supervised by skilled instructors. The courses focus on understanding the risks associated with water, on practising first aid and learning the key principles of self-rescue and lifesaving. Learning to throw Tryg lifebuoys is also an important part of the course.

Responsible workplace

In 2018, Tryg conducted an internal assessment of the 17 UN Sustainable Development Goals (SDGs) and the associated 169 targets. As one of the largest non-insurance companies in the Nordic region, we have a responsibility and an opportunity of making an impact on the SDGs and use our expertise to help realise the goals. See our 2018 independent Corporate Responsibility report for further information on methodology and selected targets.

Workplace responsibility

Our employees are our most valuable resources and key to providing competent and high-quality services to our customers. The well-being of our employees is vital to Tryg, as is protecting their right to a healthy and safe working environment.

Through our materiality assessment, it has become clear that there is a risk that Tryg can have adverse impacts on its employees through, for example, dissatisfaction, discrimination or the physical or psychosocial working environment. To mitigate this risk, we are continuously working to improve conditions for our employees.

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

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

Employee satisfaction

The annual employee satisfaction survey measures employee satisfaction and monitors

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

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

A diverse company and a driver of change

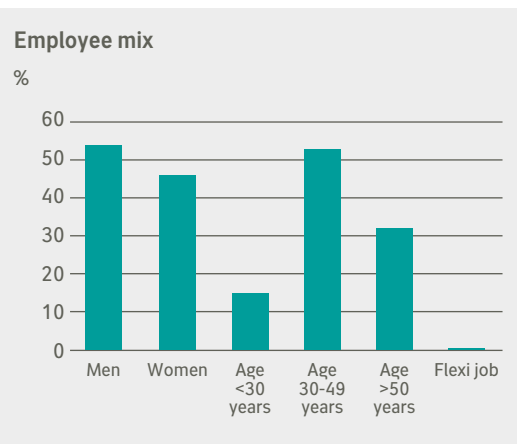
Women in management positions remain a continuous focus area in Tryg. To support our target, we focus specifically on our recruitment process, while an internal rotation programme is in place to improve conditions and career opportunities for talented women and men.

To further boost and encourage women in management positions, Tryg has an action plan, which is revised annually, outlining actions to support our target of increasing the number of women in management positions. In 2018, we raised our target from 38% to 41% in 2020. In 2018, the share of women in management positions was 33%, a decrease of 4 percentage points compared to 2017 hence we did not meet our target of 38%. Compared to 2017, the number of women in management positions decreased by three. In 2018, Tryg increased the total number of management positions and the declining in share of women in management

positions is mainly due to organisational changes. When recruiting, we focus on getting the best competencies for the job. Going forward, we will continue our efforts on attracting women for management positions.

➤ General action plan for Women in Management

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



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

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

➤ See Tryg's Competency and diversity policy

Strengthening our employees

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

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

Human rights and responsible supply chain management

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

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

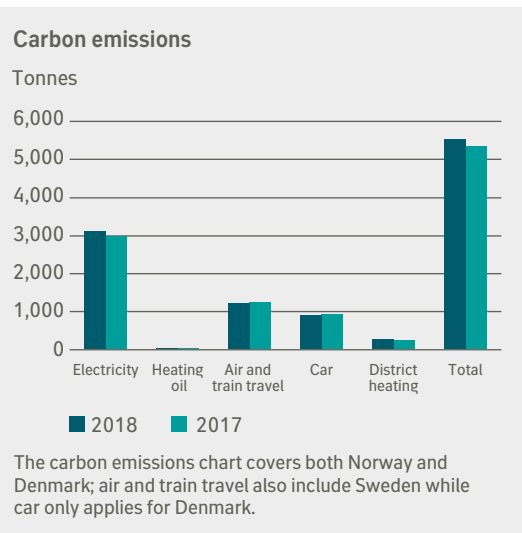
Tryg has established a process for auditing our outsourcing suppliers to ensure that any potential or actual adverse impacts and risks in our supply chain are handled. All outsourcing suppliers are asked to fill out a self-assessment questionnaire prior to a scheduled on-site audit. If the on-site audit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

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

The process continues in 2019, and all outsourcing suppliers are expected to be audited by 2020.

To support the new audit process, Tryg launched a training programme for procurement employees and auditors in 2018, to build capacity for identifying actual or potential violations on site. The training sessions are held annually.

➤ See [Tryg's Corporate Responsibility policy and Code of Conduct](#)



Climate and environmental responsibility

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

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

Climate and environmental initiatives

Tryg has initiated a process to install more efficient and climate-friendly LED lighting at our offices, as well as installing more screens for Skype meetings

to reduce air travel and offering electric cars for external meetings.

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

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

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

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

Eco-lighthouse in Norway

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

Business ethics and compliance

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

➤ See [Anti-corruption policy and Tax policy](#)

Data security and GDPR

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

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

➤ [See our Personal data policy](#)

Whistleblower hotline

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

➤ [Tryg's whistleblower hotline](#)

Responsible investments

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

international conventions or principles when investing.

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

✕ [Download Tryg's responsible investment policy and Policy for execution of active ownership](#)

Customer relations

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

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

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



Tryg has published an independent Corporate Responsibility report with extended Environmental, Social and Governance (ESG) data.

✕ [Download the report](#)

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

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Statement by the Supervisory Board and the Executive Board

The Supervisory Board and the Executive Board have today considered and adopted the annual report for 2018 of Tryg A/S and the Tryg Group.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the financial statements of the parent company have been prepared in accordance with the Danish Financial Business Act and the require-

ments of NASDAQ Copenhagen for the presentation of the financial statements of listed companies. In addition, the annual report has been presented in accordance with additional Danish disclosure requirements for the annual reports of listed financial enterprises.

In our opinion, the accounting policies applied are appropriate, and the annual report gives a true and fair view of the Group's and the parent company's

assets, liabilities and financial position at 31 December 2018 and of the results of the Group's and the parent company's operations and the cash flows of the Group for the financial year 1 January-31 December 2018.

Furthermore, in our opinion the management's review gives a true and fair view of developments in the activities and financial position of the Group and the parent company, the results for the year

and of the Group's and the parent company's financial position in general and describes significant risk and uncertainty factors that may affect the Group and the parent company.

We recommend that the annual report be adopted by the shareholders at the annual general meeting.

Ballerup, 22 January 2019

Executive Board

Morten Hübbe
Group CEO

Lars Bonde
Group COO

Johan Kirstein Brammer
Group CCO

Supervisory Board

Jukka Pertola
Chairman

Torben Nielsen
Deputy Chairman

Elias Bakk

Tom Eileng

Lone Hansen

Anders Hjulmand

Jesper Hjulmand

Ida Sofie Jensen

Lene Skole

Tina Snebjerg

Mari Thjømøe

Carl-Viggo Östlund

Independent auditor's report

To the shareholders of Tryg A/S

Opinion

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

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

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

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

Basis for opinion

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

Key audit matters

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

Claims provisions

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

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

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

The estimates of the claims provisions depend on accurate and complete insurance data of current and historical claims, including the development in claims and payment patterns, as these data are used to establish the expectations for future claims for the purpose of the statistical models.

The most important assessments and assumptions of future events relate to:

- Estimated future claims payments, which are based on the completeness and the accuracy of historical claims and payment patterns, among other factors.
- Expectations for future inflation.
- Determination of the margin included in Management's estimate of the claims provisions to address the uncertainty related to the actuarial estimates.

How the matter was addressed in the audit

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

Accounting for business combinations – Acquisition of Forsikrings-Aktieselskabet Alka

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

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

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

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

The most important assumptions and estimates relate to:

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

How the matter was addressed in the audit

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

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

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

Statement on the management's review

Management is responsible for the management's review.

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

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the consolidated financial statements and

the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance

with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Ballerup, 22 January 2019

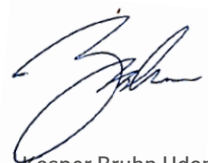
Deloitte

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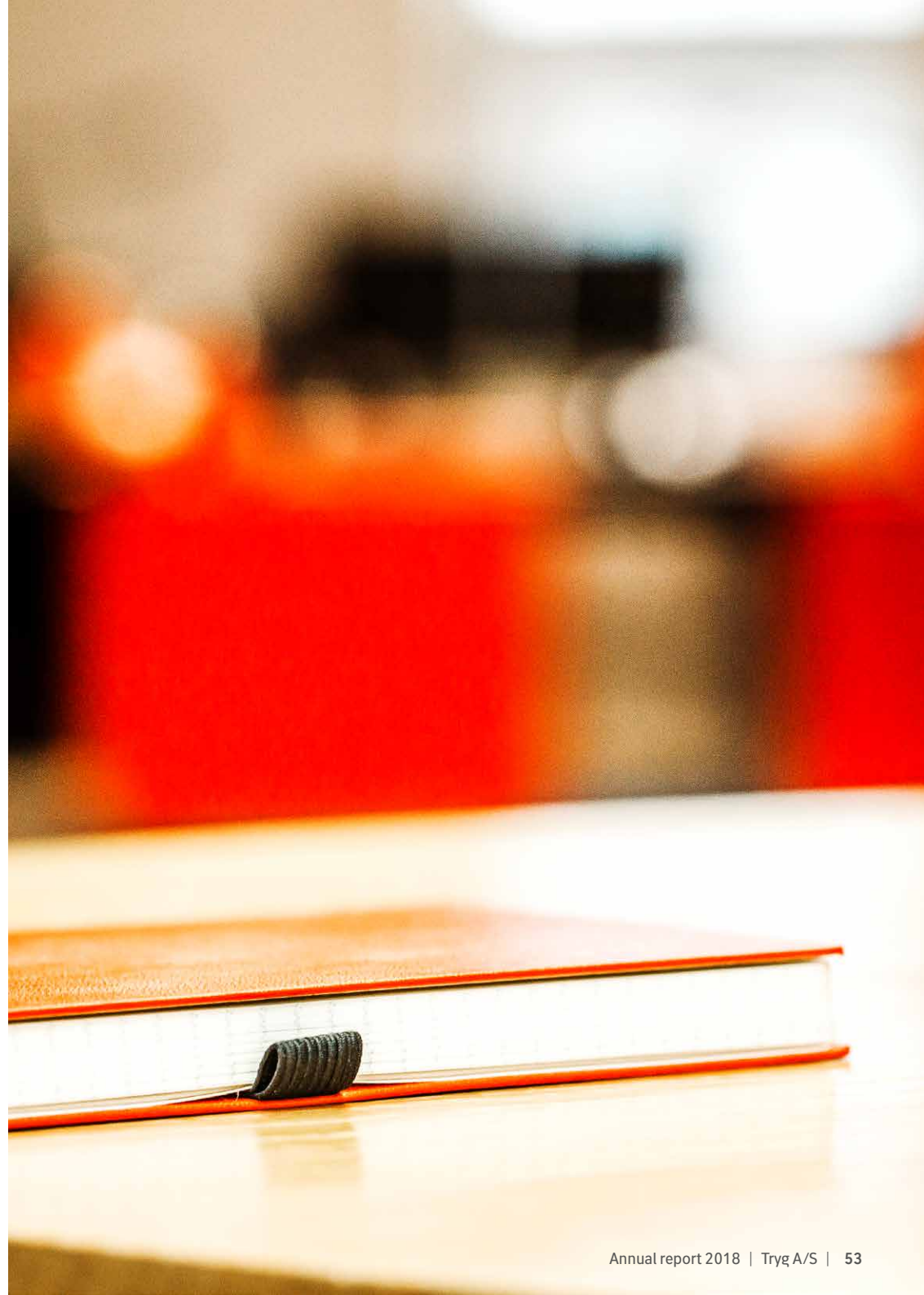
Jens Ringbæk

State Authorised Public Accountant,
MNE no 27735



Kasper Bruhn Udam

State Authorised Public Accountant,
MNE no 29421



Financial highlights

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

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

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

Income statement

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

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

Statement of comprehensive income

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

Statement of financial position

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

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

Statement of changes in equity

DKKm	Share capital	Reserve for exchange rate adjustment	Other reserves ^{a)}	Retained earnings	Proposed dividend	Total
Equity at 31 December 2017	1,511	-29	783	8,868	1,483	12,616
2018						
Profit/loss for the year			18	-283	1,996	1,731
Other comprehensive income		-12		-4		-16
Total comprehensive income	0	-12	18	-287	1,996	1,715
Dividend paid					-2,980	-2,980
Purchase and sale of own shares				-27		-27
Issue of conditional and matching shares				10		10
Total changes in equity in 2018	0	-12	18	-304	-984	-1,282
Equity at 31 December 2018	1,511	-41	801	8,564	499	11,334
Equity at 31 December 2016	1,413	3	822	5,182	2,017	9,437
2017						
Profit/loss for the year			-39	-271	2,827	2,517
Other comprehensive income		-32		-1		-33
Total comprehensive income	0	-32	-39	-272	2,827	2,484
Nullification of own shares	-39			39		0
Dividend paid					-3,361	-3,361
Dividend, own shares				82		82
Purchase and sale of own shares				-20		-20
Issue of new shares ^{b)}	137			3,841		3,978
Issue of employee shares				10		10
Issue of share options and matching shares				6		6
Total changes in equity in 2017	98	-32	-39	3,686	-534	3,179
Equity at 31 December 2017	1,511	-29	783	8,868	1,483	12,616

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

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

- a) Other reserves contains Norwegian Natural Perils Pool.
- b) Cost related to the issue of new shares are deducted in proceeds recognised in retained earnings with DKK 50.3m.

Cash flow statement

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

DKKm	2018	2017	
Note			
Financing			
Issue of new shares	0	3,978	
Exercise of share options/purchase of own shares (net)	-17	-4	
Subordinate loan capital	502	0	
Dividend paid	-2,980	-3,279	
Change in lease liabilities	-135	0	
Change in amounts owed to credit institutions	188	128	
Financing, continuing business	-2,442	823	
Total financing	-2,442	823	
Change in cash and cash equivalents, net	-69	29	
Additions relating to purchase of subsidiaries	186	13	
Exchange rate adjustment of cash and cash equivalents, 1 January	1	-8	
Change in cash and cash equivalents, gross	118	34	
Cash and cash equivalents at 1 January	509	475	
Cash and cash equivalents at 31 December	627	509	
Liabilities arising from financing activities			
	Subordinated loans	Amounts owed to credit institutions	Total
2018			
Carrying amount at 1 January	2,412	306	2,718
Exchange rate adjustments	-48	0	-48
Amortisation	2	0	2
Cash flow	502	188	690
Carrying amount at 31 December	2,868	494	3,362
2017			
Carrying amount at 1 January	2,567	178	2,745
Exchange rate adjustments	-156	0	-156
Amortisation	1	0	1
Cash flow	0	128	128
Carrying amount at 31 December	2,412	306	2,718

Notes

1 Risk and capital management

Risk management in Tryg

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

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

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

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

The Supervisory Board's Risk Committee meets minimum four times a year for a detailed review of various risk management topics and regularly keeps the entire Supervisory Board up-to-date on the status.

Capital management

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

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

What risk profile does Tryg want?

- Business model
- Strategy
- Policies

How is this supported?

Tactically

- Policies
- Capital plan
- Contingency plan

Operationally

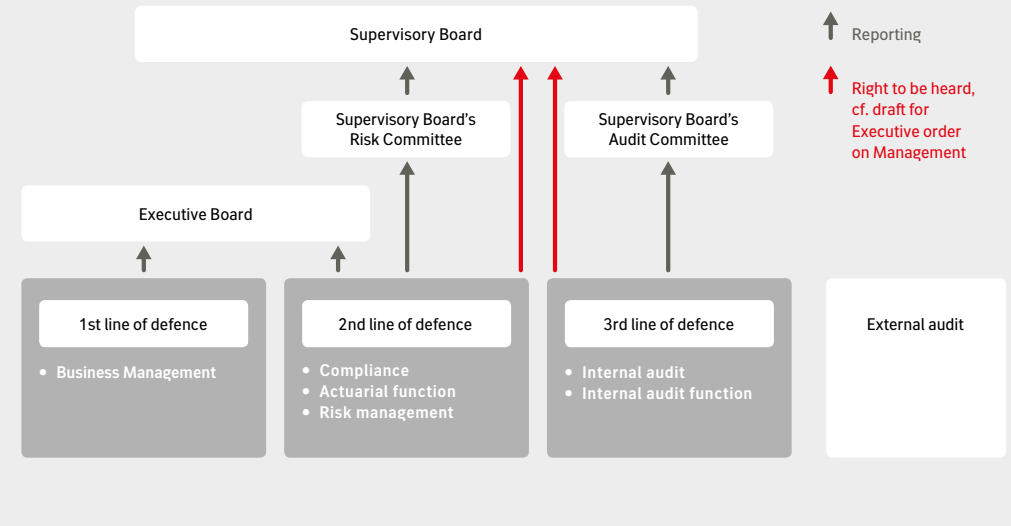
- Frameworks
- Limitations
- Instructions
- Allocated capital
- Contingency plans

How is the actual risk profile measured?

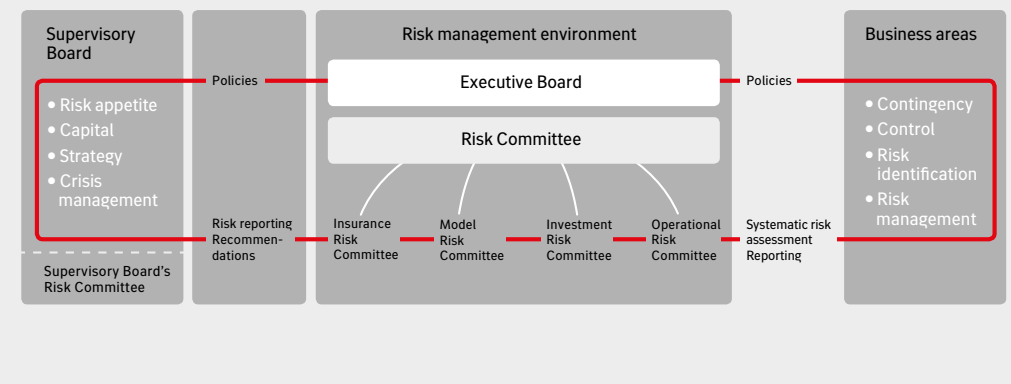
Tactically

- Risk reports
- Internal controls
- Capital model
- Stress tests
- Reassurance

Lines of defence



Tryg's risk management environment



Notes

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

i See table Subordinate loan capital on page 68.

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

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

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

Company's Own Risk and Solvency Assessment (ORSA)

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

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

Insurance risk

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

Underwriting risk

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

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

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

Tryg has combined the minimum cover of other sectors into a joint cover with retention of DKK 100m for the first claim and DKK 25m for subsequent claims. For the individual sectors, individual cover has subsequently

been taken out as needed. The use of reinsurance creates a natural counterparty risk. This risk is handled by applying a wide range of reinsurers with at least an 'A' rating and DKK 750m in capital.

Reserving risk

Reserving risk relates to the risk of Tryg's insurance provisions being inadequate. The Supervisory Board lays down the overall framework for the handling of reserving risk in the insurance policy, while the overall risk is measured in the capital model. The uncertainty associated with the calculation of claims reserves affects Tryg's results through the run-off on reserves.

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

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

Investment risk

The overall framework for managing investment risk is defined by the Supervisory Board in Tryg's investment policy. In overall terms, Tryg's investment portfolio is divided into a match portfolio and a free portfolio. The match portfolio corresponds to the value of the discounted claims reserves and is designed to hedge the interest rate sensitivity of these as closely as possible. Tryg carries out daily monitoring, follow-up and risk management of the Group's interest rate risk. The swap and bond portfolio is thus adjusted continuously to minimise the net interest rate risk. The free portfolio is subject

to the framework defined by the Supervisory Board through the investment policy. The purpose of the free portfolio is to achieve the highest possible return relative to risk. Tryg's property portfolio constitutes the company's largest investment risk. The Property portfolio comprises investment properties, the value of which is adjusted based on the conditions on the property market through internal valuations backed by external valuations. At the end of 2018, investment properties accounted for 5.7% (including property funds) and Tryg's equity portfolio accounted for 4.7% of the total investment assets.

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

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

Notes

Operational risk

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

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

Other risks

Strategic risk

The strategic risk is the risk of loss as a result of Tryg's chosen strategic position. The strategic position covers both business transactions, IT strategy, choice of business partners and changed market conditions. Tryg's strategic position is determined by Tryg's Supervisory Board in close collaboration with the Executive Board.

Before determining the strategic position, the strategic decisions are subject to a risk assessment, explaining the risk of the chosen strategy to Tryg's Supervisory Board and Executive Board.

Compliance risk

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

Emerging risk

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

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

Sensitivity analysis

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

^{a)} Including the effect of the zero coupon inflation swap

^{b)} additional sensitivity information in note 20 'Pensions and similar obligations'

Notes

Claims provisions – estimated accumulated claims – DKKm

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

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

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

Claims provisions – estimated accumulated claims – DKKm

Ceded business	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 ^{a)}	
Estimated accumulated claims												
End of year	151	275	647	1,448	220	1,132	270	2,072	201	286	617	
1 year later	212	339	720	2,129	250	1,477	305	1,878	253	395		
2 year later	180	318	713	2,249	286	1,259	299	1,910	251			
3 year later	171	277	691	2,287	279	1,253	295	1,908				
4 year later	171	281	700	2,235	267	1,270	318					
5 year later	159	286	705	2,229	256	1,305						
6 year later	164	275	707	2,234	275							
7 year later	155	274	699	2,623								
8 year later	155	273	760									
9 year later	155	304										
10 year later	161											
Cumulative payments to date	-157	-297	-745	-2,555	-265	-1,216	-289	-1,699	-213	-249	-149	-7,834
Provisions before discounting, end of year	4	7	15	67	9	88	30	209	37	146	468	1,082
Discounting	0	0	0	0	0	0	-1	-2	0	-2	-9	-14
Reserves from 2007 and prior years												167
Provisions for claims, end of year												1,234
a) The diagonal for 2018 is affected by the Alka acquisition, please see below.												
Estimated accumulated claims regarding												
Alka	8	28	60	386	20	129	15	18	4	5	3	676

Notes

Claims provisions – estimated accumulated claims – DKKm

Net of reinsurance	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 ^{a)}	
Estimated accumulated claims												
End of year	11,834	12,989	14,774	14,311	13,096	12,590	12,294	12,486	12,554	12,329	14,788	
1 year later	13,037	13,538	14,796	14,008	13,144	12,507	12,579	12,620	12,356	13,888		
2 year later	12,932	13,572	14,756	13,947	13,065	12,385	12,403	12,542	13,823			
3 year later	12,955	13,416	14,700	13,862	12,887	12,225	12,320	13,914				
4 year later	12,918	13,315	14,603	13,741	12,637	12,188	13,609					
5 year later	12,858	13,218	14,524	13,778	12,561	13,459						
6 year later	12,817	13,199	14,498	13,640	13,732							
7 year later	12,572	13,081	14,416	14,724								
8 year later	12,451	13,024	15,568									
9 year later	12,360	14,173										
10 year later	13,469											
Cumulative payments to date	-12,799	-13,295	-14,540	-13,662	-12,494	-11,896	-11,848	-12,362	-11,680	-10,437	-7,762	-132,775
Provisions before discounting, end of year	669	879	1,028	1,062	1,239	1,563	1,760	1,552	2,142	3,451	7,026	22,371
Discounting	-54	-73	-85	-79	-91	-100	-108	-100	-104	-136	-171	-1,100
Reserves from 2007 and prior years												2,342
Provisions for claims, net of reinsurance, end of the year												23,613
a) The diagonal for 2018 is affected by the Alka acquisition, please see below.												
Estimated accumulated claims regarding Alka	1,225	1,237	1,293	1,268	1,275	1,305	1,397	1,432	1,542	1,586	1,777	15,337

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

Notes

Claims provisions (continued)

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

Notes

DKKm	2018	2017				
Investment risk						
Bond portfolio including interest derivatives						
Duration 1 year or less	11,286	17,509				
Duration 1 year-5 years	15,527	14,770				
Duration 5-10 years	5,521	5,015				
Duration more than 10 years	2,573	2,353				
Total	34,907	39,647				
Duration	1.3	1.3				
The option adjusted duration is used to measure duration. The option adjustment relates primarily to Danish mortgage bonds and reflects the expected duration-shortening effect of the borrower's option to cause the bond to be redeemed through the mortgage institution at any point in time.						
Listed shares						
Nordic countries	23	51				
United Kingdom	71	90				
Rest of Europe	318	274				
United States	1,049	1,196				
Asia etc.	203	435				
Total	1,664	2,046				
The portfolio of unlisted shares totals. Please refer to note 15 fair value hierarchy	1,014	179				
The share portfolio includes exposure from share derivatives of DKK 240m (DKK -135m in 2017) Unlisted equity investments are based on an estimated market price.						
Exposure to exchange rate risk						
	2018		2017			
	Assets and debt	Hedge	Exposure	Assets and debt	Hedge	Exposure
USD	3,453	-3,467	-14	3,205	-3,149	56
EUR	2,159	-519	1,641	1,413	-1,174	239
GBP	208	-207	1	267	-262	5
NOK	3,028	-2,942	86	2,924	-2,836	88
SEK	1,408	-1,388	20	1,324	-1,228	96
Other	274	-274	0	529	-473	56
Total			1,762			540

DKKm	2018	%	2017	%
Credit risk				
Bond portfolio by ratings				
AAA to A	35,760	94.0	36,831	99.1
Other	1,831	4.8	208	0.6
Not rated	451	1.2	112	0.3
Total	38,042	100.0	37,151	100.0
Reinsurance balances				
AAA to A	1,207	92.6	953	92.3
Other	0	0.0	0	0.0
Not rated	96	7.4	80	7.7
Total	1,303	100.0	1,033	100.0
Liquidity risk				
Maturity of the Group's financial obligations including interest				
2018	0-1 years	1-5 years	> 5 years	Total
Subordinate loan capital	93	373	3,799	4,265
Amounts owed to credit institutions	494	0	0	494
Debt relating to unsettled funds transactions and repos	3,408	0	0	3,408
Derivative financial instruments	534	55	188	777
Other debt	4,103	0	0	4,103
	8,632	428	3,987	13,047
2017				
Subordinate loan capital	92	369	3,334	3,795
Amounts owed to credit institutions	306	0	0	306
Debt relating to unsettled funds transactions and repos	1,711	0	0	1,711
Derivative financial instruments	576	49	153	778
Other debt	2,458	0	0	2,458
	5,143	418	3,487	9,048
Interest on loans for a perpetual term has been recognised for the first fifteen years.				

Notes

Subordinate loan capital	Bond loan NOK 800m		Bond loan NOK 1,400m		Bond loan SEK 1,000m	
	DKKm	2018	2017	2018	2017	2018
Amortised cost value of the loan recognised in statement of financial position	595	603	1,043	1,056	723	753
The fair value of the loan at the statement of financial position date	633	659	1,073	1,080	747	796
The fair value of the loan at the statement of financial position date is based on a price of	106	109	103	102	103	105
Total capital losses and costs at the statement of the financial position date	2	3	3	4	3	4
Interest expenses for the year	30	29	41	43	17	20
Effective interest rate	4.8%	4.6%	3.7%	3.6%	2.3%	2.2%
Loan terms:						
Lender		Listed bonds		Listed bonds		Listed bonds
Principal		NOK 800m		NOK 1,400m		SEK 1,000m
Issue price		100		100		100
Issue date		March 2013		November 2015		May 2016
Maturity year		Perpetual		2045		2046
Loan may be called by lender as from		2023		2025		2021
Repayment profile		Interest-only		Interest-only		Interest-only
Interest structure		3.75 % above NIBOR 3M (until 2023) 4.75 % above NIBOR 3M (from 2023)		2.75 % above NIBOR 3M (until 2025) 3.75 % above NIBOR 3M (from 2025)		2.75 % above STIBOR 3M (until 2026) 3.75 % above STIBOR 3M (from 2026)
Bond loan SEK 700m						
DKKm	2018	2017				
Amortised cost value of the loan recognised in statement of financial position	506					
The fair value of the loan at the statement of financial position date	491					
The fair value of the loan at the statement of financial position date is based on a price of	96					
Total capital losses and costs at the statement of the financial position date	3					
Interest expenses for the year	5					
Effective interest rate	2.1%					
Loan terms:						
Lender						Listed bonds
Principal						SEK 700m
Issue price						100
Issue date						April 2018
Maturity year						Perpetual
Loan may be called by lender as from						2023
Repayment profile						Interest-only
Interest structure						2.5 % above STIBOR 3M

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

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

The loans are taken by Tryg Forsikring A/S. The creditors have no option to call the loans before maturity or otherwise terminate the loan agreements. The loans are automatically accelerated upon the liquidation or bankruptcy of Tryg Forsikring A/S.

Prices used for determination of fair value in respect of the loans are based on actual traded prices from Bloomberg.

Notes

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

Description of segments

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

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

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

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

Notes

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

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

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

Notes

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

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

Notes

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

- b) Amounts relating to eliminations and one-off items. In 2018 cost, claims and other costs were negatively affected by DKK 75m, DKK 49m and DKK 76m. The costs are related to integration and transaction costs for the acquirement of Alka. In 2016 costs and claims were negatively affected by DKK 162m and DKK 88m respectively, mainly due to impairment of software. In 2015 costs and claims were negatively affected by DKK 80m and DKK 40m respectively due to provisioning for the efficiency programme.
- c) Adjustment of gross expense ratio included only in 'Tryg'. The adjustment is explained in a footnote to Financial highlights.

Notes

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

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

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

a) The claims frequency is calculated as the number of claims incurred in the year in proportion to the average number of insurance contracts in the year.

b) Average claims are total claims before run-off in the year relative to the number of claims in the year.

Notes

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

DKKm	Other insurance		Total exclusive of Group Life		Group Life one-year policies ^{b)}		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Gross premiums written	59	59	18,595	17,938	404	420	18,999	18,358
Gross premium income	91	57	18,318	17,545	422	418	18,740	17,963
Gross claims	- 58	- 10	- 12,305	- 11,555	- 331	- 310	- 12,636	- 11,865
Gross operating expenses	- 76	2	- 2,673	- 2,473	- 31	- 43	- 2,704	- 2,516
Profit/loss on ceded business	- 43	- 49	- 630	- 779	6	0	- 624	- 779
Insurance technical interest, net of reinsurance	3	2	- 11	- 15	1	1	- 10	- 14
Technical result	- 83	2	2,699	2,723	67	66	2,766	2,789
Gross claims ratio	63.7	17.5	67.2	65.9	78.4	74.2	67.4	66.1
Combined ratio	194.5	100.0	85.2	84.4	84.4	84.4	85.1	84.4
Total claims	12	44						

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

Notes

DKKm	2018		2017	
3 Premium income, net of reinsurance				
Direct insurance	19,037		18,168	
Indirect insurance	50		45	
	19,087		18,213	
Unexpired risk provision	-3		0	
	19,084		18,213	
Ceded direct insurance	-1,409		-1,229	
Ceded indirect insurance	0		-10	
	17,675		16,974	
Direct insurance, by location of risk	2018		2017	
	Gross	Ceded	Gross	Ceded
Denmark	10,542	-645	9,622	-537
Other EU countries	2,095	-186	2,161	-187
Other countries ^{a)}	6,397	-578	6,385	-505
	19,034	-1,409	18,168	-1,229
a) Mainly Norway				
DKKm	2018		2017	
4 Insurance technical interest, net of reinsurance				
Return on insurance provisions	209		184	
Discounting transferred from claims provisions	-219		-198	
	-10		-14	
5 Claims, net of reinsurance				
Claims	-13,872		-12,804	
Run-off previous years, gross	1,236		939	
	-12,636		-11,865	
Reinsurance cover received	606		267	
Run-off previous years, reinsurers' share	-15		33	
	-12,045		-11,565	

DKKm	2018		2017	
6 Insurance operating costs, net of reinsurance				
Commissions regarding direct insurance contracts	-227		-259	
Other acquisition costs	-1,877		-1,643	
	-2,104		-1,902	
Total acquisition costs	-2,104		-1,902	
Administration expenses	-600		-614	
	-2,704		-2,516	
Insurance operating costs, gross	-2,704		-2,516	
Commission from reinsurers	194		160	
	-2,510		-2,356	
<i>Administrative expenses include fee to the auditors appointed by the annual general meeting:</i>				
Deloitte	-24		-6	
	-24		-6	
<i>The fee is divided into:</i>				
Statutory audit	-3		-3	
Other audit assignments	-1		-1	
Tax advice	-1		-1	
Other services	-19		-1	
	-24		-6	
Expenses have been incurred for the Group's Internal Audit Department.	-9		-9	
Fees for non-audit services provide by Deloitte Statsautoriseret Revisionspartnerselskab to the Group amount to DKK 19m and consist of declaration tasks, including review of interim balances, objective tax advice in relation to the investment area and consulting services mainly related to strategies, claim system and data centre, as well as other general accounting, consulting services and tax advice.				

Notes

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

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

Insurance operating costs and claims include the following staff expenses:

Staff expenses:		
Salaries and wages	-2,227	-1,926
Commission	-9	-7
Allocated share options and matching shares	-10	-6
Pension plans ^{a)}	-301	-280
Other social security costs	-6	-5
Payroll tax	-470	-410
	-3,023	-2,634

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

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

Average number of full-time employees during the year (continuing business)	3,914	3,315
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Notes

DKKm								
6	Matching shares and conditional shares				Fair value			
	Total numbers				Fair value			
	Executive Board	Risk-takers	Other	Total	Average per matching share at grant date DKK	Total value at time of allocation DKKm	Average per matching share at 31 Dec. DKK	Total fair value at 31 Dec. DKKm
2018								
Allocated in 2018	30,444	29,835	37,321	97,600	144	14	164	16
Matching shares allocated in 2018 at 31.12.18	30,444	29,835	37,321	97,600	144	14	164	16
Allocated in 2011-2017	150,338	180,944	18,896	350,178	105	37	164	57
Category changes and addition	8,963	-121,306	112,343	0	105	0	164	0
Cancelled	-14,205	-3,788	-9,449	-27,442	105	-3	164	-4
Exercised	-87,640	-8,945	-84,485	-181,070	105	-19	164	-30
Matching shares allocated in 2011-2017 at 31.12.18	57,456	46,905	37,305	141,666	105	15	164	23
Number of Matching shares exercisable 31 Dec. 2018	0	0	0	0				
2017								
Allocated in 2017	27,060	39,747	18,896	85,703	127	11	155	13
Matching shares allocated in 2017 at 31.12.17	27,060	39,747	18,896	85,703	127	11	155	13
Allocated in 2011-2016	123,278	141,197	0	264,475	98	26	155	41
Category changes and addition	1,835	-113,257	112,343	921	98	0	155	0
Cancelled	-9,360	-3,045	-8,856	-21,261	98	-2	155	-3
Exercised	-74,275	0	-61,840	-136,115	98	-13	155	-21
Matching shares allocated in 2011-2016 at 31.12.17	41,478	24,895	41,647	108,020	98	11	155	17
Number of Matching shares exercisable 31 Dec. 2017	0	0	0	0				

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

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

Conditional shares

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

Notes

DKKm	2018	2017
7 Interest and dividends		
<i>Interest income and dividends</i>		
Dividends	12	19
Interest income, bonds	568	601
Interest income, other	0	4
	580	624
<i>Interest expenses</i>		
Interest expenses subordinate loan capital and credit institutions	-88	-89
Interest expenses, other	-52	-18
	-140	-107
	440	517
8 Value adjustments		
<i>Value adjustments concerning financial assets or liabilities at fair value with value adjustment in the income statement:</i>		
Equity investments	-64	-35
Unit trust units	-224	460
Share derivatives	12	-8
Bonds	-364	-148
Interest derivatives	-38	-96
	-678	173
<i>Value adjustments concerning assets or liabilities that cannot be attributed to IAS 39:</i>		
Investment property	147	9
Owner-occupied property	-1	0
Discounting	5	123
Other statement of financial position items	-10	-81
	141	51
	-537	224
Exchange rate adjustments concerning financial assets or liabilities which cannot be stated at fair value total DKK -17m (DKK 127m in 2017).		

DKKm	2018	2017
9 Other costs		
Other costs DKK -300m (DKK -194m in 2017). The increase can be attributed to one-off costs related to the acquisition of Alka DKK 76m and depreciations related to trademarks, customer relationships and agricultural portfolio DKK 34m.		
10 Tax		
Tax on accounting profit/loss	-498	-712
Difference between Danish and foreign tax rates	-19	-42
Tax adjustment, previous years	4	-47
Adjustment of non-taxable income and costs	-31	80
Change in valuation of tax assets	12	0
Change in tax rate	3	1
	-529	-720
Effective tax rate	%	%
Tax on accounting profit/loss	22	22
Difference between Danish and foreign tax rates	1	1
Tax adjustment, previous years	0	2
Adjustment of non-taxable income and costs	1	-3
Change in valuation of tax assets	-1	0
	23	22

Notes

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

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

^{a)} Hereof proprietary software DKK 524m (DKK 336m at 31 December 2017).

^{b)} Hereof trademarks and customer relationships related to Alka DKK 1.4bn and total goodwill.

Notes

DKKm

11 Intangible assets (continued)

Impairment test

Goodwill

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

Primary assumptions for impairment test:

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

Alka

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

Obos

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

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

At 31 December 2018, management performed an impairment test of the carrying amount of goodwill based on the allocation of the cost of goodwill to the cash-generating unit.

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

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

DKKm

2018

2017

11 Intangible assets (continued)

- Earned premium assumed CAGR 0-10 years	10%	10%
- Earned premium assumed CAGR > 10 years	2%	2%
- Required return before tax	9%	15%
- Expected level of Combined ratio	90%	91%

Sensitivity information

Impact on equity from the following changes:

CAGR +1.0 percentage point (0-10 years)	24	15
CAGR -1.0 percentage point (0-10 years)	-22	-14
Required return +1.0 percentage point	-55	-153
Required return -1.0 percentage point	52	193
Combined ratio +1.0 percentage point	-37	-142
Combined ratio -1.0 percentage point	37	143

Moderna

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

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

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

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

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

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

Notes

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

Trademarks and customer relations

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

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

DKKm
11 Intangible assets (continued)
Software and assets under construction
As at 31 December 2018 management performed a test of the carrying amounts of software and assets under construction.
The impairment test compares the carrying amount with the estimated present value of future cash flows. The test did indicate an impairment of DKK 26m (DKK 38m) due to revaluation of the groups it-systems. The write-down is due to the IT development cost being higher than the future cash flows. The cost is recognised as write-downs under depreciations in the income statement.
Assets under construction are not depreciated but tested once a year for impairment or when there is any indication of a decrease in value.
Software with a limited useful lifetime is amortised over 4 years using the straight-line method. Amortised software is assessed for impairment at the balance sheet date or when there are indications that the future cash flow cannot justify the carrying amount.

In the event that the recoverable amount is lower than the carrying amount, the difference is recognised in the income statement. The recoverable amount is the higher of fair value less sales costs and value in use.

Notes

12 Property, plant and equipment

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

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

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

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

Notes

DKKm	2018	2017
13 Investment property		
Fair value at 1 January	1,324	2,323
Exchange rate adjustments	-5	-27
Additions for the year	19	10
Disposals for the year	-148	-1,015
Value adjustments for the year	141	33
Reversed on sale	14	0
Fair value at 31 December	1,345	1,324
Total rental income for 2018 is DKK 87m (DKK 88m in 2017).		
Total expenses for 2018 are DKK 20m (DKK 20m in 2017). Of this amount, expenses for non-let property total DKK 0m (DKK 0m in 2017), total expenses for the income-generating investment property are DKK 20m (DKK 20m in 2017). External experts were involved in valuing the majority of the investment properties.		
Return percentages, weighted average	2018	2017
Business property	5.0	6.4
Office property	6.9	7.9
Residential property	3.2	6.0
Total	5.7	7.0
Sensitivity		
Tryg's property valuations are based on the market-based rental income and operating expenses of the individual property, relative to the required rate of return. The most important factors impacting the valuations are the applied rates of return, annual net rental income and occupancy rates. The average rates of return applied are stated above.		
Impacts on the fair value of properties:	2018	2017
Increase in applied rate of return of 0.25%	-46	-58
Decrease in applied rate of return of 0.25%	49	63
Decrease in net rental income of 3%	-40	-41
Decrease in occupancy rate of 3%	-8	-8

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

Notes

DKKm

14 Equity investments in associates (continued)

Shares in associates according to the latest annual report:

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

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

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

Notes

DKKm	2018	2017
15 Financial assets		
Financial assets at fair value with value adjustments in the income statement	41,694	43,434
Derivative financial instruments at fair value used for hedge accounting with value adjustment in other comprehensive income	59	77
Receivables measured at amortised cost with value adjustment in the income statement	3,050	3,237
Total financial assets	44,803	46,748
Financial assets at amortised cost only deviate to a minor extent from fair value.		
Financial liabilities		
Derivative financial instruments at fair value with value adjustments in the income statement	740	746
Financial liabilities at amortised cost with value adjustment in the income statement	11,186	6,887
Total financial liabilities	11,926	7,633

Information on valuation of subordinate loan capital at fair value is stated in note 1.
Other financial liabilities measured at amortised cost only deviate to a minor extent from fair value.

15 Financial assets (Continued)

The Fair value hierarchy

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

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

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

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

Notes

DKKm				
15	Financial assets (Continued)			
	<i>Fair value hierarchy for financial instruments and investment property measured at fair value in the statement of financial position</i>			
	Quoted market price	Observable input	Non-observable input	Total
2018				
Investment property	0	0	1,345	1,345
Equity investments	135	899	115	1,149
Unit trust units	1,663	0	0	1,663
Bonds	30,678	7,302	62	38,042
Derivative financial instruments, assets	0	899	0	899
Derivative financial instruments, debt	0	-740	0	-740
	32,476	8,360	1,522	42,358
2017				
Investment property	0	0	1,324	1,324
Equity investments	0	0	179	179
Unit trust units	4,622	229	1	4,852
Bonds	18,343	18,808	0	37,151
Deposits with credit institutions	0	250	0	250
Derivative financial instruments, assets	0	1,079	0	1,079
Derivative financial instruments, debt	0	-746	0	-746
	22,965	19,620	1,504	44,089
Bonds measured on the basis of observable inputs consist of Norwegian bonds issued by banks and to some extent Danish semi-liquid bonds, where no quoted prices based on actual trades are available.				
DKKm		2018	2017	
	Financial instruments transferred from quoted market prices to observable input		3,114	950
	Financial instruments transferred from observables or non-observables input to quoted market prices		11,115	1,379
	Financial instruments transferred from non-observables to observable prices		0	0

DKKm		2018	2017	
15	Financial assets (Continued)			
	<i>Financial instruments measured at fair value in the statement of financial position on the basis of non-observable input:</i>			
	Carrying amount at 1 January	1,504	2,381	
	Exchange rate adjustments	-5	-31	
	Addition purchase Alka	138	0	
	Gains/losses in the income statement ^{a)}	210	-8	
	Purchases	18	178	
	Sales	-343	-1,016	
	Carrying amount at 31 December	1,522	1,504	
	Gains/losses in the income statement for assets held at the statement of financial position date recognised in value adjustments	75	-39	
a) Hereof realised DKK 41m.				
Inflation derivatives are measured at fair value on the basis of non-observable input and are included under claims provisions at a fair value of DKK -521m (DKK -386m in 2017).				
Derivative financial instruments				
<i>Derivatives with value adjustments in the income statement at fair value:</i>				
		2018	2017	
	Nominal	Fair value in statement of financial position	Fair value in statement of financial position	
	Interest derivatives	23,415	138	28,037
	Share derivatives	235	10	-135
	Exchange rate derivatives	4,127	11	9,121
	Derivatives according to statement of financial position	27,777	159	37,023
	Inflation derivatives, recognised in claims provisions	7,346	-521	3,311
	Total derivative financial instruments	35,123	-362	40,334
	Due after less than 1 year	8,108	-1,158	13,455
	Due within 1 to 5 years	15,187	254	10,498
	Due after more than 5 years	11,828	542	16,381
Derivatives, repos and reverses are used continuously as part of the cash and risk management carried out by Tryg and its portfolio managers.				

Notes

DKKm				
15	Financial assets (Continued)			
	Derivative financial instruments used in connection with hedging of foreign entities for accounting purposes			
	<i>Gains and losses on hedges charged to other comprehensive income:</i>			
		Gains	Losses	
			Net	
	2018			
	Gains and losses at 1 January	2,903	-2,742	161
	Value adjustments for the year	197	-148	49
	Gains and losses at 31 December	3,100	-2,890	210
	2017			
	Gains and losses at 1 January	2,652	-2,626	26
	Value adjustments for the year	251	-116	135
	Gains and losses at 31 December	2,903	-2,742	161
	Value adjustments			
	<i>Value adjustments of foreign entities recognised in other comprehensive income in the amount of:</i>			
			2018	2017
	Value adjustments at 1 January		-152	-15
	Value adjustment for the year		-50	-137
	Value adjustments at 31 December		-202	-152

DKKm		2018	2017
15	Financial assets (Continued)		
	Receivables		
	Total receivables in connection with direct insurance contracts	1,476	1,471
	Receivables from insurance enterprises	144	300
	Unsettled transactions	611	0
	Reverse repos	0	602
	Other receivables	192	355
		2,423	2,728
	<i>Specification of write-downs on receivables from insurance contracts:</i>		
	Write-downs at 1 January	115	117
	Exchange rate adjustments	-1	-5
	Write-downs and reversed write-downs for the year	25	3
	Write-downs at 31 December	139	115
	Receivables are written down in full when submitted for debt collection. The write-down is reversed if payment is subsequently received from debt collection and amounts to DKK 52m (DKK 42m in 2017).		
	Other receivables do not contain overdue receivables		
16	Reinsurer's share		
	Impairment test		
	As at 31 December 2018, management performed a test of the carrying amount of total reinsurers' share of provisions for insurance contracts and receivables. The impairment test resulted in impairment charges totalling DKK 0m (DKK 0m in 2017). The use of reinsurance creates a natural counterparty risk. The Risk will be handled by applying a wide range of reinsurers with at least an 'A' rating.		

Notes

DKKm	2018		2017	
17 Current tax				
Net current tax at 1 January	-194		-317	
Exchange rate adjustments	2		6	
Purchase or sale of activity	-7		0	
Current tax for the year	-583		-666	
Current tax on equity entries	-12		-30	
Adjustment of current tax in respect of previous years	37		-32	
Tax paid for the year	639		845	
Net current tax at 31 December	-118		-194	
<i>Current tax is recognised in the statement of financial position as follows:</i>				
Under liabilities, current tax	-118		-194	
Net current tax	-118		-194	
18 Equity				
Number of shares	Shares outstanding		Own shares	
Number of shares of DKK 5 (1,000)	2018	2017	2018	2017
Number of shares at 1 January	301,945	274,595	203	7,946
Bought during the year	-382	-211	382	211
Sold during the year	0	27,400	0	0
Cancellation in connection with buyback programme	0	0	0	-7,793
Used in connection with exercise of incentive programme	180	161	-180	-161
Number of shares at 31 December	301,743	301,945	405	203
Number of shares as a percentage of issued shares at 31 December	99.87	99.93	0.13	0.07
Nominal value at 31 december (DKKm)	1,509	1,510	2	1
Pursuant to the authorisation granted by the shareholders, Tryg may acquire up to a total face value 151m DKK of the share capital in the period up until 31 December 2019. Own shares are acquired for use in the Group's incentive programme.				

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

Notes

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

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

Notes

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

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

Notes

DKKm	2018	2017
20 Sensitivity information		
The sensitivity analysis is based on a change in one of the assumptions, assuming that all other assumptions remain constant. In reality, this is rarely the case, and changes to some assumptions may be subject to covariance. The sensitivity analysis has been carried out using the same method as the actuarial calculation of the pension provisions in the statement of financial position.		
<i>Impact on equity from the following changes:</i>		
Interest rate increase of 0.3 percentage point	49	46
Interest rate decrease of 0.3 percentage point	-52	-49
Pay increase rate, increase of 1 percentage point	-76	-92
Pay increase rate, decrease of 1 percentage point	66	78
Turnover, increase of 2 percentage point	30	22
Turnover, decrease of 2 percentage point	-36	-26
Description of the Norwegian plan		
In the Norwegian part of the Group, about half of the employees have a defined-benefit pension plan. The plans are based on the employees' expected final pay, providing the members of the plan with a guaranteed level of pension benefits throughout their lives. The pension benefits are determined by the employees' term of employment and salary at the time of retiring. Employees having made contributions for a full period of contribution are guaranteed a pension corresponding to 66% of their final pay. As of 2014, pensions being disbursed are no longer regulated in step with the basic amount of old-age pension paid in Norway (G regulation), but are subject to a minimum regulation. The plan are closed for new business. Under the present defined-benefit plan, members earn a free policy entitlement comprising disability cover, spouse and cohabitant cover and children's pension.		
The pension funds are managed by Livsforsikringsselskapet Nordea Liv AS and regulated by local legislation and practice.		
Description of the Swedish plan		
Moderna Försäkringar, a branch of Tryg Forsikring A/S, complies with the Swedish industry pension agreement, the FTP plan, which is insured with Försäkringsbranschens Pensionskassa – FPK. Under the terms of the agreement, the Group's Swedish branch has undertaken, along with the other businesses in the collaboration, to pay the pensions of the individual employees in accordance with the applicable rules.		
The FTP plan is primarily a defined-benefit plan in terms of the future pension benefits. FPK is unable to provide sufficient information for the Group to use defined-benefit accounting. For this reason, the Group has accounted for the plan as if it were a defined-contribution plan in accordance with IAS 19.30. This years premium paid to FPK amounted to DKK 12m, which is about 1,9 % of the annual premium in FPK (2017). FPK writes in its interim report for 2018 that it had a collective consolidation ratio of 141 at 30 June 2018 (consolidation ratio of 140 at 30 June 2017). The collective consolidation ratio is defined as the fair value of the plan assets relative to the total collective pension obligations.		

DKKm	2018	2017
21 Deferred tax		
Tax asset		
Operating equipment	9	8
Debt and provisions	77	51
	86	59
Tax liability		
Intangible rights	389	25
Land and buildings	105	130
Bonds	-61	15
Contingency funds	565	545
	998	715
Deferred tax	912	656
Development in deferred tax		
Deferred tax at 1 January	656	702
Exchange rate adjustments	-9	-48
Change in deferred tax relating to change in tax rate	-3	-1
Change in deferred tax previous years	33	13
Purchase or sale of activity	288	0
Change in capitalised tax loss	38	0
Change in deferred tax recognised in income statement	-91	-10
Deferred tax at 31 December	912	656
Tax value of non-capitalised tax loss		
Denmark	16	16
The loss in Tryg A/S cannot be utilised in the Danish joint taxation scheme. The loss can be carried forward indefinitely.		
The losses are not recognised as tax assets until it has been substantiated that the company can generate sufficient future taxable income to offset the tax loss. The total current and deferred tax relating to items recognised in equity is recognised in the statement of financial position in the amount of DKK 13m (DKK 25m at 31 December 2017).		

Notes

DKKm	2018	2017
22 Other provisions		
Other provisions at 1 January	111	125
Exchange rate adjustment	-1	-4
Change in provisions	1	-10
Other provisions 31 December	111	111
<p>Other provisions relate to provisions for the Group's own insurance claims and restructuring costs. Additions to the provision for restructuring costs during the year amounts to DKK 22m and use of existing restructuring provisions amounts to DKK 24m. The balance as at 31 December 2018 amounts to DKK 102m (DKK 104m at 31 December 2017).</p>		
23 Amounts owed to credit institutions		
Overdraft facilities	494	306
	494	306
24 Debt relating to unsettled funds transactions and repos		
Unsettled fund transactions	611	1,611
Repo debt	2,797	100
	3,408	1,711

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

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

a) Please refer to Note 30 Accounting policies for further description

b) Please refer to Note 26 Contractual obligations

Notes

DKKm	2018	2017			
25 Earnings per share					
Profit/loss from continuing business	1,733	2,519			
Profit/loss on discontinued and divested business	-2	-2			
Profit/loss for the year	1,731	2,517			
Average number of shares (1,000)	302,043	276,080			
Diluted number of shares (1,000)	302,043	279,080			
Earnings per share, continuing business	5.74	9.12			
Diluted earnings per share, continuing business	5.74	9.12			
Earnings per share	5.73	9.12			
Diluted earnings per share	5.73	9.12			
26 Contractual obligations, collateral and contingent liabilities					
Contractual obligations					
	Obligations due by period				
2018	<1 year	1-3 years	3-5 years	> 5 years	Total
Other contractual obligations ^{a)}	335	210	45	4	594
	335	210	45	4	594
2017					
Operating leases	120	197	134	552	1,003
Other contractual obligations	867	40	6	0	913
	987	237	140	552	1,916

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

2018

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

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

2017

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

DKKm	2018	2017
26 Contractual obligations, collateral and contingent liabilities (continued)		
The Danish companies in the Tryg Group are jointly taxed with TryghedsGruppen smba. The companies and the other jointly taxed companies are liable for any obligations to withhold taxes at source on interest, royalties, dividends and income taxes etc. in respect of the jointly taxed companies.		
<i>Tryg Forsikring A/S, Tryg Livsforsikring A/S, Forsikrings-Aktieselskabet Alka and Forsikrings-Aktieselskabet Alka Liv II have registered the following assets as having been held as security for the insurance provisions:</i>		
Equity investments	413	14
Unit trust units	0	1,759
Bonds	27,011	36,000
Deposits with credit institutions	0	250
Interest and rent receivable	144	197
Equity investments in and receivables from Group undertakings which have been eliminated in the consolidated financial statements	8,388	2,529
Total	35,956	40,749

Notes

DKKm

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

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

Contingent liabilities

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

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

Notes

DKKm

27 Acquisition of activities

2018

Alka

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

FDM

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

Troll

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

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

27 Acquisition of subsidiaries

The Group has incurred transaction and advisory costs of DKK 76m in connection with the acquisition. The purchase price is final. In connection with the acquisition, a sum was paid which exceeds the fair value of the identifiable acquired assets and total provisions for insurance contracts. This positive balance is mainly attributable to Brands, Customer relations and to expected synergies between the portfolios in the acquired activities and the Group's existing activities, which are not separately identifiable.

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

The determination of the pro forma amounts for premium income and technical result for the period is based on the following significant assumptions:

- Premiums and claims have been calculated on the basis of the fair values determined in the acquisition balance sheets for premium and claims provisions, rather than the original carrying amounts.
- Other costs, including amortisation of intangible assets, have been calculated on the basis of the fair values determined in the acquisition balance sheets, rather than the original carrying amounts.

2017

OBOS

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

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

Notes

DKKm 2018 2017

28 Related parties

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

Premium income

- Parent company (TryghedsGruppen smba)	0.5	0.4
- Key management	0.0	0.3
- Other related parties	4.5	2.2

Claims payments

- Key management	0.0	0.1
- Other related parties	0.4	1.0

Specification of remuneration

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

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

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

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

DKKm

28 Related parties (continued)

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

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

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

Notes

DKKm

28 Related parties (continued)

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

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

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

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

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

Parent company

TryghedsGruppen smba

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

2018

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

2017

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

Intra-group transactions

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

DKKm

29 Financial highlights

Please refer to page 54.

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30 Accounting policies

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

The annual report of the parent company is prepared in accordance with the executive order on financial reports presented by insurance companies and lateral pension funds issued by the Danish FSA. The deviations from the recognition and measurement requirements of IFRS are:

- The Danish FSA's executive order does not allow provisions for deferred tax of contingency reserves allocated from untaxed funds. Deferred tax and the other comprehensive income of the parent company have been adjusted accordingly on the transition to IFRS.

Change in accounting policies

IFRS 16, Leases

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

Assets

Total property, plant and equipment	789
Total assets	789

Equity and liabilities

Total debt	789
Total equity and liabilities	789

In addition please see note 24.

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

Other

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

Comparative figures have not been restated due to immateriality.

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

Accounting regulation

Implementation of changes to accounting standard and interpretation in 2018

The International Accounting Standards Board (IASB) has issued several changes to the international accounting standards, and the International Financial Reporting Interpretations Committee (IFRIC) has also issued a number of interpretations.

No standards or interpretations have been implemented for the first time for the accounting year that began on 1st January 2018 that will have a significant impact on the group. See below regarding IFRS 9 'Financial instruments'

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

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

- IFRS 9 'Financial Instruments' ^{a)}
- IFRS 17 'Insurance Contracts' ^{b)}

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

^{b)} enters into force for the accounting year commencing 1 January 2022.

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

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

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

Significant accounting estimates and assessments

The preparation of financial statements under IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are:

- Liabilities under insurance contracts
- Valuation of defined benefit plans
- Fair value of financial assets and liabilities
- Valuation of property
- Business Combinations
- Measurement of goodwill, Trademarks and Customer relations
- Control of subsidiaries

Liabilities under insurance contracts

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

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

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

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

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

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

The Financial Supervisory Authority's discount curve, which is based on Eiopa's yield curves, is used to discount Danish, Norwegian and Swedish claims provisions in relation to the relevant functional currencies.

Several assumptions and estimates underlying the calculation of the claims provisions are mutually dependent. This has the greatest impact on assumptions regarding interest rates and inflation.

Defined benefit pension schemes

The Group operates a defined-benefit plan in Norway. A defined-benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, depending on age, years of service and salary.

The net obligation with respect to the defined-benefit plan is based on actuarial calculations involving a number of assumptions. The assumptions include discount interest rate, expected future salary and pension adjustments, turnover, mortality and disability.

Fair value of financial assets and liabilities

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

Valuation of property

Property is divided into owner-occupied property and investment property. The fair value is calculated based on a market-determined rental income, as well as operating expenses in proportion to the property's required rate of return in per cent. Investment property is recognised at fair value. The calculation of fair value is based on market prices, taking into consideration the type of property, location and maintenance standard, and based on a market-determined rental income as well as operating expenses in proportion to the property's required rate of return. **Cf. note 12, 13 and 15.**

Business Combinations

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

Measurement of goodwill, Trademarks and Customer relations

Goodwill, Trademarks and customer relations was acquired in connection with acquisition of businesses. Goodwill is allocated to the cash-generating units under which management manages the investment. The carrying amount is tested for impairment at least annually. Impairment testing involves estimates of future cash flows and is affected by several factors, including discount rates and other circumstances dependent on economic trends, such as customer behaviour and competition. **Cf. note 11.**

Control of subsidiaries

Control of subsidiaries is assessed yearly. Hence whether a subsidiary should still be part of the consolidation on line by line basis or as a single line item in the balance sheet.

Description of accounting policies Recognition and measurement

The annual report has been prepared under the historical cost convention, as modified by the revaluation of owner-occupied property, where increases are recognised in other comprehensive income, and revaluation of investment property, financial assets held for trading and financial assets and financial liabilities (including derivative instruments) at fair value in the income statement.

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

On initial recognition, assets and liabilities are measured at cost, with the exception of financial assets, which are recognised at fair value. Measurement subsequent to initial recognition is effected as described below for each item. Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the statement of financial position date are considered at recognition and measurement.

Income is recognised in the income statement as earned, whereas costs are recognised by the amounts attributable to this financial year. Value adjustments of financial assets and liabilities are recognised in the income statement unless otherwise described below.

All amounts in the notes are shown in millions of DKK, unless otherwise stated.

Consolidation

Consolidated financial statements

The consolidated financial statements comprise the financial statements of Tryg A/S (the parent company) and the enterprises (subsidiaries) controlled by the parent company. The parent company is regarded as controlling an enterprise when it

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

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

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Basis of consolidation

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

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

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

Business combinations

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

The purchase method is applied for new acquisitions if the Group gains control of the acquired enterprise. Subsequently, identifiable assets, liabilities and contingent liabilities in the acquired enterprises are measured at fair value at the date of acquisition. Non-current assets which are acquired with the intention of selling them are, however, measured at fair value less expected selling costs. Restructuring costs are recognised in the pre-acquisition balance sheet only if they constitute an obligation for the acquired enterprise. The tax effect of revaluations is taken into account. The acquisition price of an enterprise consists of the fair value of the price paid for the acquired

enterprise. If the final determination of the price is conditional upon one or more future events, such events are recognised at their fair values at the date of acquisition. Costs relating to the acquisition are recognised in the income statement as incurred.

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

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

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

Generally, subsequent changes in estimates of conditional acquisition prices are recognised directly in the income statement.

Currency translation

A functional currency is determined for each of the reporting entities in the Group. The functional currency is the currency used in the primary economic environment in which the reporting entity operates. Transactions in currencies other than the functional currency are transactions in foreign currencies.

On initial recognition, transactions in foreign currencies are translated into the functional currency using the exchange rate applicable at the transaction date. Assets and liabilities denominated in foreign currencies are translated using the exchange rates applicable at the statement of financial position date. Translation differences are recognised in the income statement under price adjustments.

On consolidation, the assets and liabilities of the Group's foreign operations are translated using the exchange rates applicable at the statement of financial position date. Income and expense items are translated using the average exchange rates for the period. Exchange rate differences arising on translation are classified as other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the activities are divested. All other foreign currency translation gains and losses are recognised in the income statement.

The presentation currency in the annual report is DKK.

Segment reporting

Segment information is based on the Group's management and internal financial reporting system and supports the management decisions on allocation of resources and assessment of the Group's results divided into segments.

The operational business segments in Tryg are Private, Commercial, Corporate and Sweden. Private encompasses the sale of insurances to private individuals in

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

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

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

Key ratios

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

Income statement

Premiums

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

Premiums are calculated as premium income in accordance with the risk exposure over the cover period, calculated separately for each individual insurance

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contract. The calculation is generally based on the pro rata method, although this is adjusted for an unevenly divided risk between lines of business with strong seasonal variations or for policies lasting many years.

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

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

Technical interest

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

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

Claims

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

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

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

Bonus and premium discounts

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

Insurance operating expenses

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

Share-based payment

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

Employee shares

According to established rules, the Group's employees can be granted a bonus in the form of employee shares. When the bonus is granted, employees can choose between receiving shares or cash. The expected value of the shares will be expensed over the vesting period. The scheme will be treated as a complex financial instrument, consisting of the right to cash settlement

and the right to request delivery of shares. The difference between the value of shares and the cash payment is recognised in equity and is not remeasured. The remainder is treated as a liability and is remeasured until the time of exercise, such that the total recognition is based on the actual number of shares or the actual cash amount.

Matching shares

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

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

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

Investment activities

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

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

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

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

Other income and expenses

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

Discontinued and divested business

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

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

The comparative figures, including five-year financial highlights and key ratios, have been restated to reflect discon-

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tinued business. Discontinued and divested business in the income statement includes the profit/loss after tax of the run-off for the marine hull business and the divested activities in the Finnish branch. Discontinued business also comprises the Tryg Forsikring A/S run-off business.

Statement of financial position

Intangible assets

Goodwill

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

Trademarks and customer relations

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

Software

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

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

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

Assets under construction

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

Fixed assets

Operating equipment

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

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

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

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

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

Leasing

Right-of-use assets

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

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

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

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

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

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

ROU assets are tested for impairment.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, Tryg uses its incremental borrowing rate. Subsequently, the

lease liability is measured at amortised cost using the effective interest method and is presented as part of other debt. It is remeasured when there is a change in future lease payments. A corresponding adjustment is made to the carrying amount of the ROU asset.

Land and buildings

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

Owner-occupied property

Owner-occupied property is property that is used in the Group's operations. Owner-occupied properties are measured in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. Revaluations are performed regularly to avoid material differences between the carrying amounts and fair values of owner-occupied property at the statement of financial position date. The fair value is calculated based on market-specific rental income per property and typical operating expenses for the coming year. The resulting operating income is divided by the required return on the property in per cent, which is adjusted to reflect market interest rates and property characteristics, corresponding to the present value of a perpetual annuity.

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

Costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the

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item will flow to the Group, and the cost of the item can be measured reliably. Ordinary repair and maintenance costs are expensed in the income statement when incurred.

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

Investment property

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

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

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

Changes in fair values are recorded in the income statement.

Impairment test for intangible assets, property and operating equipment

Operating equipment and intangible assets are assessed at least once per year to ensure that the depreciation method and the depreciation period that is used are connected to the expected economic lifetime. This also

applies to the salvage value. Write-down is performed if impairment has been demonstrated.

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

Equity investments in Group undertakings

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

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

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

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

Statement of financial position items of foreign subsidiaries are translated using the exchange rates applicable at the statement of financial position date.

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

Equity investments in associates

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

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

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

Investments

Investments include financial assets at fair value which are recognised in the income statement. The classification depends on the purpose for which the investments were acquired. Management determines the classification of 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 because of changes in the fair value for the category financial assets at fair value are recognised in the income statement in the period in which they arise.

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

Reinsurers' share of provisions for insurance contracts

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on

one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurers' share of provisions for insurance contracts. Contracts that do not meet these classification requirements are classified as financial assets.

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

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

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

The Group continuously assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount. Impairment losses are recognised in the income statement.

Receivables

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

Receivables that arise because of insurance contracts are classified in this category and are reviewed for impairment as a part of the impairment test of accounts receivable.

Receivables are recognised initially at fair value and are subsequently assessed at amortised cost. The income statement includes an estimated reservation for expected unobtainable sums when there is a clear indication of as-

set impairment. The reservation entered is assessed as the difference between the carrying amount of an asset and the present value of expected future cash flows.

Other assets

Other assets include current tax assets and cash at bank and in hand. Current tax assets are receivables concerning tax for the year adjusted for on-account payments and any prior-year adjustments. Cash at bank and in hand is recognised at nominal value at the statement of financial position date.

Prepayments and accrued income

Prepayments include expenses paid in respect of subsequent financial years and interest receivable. Accrued underwriting commission relating to the sale of insurance products is also included.

Equity

Share capital

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

Revaluation reserves

Revaluation of owner-occupied property is recognised in other comprehensive income unless the revaluation offsets a previous impairment loss.

Foreign currency translation reserve

Assets and liabilities of foreign entities are recognised using the exchange rate applicable at the statement of financial position date. Income and expense items are recognised using the average monthly exchange rates for the period. Any resulting differences are recognised in Other comprehensive income. When an entity is wound up, the balance is transferred to the income statement. The hedging of the currency risk in respect of foreign entities is also offset in other comprehensive income in respect of the part that concerns the hedge.

Contingency fund reserves

Contingency fund reserves are recognised as part of retained earnings under equity. The reserves may only be used when so permitted by the Danish Financial Supervisory Authority and when it is for the benefit of the policyholders. The Norwegian contingency fund reserves include provisions for the Norwegian Natural Perils Pool and security reserve. The Danish and Swedish provisions comprise contingency fund provisions. Deferred tax on the Norwegian and Swedish contingency fund reserves is allocated.

Dividends

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

Own shares

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

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

Subordinate loan capital

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

Provisions for insurance contracts

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

Notes

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

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

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

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

Claims provisions are determined for each line of business based on actuarial methods. Where such business lines encompass more than one business area, short-

tailed claims provisions are distributed based on number of claims reported while long-tailed claims provisions are distributed based on premiums earned. The models currently used are Chain-Ladder, Bornhuetter-Ferguson, the Loss Ratio method. Chain-Ladder techniques are used for lines of business with a stable run-off pattern. The Bornhuetter-Ferguson method, and sometimes the Loss Ratio method, are used for claims years in which the previous run-off provides insufficient information about the future run-off performance.

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

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

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

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

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

Other correlations are not deemed to be significant.

Liability adequacy test

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

Employee benefits

Pension obligations

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

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

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

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

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

Other employee benefits

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

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

Income tax and deferred tax

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

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

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

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

Other provisions

Provisions are recognised when the Group has a legal or constructive obligation because of an event prior to or at

the statement of financial position date, and it is probable that future economic benefits will flow out of the Group. Provisions are measured at the best estimate by management of the expenditure required to settle the present obligation.

Provisions for restructurings are recognised as obligations when a detailed formal restructuring plan has been announced prior to or at the statement of financial position date at the latest to the persons affected by the plan.

Own insurance is included under other provisions. The provisions apply to the Group's own insurance claims and are reported when the damage occurs according to the same principle as the Group's other claims provisions.

Debt

Debt comprises debt in connection with direct insurance and reinsurance, amounts owed to credit institutions, current tax obligations and other debt. Derivative financial instruments are assessed at fair value according to the same practice that applies to financial assets. Other liabilities are assessed at amortised cost based on the effective interest method.

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

Cash flow statement

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

because it is included in the consolidated cash flow statement.

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

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

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

Cash and cash equivalents comprise cash and demand deposits.

Income statement for Tryg A/S

(parent company)

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

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

Statement of financial position for Tryg A/S

(parent company)

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

DKKm		2018	2017
	Equity and liabilities		
	Equity	11,334	12,616
	Debt to Group undertakings	76	0
	Other debt	12	9
	Total debt	88	9
	Total equity and liabilities	11,422	12,625
7	Deferred tax assets		
8	Own funds		
9	Contractual obligations, contingent liabilities and collateral		
10	Related parties		
11	Reconciliation of profit/loss and equity		
12	Accounting policies		

Statement of changes in equity

(parent company)

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

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

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

Notes

DKKm	2018	2017
1 Income from Group undertakings		
Tryg Invest A/S	1	2
Tryg Forsikring A/S	1,782	2,575
	1,783	2,577
2 Other expenses		
Administration expenses	-65	-71
	-65	-71
Remuneration for the Executive Board is paid partly by Tryg A/S and partly by Tryg Forsikring A/S and is charged to Tryg A/S via the cost allocation. Refer to Note 6 for the Tryg Group for a specification of the audit fee.		
Average number of full-time employees for the year	13	17
3 Tax		
Reconciliation of tax costs		
Tax on profit/loss for the year	14	17
Tax adjustments, previous years	0	-1
	14	16
Effective tax rate	%	%
Tax on profit/loss for the year	22	22
Tax adjustment, previous years	0	-1
	22	21

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

Notes

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

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

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

8 Own funds

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

9 Contractual obligations, contingent liabilities and collateral

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

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

DKKm

10 Related parties

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

Specification of remuneration

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

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

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

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

DKKm

10 Related parties (continued)

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

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

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

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

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

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

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

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

Notes

DKKm 2018 2017

10 Parent company

TryghedsGruppen smba

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

Transactions with Group undertakings and associates

Tryg A/S exercises full control over Tryg Forsikring A/S and Tryg Invest A/S.

In 2018 Tryg Forsikring A/S paid Tryg A/S DKK 1,437m and Tryg A/S paid

TryghedsGruppen smba DKK 1,788m in dividends. Further Tryg A/S also

made a capital contribution of DKK 2,000m to Tryg Forsikring.

Intra-group trading involved

- Providing and receiving services	13	14
- Intra-group accounts	76	3,530

Administration fee, etc. is settled on a cost-recovery basis.

Intra-group accounts are offset and carry interest on market terms.

11 Reconciliation of profit/loss and equity

The executive order on application of International Financial Reporting Standards for companies subject to the Danish Financial Business Act issued by the Danish FSA requires disclosure of differences between the format of the annual report under International Financial Reporting Standards and the rules issued by the Danish FSA.

There is no difference in profit/loss or equity recognised after Danish FSA and IFRS.

12 Accounting policies

Please refer to Tryg Group's accounting policies.

Q4 2018 Quarterly outline

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

Q4 2018 Quarterly outline

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

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

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

Q4 2018 Geographical segments

DKKm	Q4 2018	Q4 2017	2018	2017
Danish general insurance ^{a)}				
Gross premium income	2,931	2,448	10,430	9,606
Technical result	555	495	2,007	1,783
Run-off gains/losses, net of reinsurance	178	134	710	449
Key ratios				
Gross claims ratio	63.7	64.3	61.2	64.2
Net reinsurance ratio	3.7	2.8	5.5	3.7
Claims ratio, net of ceded business	67.4	67.1	66.7	67.9
Gross expense ratio	13.6	12.5	13.9	13.4
Combined ratio	81.0	79.6	80.6	81.3
Run-off, net of reinsurance (%)	-6.1	-5.5	-6.8	-4.7
Number of full-time employees 31 December			2,520	1,933
Norwegian general insurance				
NOK/DKK, average rate for the period	77.84	77.65	77.53	79.99
Gross premium income	1,629	1,535	6,302	6,272
Technical result	242	140	791	770
Run-off gains/losses, net of reinsurance	98	123	520	422
Key ratios				
Gross claims ratio	66.0	72.2	72.6	67.9
Net reinsurance ratio	5.3	3.6	1.2	5.3
Claims ratio, net of ceded business	71.3	75.8	73.8	73.2
Gross expense ratio	14.0	15.2	13.9	14.7
Combined ratio	85.3	91.0	87.7	87.9
Run-off, net of reinsurance (%)	-6.0	-8.0	-8.3	-6.7
Number of full-time employees 31 December			1,105	1,042
a) Includes Danish general insurance and German and Finnish guarantee insurance. The gross premium income related to German and Finnish guarantee insurance amount to DKK 54m				

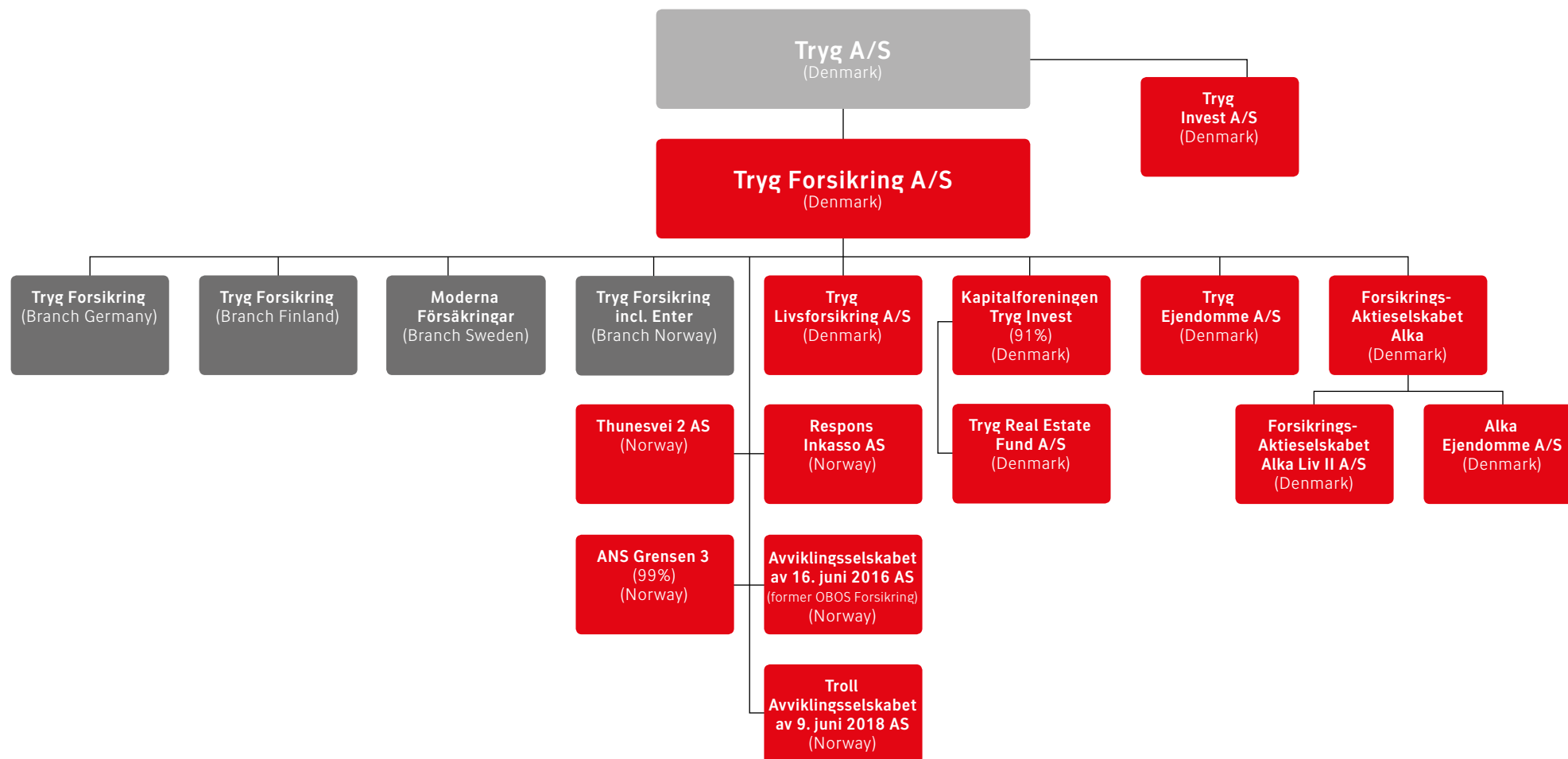
DKKm	Q4 2018	Q4 2017	2018	2017
Swedish general insurance				
SEK/DKK, average rate for the period	72.12	76.17	72.67	77.24
Gross premium income	511	517	2,073	2,121
Technical result	-75	-13	94	236
Run-off gains/losses, net of reinsurance	-69	-38	-9	101
Key ratios				
Gross claims ratio	96.9	76.0	82.3	69.0
Net reinsurance ratio	1.2	11.2	-1.7	5.0
Claims ratio, net of ceded business	98.1	87.2	80.6	74.0
Gross expense ratio	16.4	15.1	14.6	14.5
Combined ratio	114.5	102.3	95.2	88.5
Run-off, net of reinsurance (%)	13.5	7.4	0.4	-4.8
Number of full-time employees 31 December			402	398
Other ^{b)}				
Gross premium income	-18	-12	-65	-36
Technical result	-126	0	-126	0
Tryg				
Gross premium income	5,053	4,488	18,740	17,963
Technical result	596	622	2,766	2,789
Investment return	-330	86	-332	527
Other income and costs	-117	-23	-172	-77
Profit/loss before tax	149	685	2,262	3,239
Run-off gains/losses, net of reinsurance	207	219	1,221	972
Key ratios				
Gross claims ratio	69.0	68.5	67.4	66.1
Net reinsurance ratio	3.6	3.8	3.3	4.3
Claims ratio, net of ceded business	72.6	72.3	70.7	70.4
Gross expense ratio ^{c)}	15.6	13.7	14.4	14.0
Combined ratio	88.2	86.0	85.1	84.4
Run-off, net of reinsurance (%)	-4.1	-4.9	-6.5	-5.4
Number of full-time employees, continuing business at 31 December			4,027	3,373
b) Amounts relating to eliminations and one-off items. In 2018 Cost, Claims and Other Costs were negatively affected by DKK 75m, DKK 49m, DKK 76m. The costs are related to integration and transactions costs for the acquirement of Alka. In 2016 costs and claims were negatively affected by DKK 162m and DKK 88m respectively, mainly due to impairment of software.				
c) Adjustment of gross expense ratio included only in 'Tryg'. The adjustment is explained in a footnote to Financial highlights.				

Other key figures

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

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

Group chart



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

■ Company ■ Branch

Glossary

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

Claims ratio, net of ceded business

Gross claims ratio + net reinsurance ratio.

Combined ratio

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

Danish general insurance

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

Diluted average number of shares

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

Discounting

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

Dividend per share

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

Earnings per share

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

Earnings per share of continuing business

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

Gross claims ratio

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

Gross expense ratio without adjustment

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

Gross premium income

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

Market price/net asset value

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

Net asset value per share

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

Net reinsurance ratio

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

Norwegian general insurance

Comprises Tryg Forsikring A/S, Norwegian branch.

Operating ratio

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

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

Own funds

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

Price/Earnings

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

Relative run-off result

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

Return on equity after tax (%)

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

Run-off gains/losses

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

Solvency II

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

Solvency ratio

Ratio between own funds and capital requirement.

Swedish general insurance

Comprises Tryg Forsikring A/S, Swedish branch.

Total reserve ratio

Reserve ratio, claims provisions + premium provisions divided by premium income.

Unwinding

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

Product overview

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

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



Motor insurance

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

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



Fire and contents – Private

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

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



Personal accident insurance

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

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



Fire and contents – Commercial

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



Workers' compensation insurance

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



General third-party liability insurance

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



Health insurance

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

Disclaimer

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

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

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

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

