



# Annual report 2013





---

<b>Management's review</b>	<b>16</b> Tryg's results	<b>40</b> Corporate governance
<b>1</b> Income overview	<b>20</b> Private	<b>46</b> Supervisory Board
<b>2</b> Introduction by the Chairman	<b>22</b> Commercial	<b>48</b> Group Executive Management
<b>3</b> Introduction by the Group CEO	<b>24</b> Corporate	<b>50</b> Corporate Social Responsibility in Tryg
<b>4</b> Events in 2013	<b>26</b> Sweden	
<b>8</b> Targets and strategy	<b>28</b> Investment activities	<b>Financial statements</b>
<b>12</b> Strategic initiatives 2014	<b>34</b> Capital and risk management	<b>54</b> Financial statements
<b>13</b> Financial outlook and targets	<b>36</b> Shareholder information	<b>137</b> Group chart
		<b>138</b> Glossary
		<b>140</b> Products

---



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

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

**Our 3,700 employees** provide peace of mind for 2.7 million customers.

## Learn more

---

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



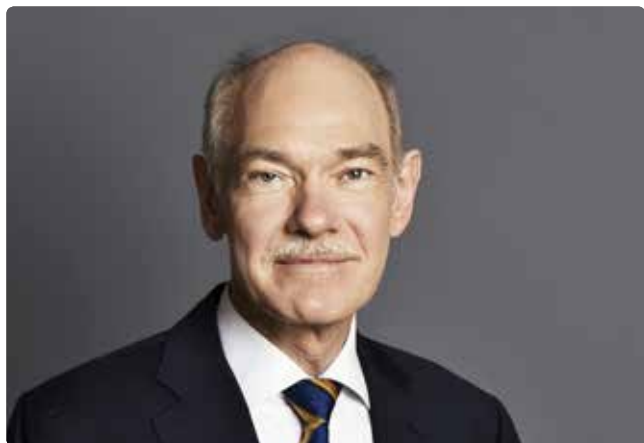
Find more QR codes in the annual report. If you have installed a QR reader on your smartphone, you can access reports and websites containing further information about Tryg by scanning the QR code.

# Income overview

DKKm	Q4 2012	Q4 2013	2012	2013
Gross premium income	5,076	4,737	20,314	19,504
<b>Technical result</b>	<b>648</b>	<b>546</b>	<b>2,492</b>	<b>2,496</b>
Investment return after insurance technical interest	5	154	585	588
<b>Profit/loss before tax</b>	<b>638</b>	<b>639</b>	<b>3,017</b>	<b>2,993</b>
<b>Profit/loss on continuing business</b>	<b>394</b>	<b>564</b>	<b>2,180</b>	<b>2,373</b>
<b>Profit/loss</b>	<b>404</b>	<b>565</b>	<b>2,208</b>	<b>2,369</b>
Run-off gains/losses, net of reinsurance	237	247	1,015	970
<b>Key figures</b>				
Total equity			10,979	11,107
Return on equity after tax (%)			22.1	21.5
Number of shares 31 December (1,000)			60,695	59,374
Earnings per share of 25 DKK			36.5	39.4
Net asset value per share (DKK)			180.9	187.1
Dividend per share (DKK)			26.0	27.0 <sup>a)</sup>
Price/Earnings			11.8	13.3
Premium growth in local currencies	-0.5	-2.4	-0.1	-2.7
Gross claims ratio	70.2	74.9	72.2	73.9
Net reinsurance ratio	0.9	-1.2	-0.4	-1.8
Claims ratio, net of ceded business	71.1	73.7	71.8	72.1
Gross expense ratio	16.3	15.4	16.4	15.6
<b>Combined ratio</b>	<b>87.4</b>	<b>89.1</b>	<b>88.2</b>	<b>87.7</b>
Combined ratio exclusive of run-off	92.1	94.3	93.2	92.7
Run-off, net of reinsurance (%)	-4.7	-5.2	-5.0	-5.0
Large claims, net of reinsurance (%)	4.3	1.1	2.3	2.1
Weather claims, net of reinsurance (%)	2.2	8.8	1.8	3.2
<b>Combined ratio on business areas</b>				
Private	86.8	87.7	87.7	86.0
Commercial	82.6	92.2	83.7	87.9
Corporate	90.7	88.7	87.7	88.9
Sweden	87.5	88.2	95.3	91.2

a) Proposed dividend

# Chairman of the Supervisory Board: Focus on strategic and financial targets



Tryg is a well-run business with a strong position in the Nordic countries and an ambition of creating peace of mind and value for customers, employees and shareholders. This has been a natural focus point in my first year as Chairman of the Supervisory Board. In the next strategy period, this ambition will be supplemented with a number of new initiatives designed to strengthen customer experience and create an even stronger culture with a view to delivering on our ambitious targets. Providing long-term peace of mind for customers is at the core of everything we do, and this must be clear to our customers in their daily dealings with Tryg.

## Results for the year and financial targets

Tryg's many talented employees and strong management ensured that the combined ratio target set back in 2010 was attained. Despite two severe storms at the end of 2013, results were satisfactory.

In 2013, Tryg defined a set of more specific financial targets. The aim is a return on equity after tax of 20%. This must be achieved through a combined ratio of 90 or less. The return on equity target was met, constituting a satisfactory 21.5% in 2013.

## Distribution to shareholders

At the end of 2012, we adopted a new dividend policy, the overall objective being to ensure a stable dividend for our shareholders, while at the same time maintaining a solid capital base, which is deemed key to customer and shareholder confidence. Based on the satisfactory results for 2013, the Supervisory Board proposes a dividend of DKK 27 per share, corresponding to the distribution of DKK 1,656m. This represents a nominal increase compared with the dividend distributed last year, which is in line with the policy. The dividend equates to 70% of the net profit for the year, which is also in line with the aim of dis-

tributing 60-90% of the profit. In 2013, Tryg acquired own shares totalling DKK 800m, and with reference to the policy of not maintaining unnecessary capital surplus cover, we initiated a new DKK 1,000m share buy back programme on 2 January 2014.

## Corporate governance

Corporate governance is an important foundation for all businesses, and the Supervisory Board stresses the importance of complying with the Recommendations on Corporate Governance. Transparency about the composition, skills and work of the Supervisory Board is one issue which is particularly important for us.

In 2013, we also established a better understanding of the risks which the company must address. This is important, among other things when determining the adequacy of the capital base. The Supervisory Board is responsible for ensuring that the capital resources are fully adequate in relation to risks and regulations, while on the other hand making sure that they are not inappropriately high.

Tryg is a listed company, and it is important that decisions to invest in the Tryg share can be made on an informed basis. A high priority is therefore given to having an open and ongoing dialogue with shareholders. The management holds regular meetings with investors and participates in conferences; also, shareholders can meet the Supervisory Board at the annual general meeting.

## Peace of mind and value

The Supervisory Board attaches importance to ensuring the right balance between customer satisfaction and value creation for shareholders. This is the only way of guarding the long-term interests of these stakeholders. Together with the Group Executive Management, we have decided on the strategic themes for the next few years; our focus is on new initiatives and benefits for customers as the foundation for good and stable earnings.

Tryg is characterised by stability, and the company's strong position must be maintained. As Chairman, I aim to ensure that Tryg continues to create long-term peace of mind and value for customers, employees and shareholders.

A handwritten signature in black ink, appearing to read 'Jørgen Rasmussen', written over a horizontal line.

**Jørgen Huno Rasmussen**  
Chairman

## Group CEO: Our customers – our most important asset



The results for 2013 were satisfactory and lived up to the agreed targets. In the coming years, we will build on these results by further strengthening customer experience and create an even stronger culture. Basically, it is about ensuring that customer experience is so strong that our customers are confirmed in their choice of insurance company every time they contact Tryg.

### Efficiency improvements must benefit customers

In 2011 and 2012, Tryg's results were improved in particular through higher insurance prices. The improvements seen in 2013 were attributable especially to efficiency improvements, cost cuts and better procurement. At the end of 2013, we were hit by two severe storms, resulting in 45,000 claims. The claims handling organisation had an extremely busy time providing swift and efficient assistance to customers. Importantly, we made a decision to help customers before the events had officially been recognised as floods. This left our customers in no doubt that Tryg can make a difference and provide instant peace of mind.

Despite the storm claims, the combined ratio was 87.7 in 2013 against 88.2 in 2012. Our internal programmes contributed 2 percentage points to this improvement. The aim of the internal efficiency programme is a total reduction in claims costs and expenses of DKK 1bn in the period leading up to 2015. At the end of 2013, a reduction of DKK 557m had been realised.

The expense ratio was 15.6 against 16.4 in 2012, representing a significant improvement, which was achieved mainly through efficiency improvements and fewer employees in staff functions. The lower expense ratio is in line with the aim of an expense ratio below 15 in 2015. Efficiency improvements and lower costs will contribute to offering better concepts and benefits for our customers.

### Customer journey & success culture

Tryg's ambition is to be the best in the industry at insurance, people and earnings. In recent years, we have worked hard to strengthen our profitability. In future, we want to further strengthen and balance all three ambitions.

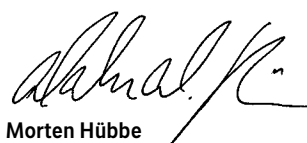
In the coming years, we will continue the development of price-differentiated products as well as the ongoing improvements of our benefits programmes. However, the relationship between price and risk can also be improved through claims prevention measures. Claims costs can be reduced both by preventing damage and by mitigating the effects of any damage. Consequently, prevention will be integrated into our products to a larger extent.

The customer survey conducted in 2013 (EPSI) for the Private market showed a stable and high level of satisfaction in Denmark, and the highest level of satisfaction ever in Norway. Our ambition is an even higher level of customer satisfaction and higher loyalty than our competitors, which our initiatives must reflect. We have therefore decided that in 2014 we will consolidate our work with customer experience across the Group, while at the same time working with our culture. We have named this 'Customer journey & success culture'. It involves a number of initiatives to strengthen customer experience and enhance customer satisfaction and loyalty. We will also strengthen our culture by focusing on giving our employees better opportunities for continuous improvement of performance and development. This is an important precondition for our employees successfully meeting their own ambitious targets and knowing how they contribute to realising Tryg's targets and success.

### Corporate social responsibility in Tryg

In Tryg, we integrate corporate social responsibility into our practice in a way that creates results – for the climate, for people and financially. It is important for us to show our customers, employees, suppliers, investors and other partners that we comply with UN's Global Compact principles on protection of the climate, human rights, labour rights and anti-corruption, demonstrating tangible action in areas which are relevant to our business.

Through all these steps, we want to become better and better – at insurance, at people, and at earnings. Our ambition is to create peace of mind and value for customers, employees and shareholders.



**Morten Hübbe**  
Group CEO

# Events in 2013



### Share buy back initiated

On 15 March, Tryg initiated an extraordinary share buy back which was completed on 19 December 2013. Under the programme, Tryg acquired own shares for an amount of DKK 800m.

### New Group EVP, Claims

Birgitte Kartman stepped down as Group Executive Vice President (EVP), Claims. Jesper Joensen, Director of Tjenestemændenes Forsikring and Partneraftaler Privat, was appointed Acting Group EVP, Claims. Later in December, he was appointed Group EVP, Claims.

### New Chairman of the Supervisory Board

Michael Olufsen was succeeded by Jørgen Huno Rasmussen as new Chairman of the Supervisory Board. Jørgen Huno Rasmussen has been a member of the Supervisory Board since 2012 and is former Group CEO of FLSmidth & Co.

### New programme for Private customers

In Denmark, Tryg launched the Tryg Plus special benefits programme comprising: Tryg Home Alarm, Tryg Backup, Tryg Safe in Life and Tryg ID. [Read about the benefits programme on page 14.](#)

### New holiday home insurance

The pricing of Tryg's New Holiday Home Insurance is based on 15 parameters as opposed to only two. [Read about New Holiday Home Insurance on page 6.](#)

### Tryg's 'A-' rating maintained

Standard & Poor's reconfirmed Tryg's and Tryg Garanti's 'A-' rating.

January

February

March

April

May

June

### New home insurance

Tryg launched the New Home Insurance in Norway. Premium is based on several criteria to more accurately reflect risk.

[Read more about New Home Insurance at tryg.no.](#)

### Sustainability prize

Tryg was no. 2 in the Sustainability Brand Index among Danish enterprises.

### New workers' compensation insurance

Tryg launched the New Workers' Compensation Insurance for the Commercial and Corporate segments, a modernised product with price matching risk.

[Read about New Workers' Compensation at tryg.dk and tryg.no.](#)



### Tryg and Falck new partners

Tryg and Falck formed a new partnership aimed at delivering peace of mind for Nordic customers. The partnership differentiates Tryg in the market, strengthens profitability and the strategic focus on prevention.

### New annual travel insurance

Tryg launched the New Annual Travel Insurance for Private customers which is much more tailored to the individual customer's actual needs and risks. [Read about the new annual travel insurance at tryg.dk.](#)

### High customer satisfaction maintained

According to the EPSI customer satisfaction survey, Tryg's customer satisfaction remained high in the private market, up slightly by 0.2 points in Denmark and up by 1.8 points in Norway.


### Tryg launched new van insurance

Tryg launched the New Van Insurance for the Commercial and Corporate segments. The insurance provides several new types of cover which customers can select to suit their requirements.

 [Read about the New Van Insurance at tryg.dk.](#)

### Moderna launched new product covers

Moderna, Tryg's branch in Sweden, launched new types of product cover. Customers can choose between three different types of cover: basis, medium and large, depending on level of cover.

 [Read about the new product structure at modernaforssakringar.se.](#)

### Storm hit Denmark and Sweden

On 5 December, the second severe storm of the year, named Bodil, hit Denmark and Sweden. Tryg decided to help and provide peace of mind for customers immediately and before the events were officially recognised as floods on 10 December.

### New share buy back programme

Tryg announced that a new extraordinary share buy back programme totalling DKK 1,000m would run from 2 January 2014 until the end of 2014.

### Tryg entered IT operating contract with TCS

Tryg terminated the IT operating contract with CSC from 1 August 2014 and entered a new agreement with TCS (Tata Consultancy Services Limited) on 29 January 2014.

July

August

September

October

November

December

### Next Level Sourcing won prestigious prize

Tryg/Next Level Sourcing and Efficio won the prize for the Best Procurement Consultancy Project of the Year. The prize is awarded annually by the Chartered Institute of Purchasing and Supply (CIPS) and is regarded as the most prestigious international prize within procurement and logistics.

### New Group Executive Vice President, Commercial


Trond Bøe Svestad took up the position of Group EVP, Commercial. Trond came from a position as Deputy Head of the Nordic private area in If. Furthermore, Trond has more than 10 years of experience within the commercial area in If.



### Denmark hit by storm

On 28 October, a severe storm crossed Denmark. Tryg received approximately 28,000 claims, a large part of which were processed in 2013.

### New special benefits programme in Norway

Tryg launched the new Tryg Pluss benefits programme for private customers in Norway. The special benefits programme comprises three new and unique elements: Tryg Home Alarm, Tryg Backup and Tryg ID.  [Read about the benefits programme on page 14.](#)

### Moderna concluded strategic partnership agreement with Danske Bank

Moderna Försäkringar, Tryg's branch in Sweden, entered into a strategic partnership agreement with Danske Bank concerning general insurance in Sweden.



**New Holiday Home Insurance** In 2013, Tryg launched a new holiday home insurance product in which both product content and pricing are tailored to our focus on customers and price differentiation. The new product includes two new types of cover, while the existing types of cover have been adjusted to suit 'modern holiday homes'.







Previously, pricing was based on only two parameters – type of roof and size of holiday home. Thus, it was not possible to ensure genuine product differentiation. With the new product, pricing is determined on the basis of 15 parameters for each individual holiday home. The additional parameters are largely obtained from external data sources, which minimises the number of questions

which customers have to answer. We have developed a product that provides considerable peace of mind and value for customers; it has been welcomed by the market, resulting in improved rates of sales. Approximately one in three new customers choose the new extended cover, which increases Tryg's business volume.

# Targets and strategy

## Financial targets and strategic initiatives 2013

Tryg's financial targets were specified and announced in June 2012. The overall financial target is a return on equity of 20% after tax and a combined ratio of 90 or less. Also, the expense ratio must be under 15 from 2015. With a combined ratio of 87.7 and a return on equity of 21.5%, the financial targets were met in 2013.

## Key Performance Indicators 2013

- ✓ Return on equity
- ✓ Combined ratio
- ✓ Expense ratio
- ✓ Customer satisfaction
- ÷ Employee satisfaction

Based on a significantly improved financial standing, five strategic initiatives were defined to ensure that the financial targets were achieved.

## Strategic initiatives 2013

- ✓ Improved price differentiation
- ✓ Commercial back on track
- ✓ Solid foundation in Sweden
- ✓ Competitive level of expenses and claims costs
- ✓ Simplification of products and systems

## Improved price differentiation

Having been reluctant to differentiate prices relative to customer risk for a number of years, Tryg decided to work intensively with price differentiation. This decision was made at a time when other companies in the markets also embarked on increasing price differentiation. As the largest player in the Danish market, and the third-largest in the Norwegian market, Tryg has very extensive data on which to base the pricing of products to most accurately reflect risks. In 2013, differentiated prices were developed for 13 of our insurance products in Denmark, Norway and Sweden; this is more price differentiation in just one year than had been introduced in the previous seven years altogether. Together with an improved risk selection, the launch in 2013 has significantly increased the rate of sales for these products.

















## Commercial back on track

Improved profitability in the Commercial segment was of the utmost importance to meeting the financial targets, and it was therefore defined as a strategic initiative. The implementation of risk-adjusted pricing, segmentation, efficiency improvements and structural measures within distribution have significantly improved performance in this business area, as expressed in a combined ratio of 87.9 for 2013.

## Solid foundation in Sweden

At the beginning of 2013, Tryg's Swedish business was still dominated very distinctly by bank insurance on the one hand, and on the other by

## Price-differentiated products launched in 2013

Country	Launched Q1-Q3 2013	Launched Q4 2013
 Denmark	 Contents  Camp.  Workers' Compensation  Travel  Holiday Home	 Van
 Norway	 Workers' Compensation  House  Illness	 Houseowner  Motor
 Sweden	 Contents	 Boat

Moderna, which was acquired in 2009. In 2013, we therefore focused on creating a shared foundation through the standardisation of products and processes and the use of a shared IT system. Also, many initiatives have been introduced to improve profitability and optimise distribution through structural changes. At the end of the year, the Swedish business has some of the best products in the market, has partly implemented the future distribution structure and has entered into a new bank insurance partnership with Danske Bank in Sweden, following termination of the contract with Nordea. With a combined ratio of 91.2, the financial results for the year are very satisfactory.

### Competitive level of expenses and claims costs

A high level of efficiency is important to realising the financial targets, and, in addition, low costs are also important to improving competitiveness. Compared with other insurance companies in the Nordic countries, Tryg's expense ratio is relatively low, and it will fall further towards the target ratio of below 15 in 2015. Tryg's cost level is markedly lower than those of companies outside the Nordic region. The efficiency programme which has been launched with the ambition of reducing costs by DKK 1bn in 2015 has progressed according to plan, and cost reductions of DKK 382m were realised in 2013 against a target for the year of DKK 320m. This initiative has significantly impacted the results for 2013.

### Simplification of products and systems

In recent decades, Tryg has acquired companies which are now fully integrated parts of Tryg. Tryg's portfolio includes products which were taken over in connection with these acquisitions and which are

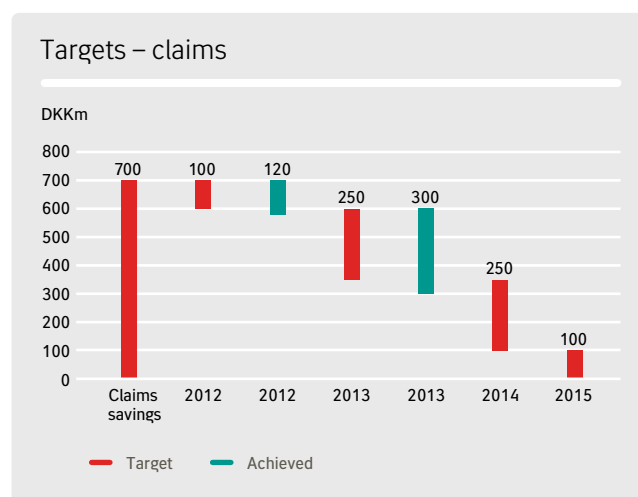
different from the products which Tryg is currently offering customers. Consequently, special efforts have gone into substituting these older products with more up-to-date products. In the course of the year, two thirds of the older Private products have been phased out. This slightly exceeds the original target for the year. The number of IT systems has also been reduced during the year, especially in Sweden, where the number of core systems was reduced from two to one. Thus, now each country has one core system.

### Insurance market

The Nordic insurance market is characterised by consumers and businesses having largely covered their insurance needs. At the same time, the situation is one of relatively low economic growth and a continued net transfer of workplaces to countries with lower labour costs. All in all, these factors are leading to low growth in the demand for insurance in the Nordic market. In the long term, the growth in insurance revenue is expected to equate to the development in the gross domestic product.

The Nordic insurance market is characterised by pan-Nordic companies aiming for a combined ratio of about 90, calculated according to Danish accounting principles. Low market growth is resulting in intensified competition. The larger companies focus on profitability, especially through efficiency improvements and price differentiation. This is to ensure that financial targets are realised and that competitiveness is improved.

In addition to the large pan-Nordic companies, the market is characterised by a number of large local companies and many smaller



companies. The smaller companies, of which there are many in the Danish market in particular, very often have special local knowledge and are characterised by high levels of customer loyalty and less ambitious financial targets, paired, on the other hand, with higher costs and fewer opportunities for entering into purchasing agreements than in the larger companies. Nordic insurance companies are generally both profitable and efficient.

Tryg believes that Tryg's low costs compared with other insurance providers in the European market have been a significant reason why only few new players have chosen to establish themselves in the Nordic market within the Private and Commercial sectors. Most new players are seen within Corporate insurance, with distribution through insurance brokers. As new players generally attract customers by offering lower prices, companies with a strong focus on profitability sometimes experience periods of declining sales. In 2013, a number of companies tried to establish themselves in the Danish market through online sales.

The economic climate naturally affects the insurance market. For the Danish market, 2013 was characterised by low economic growth of approximately 0.3%, among other things due to low levels of private spending, to which small and medium-sized businesses tend to be particularly sensitive. The Corporate market is affected, in particular, by economic developments for our most important trading partners, especially Germany and Sweden. The Private market is impacted by generally low economic growth and increasing sales of small cars, resulting in diminishing insurance requirements. Towards the end of the year, the

economy was thought to be picking up compared to previous years.<sup>a)</sup> In 2013, the Norwegian market was characterised by unchanged economic growth of approximately 1.8%, which resulted in growth in the insurance market for both private and business customers. Sales of private cars were 3% higher in 2013 than in 2012. Pay increases averaged about 3.6%, and house prices also increased in the course of the year. This development meant that Tryg was particularly aware of claims inflation and the need to adjust prices to reflect the increased insurance risk. Towards the end of the year, there was concern that the dramatically increasing house prices would have a negative effect on the Norwegian economy.<sup>a)</sup>

#### Tryg's ambition

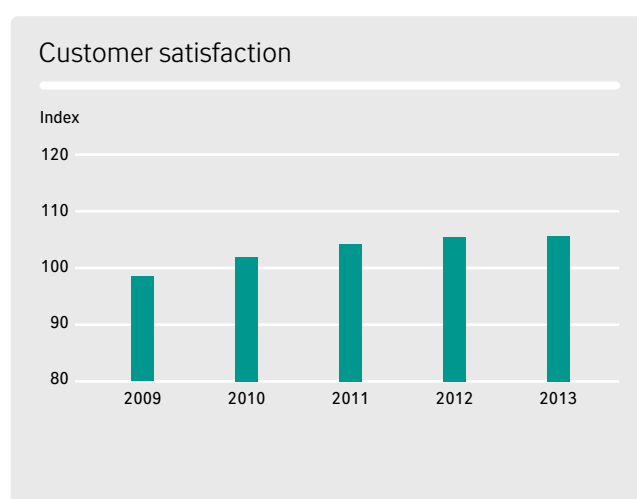
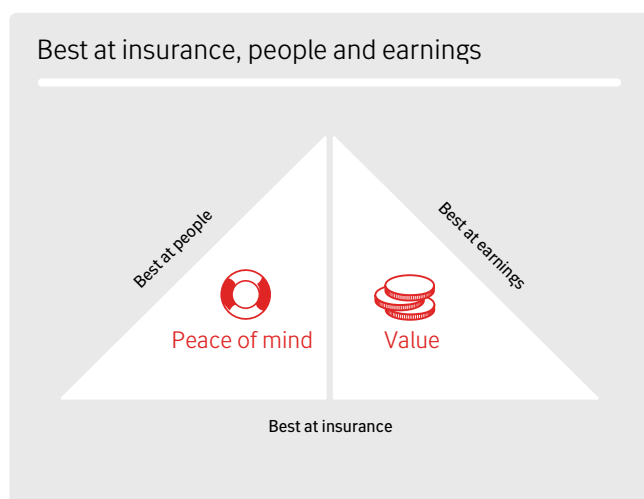
Tryg's ambition is to create peace of mind and value, and this must be at the core of everything we do. It means that we must be the best in the industry when it comes to insurance, people and earnings. All three elements are fundamental to creating peace of mind and value for our customers, employees and shareholders.

### It's all about creating peace of mind

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

#### Customers

Our customers are fundamental to our company, and are therefore at the core of everything we do in Tryg. Tryg wants to build and maintain close customer relations.



a) Source: Nordea Markets, Economic Outlook (December 2013).

---

In spite of the price increases which were implemented in the period up until 2012, and which were necessary to ensure a sustainable balance between risk and profitability, in 2013 Tryg achieved increasing customer satisfaction. However, some parts of the market saw a greater increase in customer satisfaction.

Tryg wants to increase customer satisfaction and, in addition to the initiatives currently being implemented within price differentiation, selection, benefits programmes and efficient claims handling and prevention, in 2014 we will launch a new strategic initiative aimed at supporting greater customer focus. Moreover, the efficiency programme will contribute to enhancing customer satisfaction through a strengthened competitive position and thereby a reduced need for general price increases.

In Denmark, the Tryg Plus programme was launched in Q2 2013. In addition to multiple-policy discounts, the programme comprises Tryg ID, Tryg Safe in Life, Tryg Home Alarm and Tryg Backup (read more on pages 14-15). In the second half of 2013, a similar benefits programme was introduced in Norway, and a new type of motor insurance cover was introduced which means that customers no longer lose bonus points in connection with damage to their parked car, even if it is not known who caused the damage. In Sweden, a new subdivision of the most commonly used private insurance products – motor, contents, house and holiday home – was launched, and a benefits programme similar to the Danish and Norwegian ones was developed.

Tryg has a strong focus on claims prevention, which is reflected in our customer-oriented activities such as Tryg Basement Check and Tryg Burglary Check. We are generally keen to integrate claims prevention in our products, for example by offering discounts to customers who install Tryg Home Alarm or water seals.

### Employees

It is Tryg's ambition to be best at people. To realise this ambition, we believe that it is important that all employees feel that they have an opportunity to be successful. This means that individual employees must feel that they are continuously developing and becoming better at their job. Clear and ambitious targets must be set for each individual employee and linked to Tryg's ambitious targets, and regular feedback must be provided so that everybody knows how they contribute.

Tryg wants a higher level of employee satisfaction than the benchmark for the Nordic financial sector. The strong focus on costs and the significant changes which have been implemented and which have affected many employees were expected to adversely affect employee satisfaction in the short term. This was in fact seen in the employee satisfaction survey in 2013. The changes which have had a negative impact on employee satisfaction include staff cuts, the outsourcing of tasks and a new office structure. A turnaround in employee satisfaction is expected in the coming years.

Further focus on and the creation of a success culture will also help to reverse the negative employee satisfaction trend seen in 2013.

### Shareholders

Tryg's shareholders must see Tryg as a company which sets ambitious targets and achieves them. This is the background against which Tryg has defined the above-mentioned targets. Tryg's shareholders naturally expect the company to focus on efficiency. This is important, not just from the point of view of achieving the financial targets, but also in terms of strengthening the company's competitive position. In this light, Tryg has set an expense ratio target of less than 15 from 2015.

In accordance with the financial targets, Tryg decided at the end of 2012 to amend its dividend policy, so that shareholders can expect a steadily increasing dividend. This policy is well in line with the ambition of continually improving the insurance business and an investment policy which is primarily designed to support insurance operations. **i** See more in the section on Shareholder information on page 36.

### CSR

In Tryg, we integrate CSR into our practice in a way that creates results – for the climate, for people and financially. We have achieved good results in relation to healthy, green and efficient transport, and we are improving well-being and customer service through our commitment to diversity. This benefits our customers, employees and shareholders, and has a positive effect on society. **i** See more in the section on Corporate Social Responsibility in Tryg on page 50.

# Strategic initiatives 2014

## Strategic initiatives 2014

- Price differentiation
- Customer journey & success culture
- Cost and claims reduction
- IT stability

In order to provide peace of mind and create value for customers, employees and shareholders, Tryg must be a financially well-run business. The targets still include a return on equity of 20% after tax and a combined ratio of 90 or less.

Our customers are our most important asset, which is why we are implementing a number of initiatives designed to strengthen customer experience in the coming years. Our goal is to strengthen customer experience and make it so strong that our customers are confirmed in their choice of insurance company every time they contact Tryg and are willing to actively recommend us to others. Therefore we also want to measure to what extent our customers are willing to recommend us to others.

In order to strengthen customer experience while at the same time maintaining consistently high earnings, Tryg has defined a number of strategic initiatives for 2014.

### Price differentiation

Price differentiation and improved pricing relative to the customer's risk was a strategic initiative for Tryg in 2013 and will continue to be so in 2014. A number of price-differentiated products were developed in 2013, and the aim is for Tryg to reach or exceed the level of the majority of our competitors by 2015 for most of our products.

For 2014, the objective is that Tryg's pricing relative to the risk will be at the same or above the level of our competitors for 75% of the products by the end of the year.

### Customer journey & success culture

In step with Tryg's development of better products and customer concepts, it is important that the customer experience is strengthened accordingly in order to establish ever stronger relations with Tryg. To do this, we must focus even more on customer experience in the entire Group and build an even stronger culture, both with regard to customer experience but also to ensure that our employees constantly improve and experience success by being able to deliver on increasingly ambitious personal targets. We will, among other things, achieve this by focusing more on motivating individual feedback, by celebrating and honouring success and by ensuring that the individual front-line employee has the widest possible authority to help the customer.

### Cost and claims reduction

Tryg is reducing its cost and claims level through its efficiency programme. The programme will be the chief initiative to improve results and will also contribute to strengthening Tryg's competitiveness. As part of the overall target of DKK 1bn, the sub-target is to achieve improvements totalling DKK 850m by the end of 2014, comprising DKK 250m in cost reductions and DKK 600m in claims reductions. We will follow up on the programme in each quarter in connection with the external result reporting.

### IT stability

IT stability is important to offering our customers efficient service in claims handling, sales, service and policy renewal. Consequently, IT stability has an impact on customer satisfaction and on the productivity and job satisfaction of the individual employee. IT stability was not satisfactory in 2013 and affected productivity, customer service and employee satisfaction negatively during the year.

Since 2003, Tryg's IT operations have been outsourced, and in 2013 it was decided to change suppliers. Tryg intends to follow up on this agreement and other agreements with external partners, which is a testament to Tryg's focus on performance. In 2014, the objective is for IT stability to be improved with the help of our new external supplier.

## Financial targets and outlook

In 2014, price differentiation remains key to strengthening Tryg's earnings.

Tor Magne Lønnum  
Group CFO



### Tryg's financial targets

- Combined ratio of 90 or less.
- Expense ratio below 15 in 2015.
- Return on equity of 20% after tax.

In order to ensure the realisation of Tryg's financial targets, Tryg announced in 2012 an efficiency programme, with an aim to reduce costs and claims by a total of DKK 1bn in the period up to 2015.

Tryg has not set up any targets for premium income growth, but expects it to be slightly negative in 2014 due to the measures that have been implemented.

As regards the claims level in 2014, weather claims net of reinsurance are expected to total DKK 500m, and large claims DKK 550m. Tryg has taken out a sideways cover for situations where the net costs for weather claims exceed DKK 300m and up to DKK 900m. The agreement runs from 1 July 2013 to 30 June 2014, and as a result of the high level of weather claims in the second half of 2013, Tryg will only to a limited degree be exposed to weather claims in the first half of 2014.

As a consequence of a legislative amendment in Denmark, the payroll tax will gradually increase in the coming years from the current level of 10.9% to 11.4% in 2014, followed by a gradual increase up to 2020, when the payroll tax will have reached 15.2%. This amendment will not affect Tryg's target of bringing its expense ratio down below 15 by 2015.

The investment portfolio is generally divided into a match portfolio corresponding to the technical provisions and a free portfolio. The target is for the return on the match portfolio and changes in the technical provisions due to interest changes to be neutral when taken together. The return on bonds in the free portfolio will vary, but considering the current interest rate level, a low current return is expected. For equities and property, the expectations are a return of 7% and 6%, respectively. Investment activities include other types of investment income and expenses, especially the costs of managing the investments, gains and losses on foreign currency hedges and interest paid on loans.

Tax rate adjustments have been adopted both in Denmark and in Norway. In Denmark, the tax rate will be reduced from 25% in 2013 to 24.5% in 2014, and then gradually reduced further to 22% in 2016. In Norway, the tax rate has been reduced from 28% in 2013 to 27% in 2014. When calculating the total tax payable by Tryg, it should also be taken into account that gains and losses on shareholdings in Norway are not taxed. All in all, the tax changes will cause the expected tax payable for an average year to be reduced from around 24-25% to 23-24% for 2014.



**Tryg Plus** | In June 2013, Tryg launched a new special benefits programme for private customers, Tryg Plus in Denmark and Tryg Pluss in Norway. The purpose of the programme is to ensure that we become even better at creating peace of mind and value for our customers. To become a Tryg Plus customer in Denmark, the customer must have contents insurance and at least one of our newest insurance products or a pension in Nordea Liv & Pension. In Norway, the customer must have house, contents or motor insurance and at least two other insurance products. Read more about Tryg Plus at [tryg.dk](http://tryg.dk) and about Tryg Pluss at [tryg.no](http://tryg.no).



Watch the Tryg Plus film



Watch the Tryg Pluss film





The four elements of the Danish programme are: Tryg ID, Tryg Backup, Tryg Home Alarm and Tryg Safe in Life. In Norway, the programme comprises Tryg ID, Tryg Backup and Tryg Home Alarm.

#### **Tryg ID**

Tryg ID offers customers advice and help to prevent, discover and limit misuse of the customer's identity.

#### **Tryg Backup**

Tryg Backup offers customers easy, inexpensive and continuous automatic backup of photos, videos, documents and other valuable content on their computers. Tryg Backup includes access to unlimited online backup on two computers.

#### **Tryg Home Alarm**

Apart from burglary protection, Tryg Home Alarm also includes the possibility of preventing water and fire damage. Tryg Home Alarm is always connected to an emergency response centre and is offered in cooperation with Falck. Customers only pay a low, monthly subscription fee, depending on the size of their home.

#### **Tryg Safe in Life**

Tryg Safe in Life is a health and crisis hotline. The customer can pick up the phone and ask for help if suffering from problems such as serious illness, stress and divorce. The call is anonymous for Tryg. The customer will speak to therapists from Falck Healthcare. All therapists are health professionals such as nurses, health visitors, social workers, midwives or addiction counsellors.

## Financial highlights

- The profit after tax for the year was DKK 2,369m (DKK 2,208m), and the return on equity after tax was 21.5% (22.1%).
- Technical result of DKK 2,496m (DKK 2,492m).
- Combined ratio of 87.7 (88.2).
- Gross premiums reduced by 2.7%.
- Higher weather claims level, corresponding to 3.2% (1.8%).
- Expense ratio improved from 16.4 to 15.6.
- Investment return, after transfer to insurance, of DKK 588m (DKK 585m).
- Proposed dividend of DKK 27 per share.
- Share buy back of DKK 1,000m in 2014 initiated on 2 January.

With a return on equity of 21.5% and a combined ratio of 87.7, 2013 was a satisfactory year for Tryg. The results are thus in line with the defined targets of a return on equity of 20% and a combined ratio of 90 or lower. The good results were achieved despite a generally higher level of weather claims and large claims in 2013 than in 2012, and than expected for an average year. In Q4 in particular, the level of storm claims was high, with more than 45,000 claims processed.

The good results were achieved especially by means of the ongoing efficiency programme, which improved results by DKK 382m, corresponding to an improvement of the combined ratio by 2.0 percentage points. In 2013, price adjustments have generally only been effected to counter claims inflation. Despite a high level of weather claims in 2013, no extraordinary price increases are planned for 2014. If segments and products develop in an unsatisfactory direction, selective price measures will still be taken.

All business areas generated strong results, and the balance in terms of earnings is thus satisfactory in the general portfolio. A few years ago, profitability in the business areas of Sweden and Commercial was not satisfactory, and strategic initiatives were put in place to improve it. Against this background, it is particularly satisfactory that Commercial and Sweden achieved very good results in 2013 with combined ratios of 87.9 and 91.2, respectively.

As mentioned above, many differentiated products with a better correlation between price and risk were developed in 2013. So far, these have primarily been offered to new customers. In general, the rate of sales for these products has been higher than for the old products. In the coming years, there will be a gradual conversion of policies to these products, which will provide a portfolio with a better balance between price and risk.

The investment return totalled DKK 588m and was especially affected by rising share prices and a consistently low interest rate level. The primary purpose of the investment business is to support the insurance business, and the aim is to have a low risk profile. In this respect, the investment return in 2013 was extraordinarily high and must, given the low interest rate levels, be expected to be lower in the coming years.

### Premiums

Premium income was DKK 19,504m (DKK 20,314m), which represents a drop in premium income of 2.7% in local currencies. The premium income was affected by the sound profitability of partner agreements, which provides a higher level of profit sharing for these agreements and thus a reduction of premium income. This has impacted premium growth negatively by 0.9%, which means that growth excluding this impact would be negative by 1.8%.

The development in premium income was expected based on the above-mentioned initiatives to improve profitability in Commercial and Sweden. These areas saw a decline of 3.2% and 4.9%, respectively. Private experienced a fall of 2.2%, or 0.5% excluding profit sharing. The low growth in Private was expected as a result of the profitability initiatives taken in previous years, which reduced the number of unprofitable customers, in particular. In addition, the Danish part of Private was affected by both low economic growth and a continuing increase in the sales of small cars. Corporate saw negative growth of 2.8%, but Tryg is prepared to accept larger fluctuations for this business area due to the competitive situation and the objective of having a profitable portfolio. The competition in Corporate was particularly intense in the Norwegian part. The controlled expansion of the portfolio continued in the Swedish part of Corporate.

Tryg is continuously adapting its distribution to the customers' changing requirements. This is the reason why Tryg has chosen to reduce the local representation and make targeted selections of distribution channels for the different customer segments in connection with new sales, upselling, renewals and service.

Bank insurance is an important distribution channel, and Tryg has a sound agreement with Nordea on bank insurance in Denmark and Norway, while Tryg sells to and services Nordea Liv & Pension customers. In connection with the decision to terminate the cooperation with Nordea in Sweden, it was a positive development that a referral agreement was concluded with Danske Bank in Sweden in October 2013.

### Claims

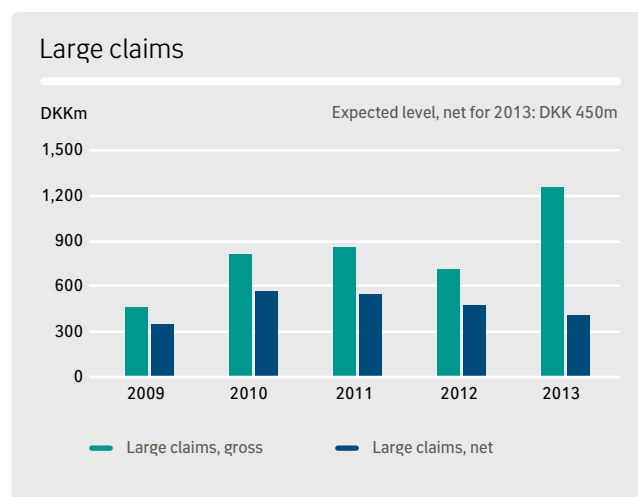
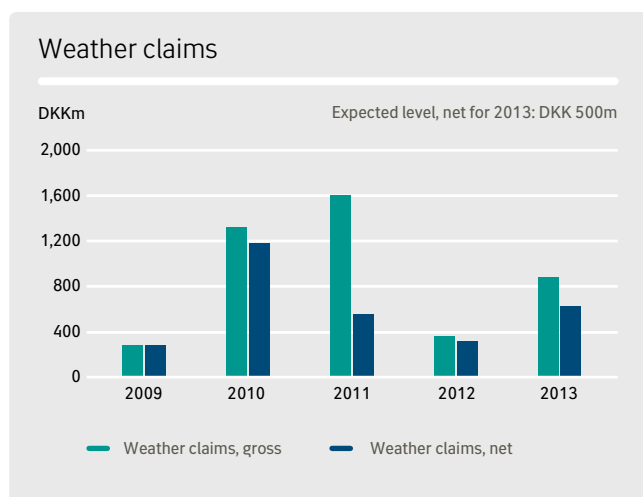
The claims ratio, net of ceded business, which covers both claims and business ceded as a percentage of gross premiums, was 72.1 (71.8). The claims level includes an improvement due to the claims initiatives of DKK 300m, corresponding to 1.5%, and a higher weather claims level of 3.2% (1.8%) due to the storms in Denmark in Q4, in particular. In 2013, the large claims level was approximately 2.1% (2.3%), and the run-off level was unchanged at 5.0%, which reflects a solid level of provisions.

The claims measures implemented have first and foremost included improved agreements with car repair shops, but 2013 also saw initiatives that have improved the procurement of claims services within contents insurance, among other things in the form of the agreement with Scalepoint, which benefits both customers and Tryg. The customers are offered freedom of choice among claims products, and Tryg has access to favourable purchasing agreements and updated prices for similar products, which is particularly important in the field of electronics claims. In addition, the claims initiatives are affected by the efficiency improvements implemented in the claims organisation.

As mentioned above, weather claims impacted the combined ratio by 3.2% (1.8%) and are particularly related to the October and December storms in the Danish business. The total weather claims expenses amounted to DKK 875m, but since Tryg has a reinsurance agreement, the impact on profit was only DKK 620m, which also includes expenses for repurchase of a reinsurance agreement. However, to give the 45,000 customers with claims the best possible service, temporary staff was employed. Telephone hours were extended, and the staff did everything they could to live up to Tryg's values of being best at insurance and people. The Danish Storm Council recognised the claims after the December storm as flood claims, but even before this had been determined, Tryg elected to give its customers the best possible service.

Tryg has concluded a sideways reinsurance agreement running from 1 July 2013 to 30 June 2014. When the total weather claims expenses exceed DKK 300m, the agreement will cover the next DKK 600m. To be covered by the agreement, a claims event must exceed DKK 20m. With this agreement, Tryg's exposure to storm and cloudburst claims will be limited in the first half of 2014.

The large claims level was 2.1% (2.3%). The large claims level is expected to fluctuate over the years. The largest individual claim of the year of DKK 0.7bn related to an insolvent contractor insured in Tryg Garantiforsikring. However, due to a considerable reinsurance cover for this type of business, the effect on Tryg's results was only DKK 30m. In step with the expansion of the Swedish part of the Corporate segment, a higher large claims level must also be expected



here, and, in combination with a slightly less favourable agreement with the reinsurance companies within guarantee insurance, based on the above-mentioned claim, this is the main reason why the expectations for the level of large claims, net of reinsurance, have increased from DKK 450m to DKK 550m.

The run-off level was 5.0% (5.0%), which underlines Tryg's solid provisions coverage. The run-off gain was highest in Corporate, because the share of long-term business in the form of workers' compensation, in particular, is larger than for the other business areas.

Claims prevention activities in the form of Tryg Basement Check and Tryg Burglary Check, among others, were also important in 2013. Tryg will continue its claims prevention activities, but also strives to integrate them in products and benefits programmes. This has already been done in the benefits programmes launched on the Danish and Norwegian markets in 2013.

### Expenses

The expense ratio was 15.6 (16.4). This very large improvement was especially achieved through the ongoing efficiency programme and should be seen in the light of the expense ratio target of less than 15 in 2015.

The efficiency programme contributed DKK 82m in 2013, corresponding to an impact on the expense ratio of 0.4 percentage points. The initiatives were especially targeted at reducing the staff functions, focusing on simplification and efficiency as well as an assessment of what Tryg's core competencies should be, and what should be outsourced. The simplification has resulted in fewer management levels, and the number of managers relative to the number of employees has been significantly reduced. These measures have reduced the number of managers by 10% since the beginning of the efficiency programme. The number of employees was reduced from 3,913 to 3,703 in 2013.

IT costs account for a considerable share of the total costs, and in light of the unsatisfactory operations during the year, a process was initiated to determine what will be outsourced and which partners Tryg will use. As a result of this process, Tryg concluded a four-year agreement with TCS (Tata Consultancy Services Limited) on IT services in January 2014.

In light of the lower premium income, it has also been necessary to continuously streamline cost levels in addition to the above-mentioned efficiency programme.

With an intensified customer focus in the coming years, it is also important that the efficiency programme allows investments that support this focus, with regard to both internal employee development and technological development.

In recent years, the cost level has been impacted by increases in payroll taxes in Denmark, which will increase further in 2014 from 10.9% to 11.4%. The tax will gradually increase from 2014 and will stand at 15.2% in 2020. This increase will not affect Tryg's expense ratio target of less than 15 from 2015.

### Profit/loss on discontinued business

The profit/loss on discontinued business was DKK -4m.

### Investment return

The investment return was DKK 588m (DKK 585m) in 2013. Tryg's investment portfolio is divided into a match portfolio and a free portfolio.

The match portfolio totalled DKK 30bn, and was made up of bonds which match the insurance provisions so that fluctuations resulting from interest rate changes are offset to the greatest possible extent.

The free portfolio is a diversified portfolio of real estate, equities and bonds which reflect the company's total equity. At 31 December 2013, the value of the free portfolio totalled DKK 13bn.

In general, the division of the investment portfolio entails a low financial risk and reflects Tryg's focus on the insurance business.

The return on the match portfolio was DKK 40m (DKK 75m) after transferred return of technical provisions.

The return on the free investment portfolio was DKK 891m (DKK 1,130m). The return was impacted by price increases for equities, in particular. The equity portfolio, which is a globally diversified portfolio, generated a positive return of 23.0% (13.0%). Bond investments were impacted by the development in interest rates in Europe and produced a return of 3.3% and, for high-yield and emerging market bonds in particular, there was a high return in 2013. The composition of the free portfolio was basically unchanged in 2013.

Other financial income and expenses were negative by DKK 343m, particularly due to the write-down of owner-occupied property of DKK 76m.

## Tax

Tax on profit for the year totalled DKK 620m, or 21% of the profit before tax. The low tax rate in 2013 is attributable to a high return on equities, which is exempt from taxation in Norway, and to the reduction of income tax in the coming years in both Denmark and Norway, which has reduced deferred tax. In 2013, Tryg paid DKK 1,017m in income tax as well as various payroll taxes totalling DKK 342m, making the total payment DKK 1,359m in 2013.

## Capital position

Tryg's equity totalled DKK 11,107m (DKK 10,979m) at 31 December 2013. According to the Danish Financial Supervisory Authority's guidelines, an individual solvency requirement of DKK 6,366m as at year-end 2013 was calculated, based on a capital base of DKK 9,578m after proposed dividend. Tryg thus has surplus cover of DKK 3,212m, corresponding to 50.5%.

## Dividend policy

According to Tryg's dividend policy, the aim is to pay out a share of the profit for the year in the range of 60-90% and for the nominal dividend to be steadily increasing. For 2013, a dividend of DKK 27 per share is proposed, corresponding to DKK 1,656m, which amounts to 70% of the profit for the year.

In 2013, a share buy back of DKK 800m was completed, and in December, Tryg announced that from 2 January 2014 and throughout the year, an additional extraordinary share buy back of DKK 1,000m will be initiated.

## Events after the statement of financial position date

On 29 January, Tryg published a company announcement concerning sourcing agreements with TCS (Tata Consultancy Services Limited) on IT operations and Accenture on parts of the IT development. The agreements are entered to ensure more modern and future-orientated IT operations and as part of Tryg's target to reduce the expense ratio to below 15 in 2015.

At the end of January 2014, Tryg changed the portfolio division of the Commercial and Corporate business areas. The purpose of the new subdivision is to make Corporate more focused on major customers, while placing customers with more standardised insurance requirements in Commercial. With this change, almost DKK 1bn worth of business will be moved from Corporate to Commercial. The new portfolio

## Financial highlights for Q4 2013

- Profit after tax of DKK 565m (DKK 404m).
- Technical result of DKK 546m (DKK 648m).
- Combined ratio of 89.1 (87.4).
- Weather claims impacted the combined ratio by 8.8 percentage points, especially due to storms during the quarter.
- Large claims impacted the combined ratio by 1.1 percentage points (4.3).
- Expense ratio of 15.4 (16.3).
- Investment return of DKK 154m (DKK 5m).

division will be included in the financial reporting from H1 2014.

### Results for Q4 2013

The profit after tax totalled DKK 565m for Q4 2013 (DKK 404m). The technical result was DKK 546m (DKK 648m), and this was affected by costs for the storms of approximately DKK 400m. The investment return was DKK 154m (DKK 5m), which was mainly due to a high return on equities.

The combined ratio was 89.1 (87.4), and this was impacted by the October and December storms, which in combination with the winter effect impacted the combined ratio by 8.8 (2.2), a low large claims level corresponding to 1.1 (4.3) and a higher run-off level by 5.2 (4.7). In connection with the October and December storms, Tryg's claims organisation rallied to help the many customers who were affected.

The premium level in local currencies fell in Q4 by 2.4% (0.5%), and exclusive of the impact of profit sharing, the premium growth was negative by 1.5%.

## Financial highlights

- Technical result improved by DKK 102m to DKK 1,335m (DKK 1,233m), despite the storms in Q4.
- Combined ratio improved by 1.7 percentage points to 86 (87.7).
- Claims ratio, net of ceded business, improved by 1.1 percentage points to 70.9 (72).
- Gross premiums reduced by 2.2% against growth of 1.5% in 2012.
- Significant reduction of the expense ratio from 15.7 to 15.1.

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

### Results

The technical result was DKK 1,335m (DKK 1,233m), with a combined ratio of 86 (87.7). The improvement was achieved mainly

through efficiency improvements, which more than compensated for a considerably higher level of weather claims. Very few extraordinary price increases were implemented in 2013, only to counter inflation. The expense ratio was reduced considerably from 15.7 to 15.1 in 2013, which was achieved concurrently with a falling premium income.

### Premiums

Gross premiums fell by 2.2% against growth of 1.5% in local currencies in 2012. Development in Denmark was negative at 3.8%, and the premium income was largely unchanged in Norway. The development in Denmark is partly attributable to the sound profitability of partner agreements with profit sharing. Adjusted for the higher level of profit sharing, growth in Denmark was negative by 1.1%. In addition, growth is affected by the increase in Denmark in the sale of small cars, which involve a lower risk and thus a lower price level due to their size and safety features. The development was also affected by the price measures implemented in previous years, which have brought down the number of customers. The zero growth in Norway can be ascribed to a combination of several factors: a Norwegian economy with solid growth, a retention rate which remains high and a highly competitive market, which led to a fall in sales.

## Key figures – Private

DKKm	Q4 2012	Q4 2013	2012	2013
<b>Gross premium income</b>	<b>2,449</b>	<b>2,290</b>	<b>9,733</b>	<b>9,366</b>
Gross claims	-1,717	-1,731	-7,084	-6,596
Gross expenses	-383	-334	-1,524	-1,418
Profit/loss on gross business	349	225	1,125	1,352
Profit/loss on ceded business	-27	57	81	-43
Insurance technical interest, net of reinsurance	4	4	27	26
<b>Technical result</b>	<b>326</b>	<b>286</b>	<b>1,233</b>	<b>1,335</b>
Run-off gains/losses, net of reinsurance	40	72	326	310
<b>Key ratios</b>				
Premium growth in local currencies	0.6	-1.7	1.5	-2.2
Gross claims ratio	70.1	75.6	72.8	70.4
Net reinsurance ratio	1.1	-2.5	-0.8	0.5
Claims ratio, net of ceded business	71.2	73.1	72.0	70.9
Gross expense ratio	15.6	14.6	15.7	15.1
<b>Combined ratio</b>	<b>86.8</b>	<b>87.7</b>	<b>87.7</b>	<b>86.0</b>
Combined ratio exclusive of run-off	88.4	90.8	91.0	89.3
Run-off, net of reinsurance (%)	-1.6	-3.1	-3.3	-3.3
Large claims, net of reinsurance (%)	0.6	0.4	0.1	0.1
Weather claims, net of reinsurance (%)	2.5	8.0	2.4	3.2

Price differentiation and new customer benefits were the main focus of 2013.

Lars Bonde, Group Executive  
Vice President, Private



Tryg's retention rate remained high, which is supported by customer surveys from EPSI for 2013 which show that customer satisfaction in Tryg, in both Denmark and Norway, increased. Private has focused on introducing new price-differentiated products, and introduced eight new products in 2013. The combination of such products and a targeted selection of customers led to a considerably higher rate of sales than for the old products.

### Claims

The gross claims ratio amounted to 70.4 (72.8), and the claims ratio, net of ceded business, was 70.9 (72.0). The improvement is attributable to the efficiency programme implemented, which led to lower claims costs despite a higher level of weather claims in connection with the storms which hit Denmark in October and December. Private focused strongly on providing advice to and helping customers in connection with the 32,000 claims.

Run-off gains/losses affected the combined ratio positively by 3.3 percentage points (3.3).

### Expenses

The expense ratio was 15.1 (15.7). This considerable reduction was achieved through a reduction of staff costs as part of the efficiency programme as well as through continued optimisation of the distribution costs, in particular. The number of employees was increased from 887 in 2012 to 923 in 2013.

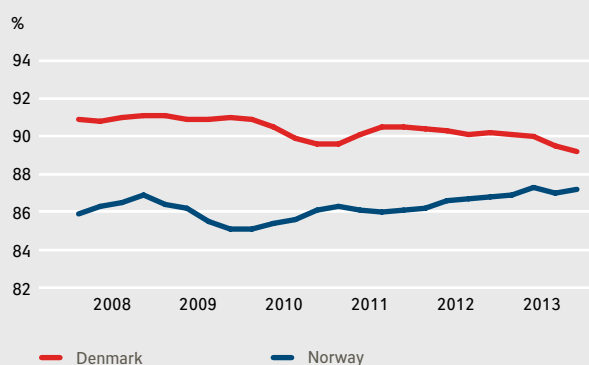
## Financial highlights for Q4 2013

- Technical result of DKK 286m (DKK 326m).
- Combined ratio of 87.7 (86.8).
- The quarter was characterised by claims resulting from storms in October and December.
- Expense ratio of 14.6 (15.6).

### Results for Q4 2013

The technical result totalled DKK 286m (DKK 326m) and was mainly affected by the October and December storms in Denmark. In addition, the run-off gains were at a high level of 3.1 (1.6), and, all in all, the results were positively affected by the ongoing efficiency programme. The combined ratio was 87.7 (86.8) in Q4 2013. Gross premiums fell by 1.7% in Q4, representing a lower reduction than for the full year. The retention rate in Denmark was 89.2 (90.2), which was still high, while the retention rate in Norway was 87.2 (86.8). The gross claims ratio was 75.6 (70.1) and the claims ratio, net of ceded business, was 73.1 (71.2). The expense ratio was 14.6 (15.6). The considerable fall is due to the ongoing efficiency programme, but was also affected by the usual fluctuations in costs between the quarters.

Customer retention – Private



## Financial highlights

- Good technical result of DKK 439m (DKK 604m).
- Combined ratio of 87.9 (83.7).
- The gross premiums were reduced by 3.2% (2.0%) as a result of profitability measures and the economic situation for businesses in Denmark.
- Significant reduction in the expense ratio to 19.3 (20.3).

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

### Results

The results of Commercial have historically been unsatisfactory, which spurred the decision to define the segment as a strategic

initiative to ensure a profitable and sustainable business. The result was that the segment achieved satisfactory results both in 2012 and in 2013. The higher combined ratio in 2013 is due to the storms in Q4.

The technical result was DKK 439m (DKK 604m), with a combined ratio of 87.9 (83.7). These results reflect that Commercial has reached a satisfactory level, contributing positively to the Group's overall profit. This was achieved through efficiency improvements and the implemented profitability and segmentation measures.

Commercial also developed price-differentiated products in 2013, and it has been particularly important to introduce a new workers' compensation product which reflects the risk far better than before. This resulted in a higher rate of sales for this product.

Cost reductions have been vital to improve the competitive situation and to contribute to strengthening results. Against this background, it is very satisfactory that the expense ratio was reduced by 1 percentage point to 19.3, and that this was achieved at the same time as the premium level was reduced.

## Key figures – Commercial

DKKm	Q4 2012	Q4 2013	2012	2013
<b>Gross premium income</b>	<b>906</b>	<b>862</b>	<b>3,687</b>	<b>3,528</b>
Gross claims	-542	-691	-2,372	-2,438
Gross expenses	-181	-158	-748	-680
Profit/loss on gross business	183	13	567	410
Profit/loss on ceded business	-25	54	32	19
Insurance technical interest, net of reinsurance	-2	3	5	10
<b>Technical result</b>	<b>156</b>	<b>70</b>	<b>604</b>	<b>439</b>
Run-off gains/losses, net of reinsurance	29	30	212	176
<b>Key ratios</b>				
Premium growth in local currencies	-3.3	-1.5	-2.0	-3.2
Gross claims ratio	59.8	80.2	64.3	69.1
Net reinsurance ratio	2.8	-6.3	-0.9	-0.5
Claims ratio, net of ceded business	62.6	73.9	63.4	68.6
Gross expense ratio	20.0	18.3	20.3	19.3
<b>Combined ratio</b>	<b>82.6</b>	<b>92.2</b>	<b>83.7</b>	<b>87.9</b>
Combined ratio exclusive of run-off	85.8	95.7	89.4	92.9
Run-off, net of reinsurance (%)	-3.2	-3.5	-5.7	-5.0
Large claims, net of reinsurance (%)	5.0	0.2	1.5	2.2
Weather claims, net of reinsurance (%)	4.0	17.2	1.9	5.2



With yet another strong year, Commercial has built a solid foundation for continued customer focus.

Trond Bøe Svestad, Group Executive  
Vice President, Commercial



### Premiums

A combined fall in premium income of 3.2% (2.0%) was realised, when measured in local currencies. The fall was based on negative growth in Denmark of -4.7% and in Norway of -0.3%. The negative development in Denmark was expected due to selective measures taken against unprofitable customers and segments to improve profitability. The negative development in Norway is also attributable to profitability measures, but the very competitive market also played a part. In the last half of the year, specialisation of customer sales and service was introduced. This has, among other things, involved increased automation, the development of sales channels and the optimisation of the booking of meetings, which is expected to contribute positively in future.

### Claims

The gross claims ratio amounted to 69.1 (64.3), and the claims ratio, net of ceded business, was 68.6 (63.4). The low level is attributable to the profitability measures and the efficiency programme. Commercial was also affected by the October and December storms, and as the level of medium-sized claims was also higher, the claims ratio, net of ceded business, was slightly higher than in 2012. Extensive efforts were also directed at consulting and helping the many affected commercial customers.

At 2.2 (1.5), the large claims level was slightly higher than the previous year. Run-off gains stood at 5.0 (5.7), and the high level is mainly attributable to run-off gains within workers' compensation insurance.

### Expenses

The expense ratio was 19.3 (20.3), which was a satisfactory development achieved despite the reduction in premium income. The lower cost level is attributable to the efficiency programme and the above-mentioned structural measures in relation to distribution. Commercial will continue to focus on cost reduction in the coming years, as this is important to strengthen competitiveness and results.

## Financial highlights for Q4 2013

- Technical result of DKK 70m (DKK 156m).
- Combined ratio of 92.2 (82.6).
- Claims ratio, net of ceded business, of 73.9 (62.6) characterised by a high level of weather claims, mainly due to the October and December storms in Denmark.
- Run-off gains of 3.5 (3.2).
- Expense ratio of 18.3 (20.0).

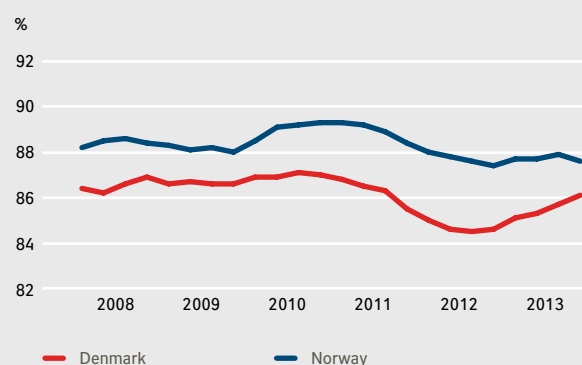
### Results for Q4 2013

A technical result of DKK 70m (DKK 156m) was posted, and was affected by the storms in Denmark, in particular, and a high level of run-off gains.

The combined ratio was 92.2 (82.6), and was affected by the above-mentioned storm claims which caused weather claims to have an effect of 17.2 (4.0). Against this background, the combined ratio was satisfactory.

The gross premiums fell by 1.5% (3.3%) in Q4, halting the development seen in 2013. The retention rate in Denmark was 86.1 (84.6), while it was 87.6 (87.4) in Norway. The gross claims ratio was 80.2 (59.8), the claims ratio, net of ceded business, was 73.9 (62.6), and the expense ratio was 18.3 (20.0).

### Customer retention – Commercial



## Financial highlights

- Technical result of DKK 573m (DKK 650m).
- Combined ratio of 88.9 (87.7).
- Gross premiums reduced by 2.8% (2.0%) primarily due to profitability measures.
- Expense ratio of 12.5 (12.3).

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

### Results

The Corporate business area is focused on generating results which are satisfactory relative to the capital attributable to the area. Due to

more personal business, in particular, the capital requirement has increased, for which reason Corporate should have a lower combined ratio than the other business areas.

The technical result for 2013 was DKK 573m (DKK 650m), with a combined ratio of 88.9 (87.7). These results are not satisfactory for certain areas when considering the capital requirement. Because of this, individual measures have been implemented for unprofitable customers in Denmark, Norway and Sweden.

### Premiums

All in all, gross premiums fell by 2.8% (2.0%) in local currencies. The negative development was a combination of a negative development of 2.8% in Denmark and 5.3% in Norway, and positive growth in Sweden of 9%. The development in both Denmark and Norway can be ascribed to price increases, adjustments to the customer portfolio and lower sales. A characteristic of the corporate market is that a few customers can have a significant effect on premium development. New players will often compete on price, which means that premium income will fluctuate more here than in the other business areas. Throughout the year, Corporate continued its work on developing customer benefits targeted at the various customer groups. The

## Key figures – Corporate

DKKm	Q4 2012	Q4 2013	2012	2013
<b>Gross premium income</b>	<b>1,330</b>	<b>1,243</b>	<b>5,258</b>	<b>5,041</b>
Gross claims	-1,035	-875	-3,929	-4,201
Gross expenses	-162	-159	-648	-630
Profit/loss on gross business	133	209	681	210
Profit/loss on ceded business	-9	-68	-37	348
Insurance technical interest, net of reinsurance	-3	5	6	15
<b>Technical result</b>	<b>121</b>	<b>146</b>	<b>650</b>	<b>573</b>
Run-off gains/losses, net of reinsurance	169	123	506	464
<b>Key ratios</b>				
Premium growth in local currencies	-1.4	-1.9	-2.0	-2.8
Gross claims ratio	77.8	70.4	74.7	83.3
Net reinsurance ratio	0.7	5.5	0.7	-6.9
Claims ratio, net of ceded business	78.5	75.9	75.4	76.4
Gross expense ratio	12.2	12.8	12.3	12.5
<b>Combined ratio</b>	<b>90.7</b>	<b>88.7</b>	<b>87.7</b>	<b>88.9</b>
Combined ratio exclusive of run-off	103.4	98.6	97.3	98.1
Run-off, net of reinsurance (%)	-12.7	-9.9	-9.6	-9.2
Large claims, net of reinsurance (%)	11.8	3.1	7.6	6.3
Weather claims, net of reinsurance (%)	0.8	6.3	0.6	2.3

A future model for corporate customer service was an important focus area for Corporate.

Truls Holm Olsen, Group Executive  
Vice President, Corporate



requirements vary considerably between the different customers, for example between the very big industrial groups and the medium-sized businesses that are served by brokers.

### Claims

The gross claims ratio amounted to 83.3 (74.7), and the claims ratio, net of ceded business, was 76.4 (75.4). Gross claims were affected by a large claim of DKK 0.7bn in Tryg Garanti, related to an insolvent contractor, which after reinsurance affected the claims by DKK 30m. Adjusted for run-off level, weather and large claims, the claims ratio, net of ceded business, was at the same level as in 2012. The development in the Swedish part of the Corporate segment, in particular, was not quite satisfactory, and measures were taken to improve profitability. The action taken included pruning of customers and measures across the portfolio. Run-off gains/losses impacted the combined ratio positively by 9.2 percentage points.

### Expenses

The expense ratio was 12.5 (12.3) in 2013, which is satisfactory in light of the reduced premium levels. The reduction was achieved through the ongoing efficiency programme as well as through a reduction in cost levels effected to adapt to the lower business volume.

---

## Financial highlights for Q4 2013

- Technical result of DKK 146m (DKK 121m).
- Combined ratio of 88.7 (90.7).
- Gross premiums reduced by 1.9% (1.4%) primarily due to profitability measures.
- Expense ratio of 12.8 (12.2).

### Results for Q4 2013

The technical result was DKK 146m (DKK 121m), which was satisfactory in light of the high level of weather claims, in particular. The combined ratio was 88.7 (90.7). The lower level can be attributed to a positive development in claims. The gross premiums fell by 1.9% in Q4, which was expected considering the development in the rest of the year. The claims ratio was 70.4 (77.8), and the claims ratio, net of ceded business, was 75.9 (78.5), despite the above-mentioned higher level of weather claims. The expense ratio was 12.8 (12.2), which was slightly higher, due, in particular, to a reduction in premium income.



## Financial highlights

- Technical result improved by DKK 47m to DKK 149m.
- Combined ratio improved by 4.1 percentage points to 91.2 (95.3).
- Gross premiums reduced by 4.9% (0.7%) as a result of profitability measures and termination of Nordea bank distribution.

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

### Results

In recent years, improving earnings in the business area in Sweden has been an important strategic initiative to improve Tryg's results. Key initiatives have included pricing improvements and integrating the original bank insurance business and the acquired Moderna. Significant structural measures in relation to distribution were im-

plemented in 2013, and with the results achieved in recent years, the profitability target has been fulfilled.

A profit of DKK 149m (DKK 102m) was posted. This has been achieved through improved profitability within the broad private market. The improvement was also helped by reducing the bank insurance business volume, where profitability has been unsatisfactory. The niche areas comprising leisure boats, motorcycles and product insurance in connection with electronics purchases continue to be very profitable.

### Premiums

Premium income was reduced by 4.9% against growth of 0.7% in 2012. The negative development is due to Tryg's focus on profitability and the considerable price increases in recent years within the Private segment, just as the number of partner agreements has been significantly reduced to ensure profitability.

In addition, as expected, premium income is affected by the termination of the distribution agreement with Nordea. Instead an agreement was concluded in 2013 with Danske Bank in Sweden to supplement the existing agreement with ICA Bank.

## Key figures – Sweden

DKKm	Q4 2012	Q4 2013	2012	2013
<b>Gross premium income</b>	<b>399</b>	<b>348</b>	<b>1,654</b>	<b>1,587</b>
Gross claims	-268	-250	-1,267	-1,178
Gross expenses	-84	-67	-306	-280
Profit/loss on gross business	47	31	81	129
Profit/loss on ceded business	3	10	-3	9
Insurance technical interest, net of reinsurance	4	3	24	11
<b>Technical result</b>	<b>54</b>	<b>44</b>	<b>102</b>	<b>149</b>
Run-off gains/losses, net of reinsurance	-1	22	-29	20
<b>Key ratios</b>				
Premium growth in local currencies	0.9	-10.6	0.7	-4.9
Gross claims ratio	67.2	71.8	76.6	74.2
Net reinsurance ratio	-0.8	-2.9	0.2	-0.6
Claims ratio, net of ceded business	66.4	68.9	76.8	73.6
Gross expense ratio	21.1	19.3	18.5	17.6
<b>Combined ratio</b>	<b>87.5</b>	<b>88.2</b>	<b>95.3</b>	<b>91.2</b>
Combined ratio exclusive of run-off	87.2	94.5	93.5	92.5
Run-off, net of reinsurance (%)	0.3	-6.3	1.8	-1.3
Weather claims, net of reinsurance (%)	1.3	2.3	1.2	1.4

Structural changes in relation to distribution were in focus in 2013.

Per Fornander  
Group Executive Vice President,  
Sweden



### Claims

The gross claims ratio amounted to 74.2 (76.6), and the claims ratio, net of ceded business, was 73.6 (76.8). This improvement is the result of price increases and a reduction of unprofitable customer groups. In addition, improved tariffs within both motor and house insurance and new customer benefits have had a positive effect.

The claims ratio is otherwise positively affected by major efficiency improvements in claims handling, and the fact that a very large proportion of claims are being registered and finalised on the same day, which, from experience, results in high customer satisfaction and a positive effect on the claims level.

### Expenses

An improved expense ratio of 17.6 (18.5) was achieved in 2013, which is very satisfactory and was achieved concurrently with negative premium growth. To ensure further growth, Moderna has implemented a number of structural initiatives, which has resulted in cost level improvements and will contribute further in the coming years. The initiatives have, among other things, included a centralisation of functions within distribution, claims handling and staff services. The customer service and telemarketing functions were gathered in Malmö, and a similar function was closed down in Luleå in northern Sweden. In the course of 2013, Moderna converted to using only one IT system, which will contribute to further cost reductions.

---

### Financial highlights for Q4 2013

- Technical result of DKK 44m (DKK 54m).
- Combined ratio of 88.2 (87.5).
- Expense ratio of 19.3 (21.1).

### Results for Q4 2013

The technical result was DKK 44m (DKK 54m), and the combined ratio was 88.2 (87.5), which was very satisfactory. Gross premiums fell by 10.6% in Q4, a high level which, among other things, resulted from the termination of the bank distribution cooperation with Nordea.

The claims ratio was 71.8 (67.2), and the claims ratio, net of ceded business, was 68.9 (66.4).

The expense ratio was 19.3 (21.1), which was satisfactory in light of the falling premium level.

# Investment activities

## Financial highlights

- Investment return of DKK 588m (DKK 585m).
- Return on match portfolio after transfer to insurance of DKK 40m (DKK 75m).
- Gross return on free portfolio of DKK 891m (DKK 1,130m).
- Write-down of owner-occupied property of DKK 76m.

**Tryg mainly invests in bonds, equities and property. The investment activities are regulated by legislation and by the policies and guidelines adopted and issued by the Supervisory Board.**

The insurance activities provide the basis for the Tryg Group being able to generate good and stable earnings, while the purpose of the investment business is to support the insurance business.

This has been adopted in the strategy for the investment area, where the objective is to minimise the effect of interest rate changes and to drive the investments with as low a risk as possible and with as low a capital requirement as possible.

At 31 December 2013, the investment portfolio totalled DKK 43.0bn. It is divided into a match portfolio and a free portfolio of DKK 30bn and DKK 13bn, respectively. The sole purpose of the match portfolio is to hedge fluctuations in the discounting of insurance provisions and to reduce the interest risk attaching to the claims provisions. The free investment portfolio generally corresponds to equity and is invested in bonds, property and equities.

### Investment return

2013 was in many ways the year when optimism returned, and the equity markets developed positively. In 2013, Tryg's total investment portfolio yielded a gross return of DKK 1,116m (DKK 2,205m). The return for the year totalled 2.5% of the average invested capital.

The satisfactory results were achieved in particular due to positive equity markets. The same was true for bonds, where credit spreads developed favourably, not least for high-yield bonds.

2013 was also impacted by concerns relating to the American monetary and fiscal policy. It was characterised by speculations concerning the Federal Reserve's possible gradual tapering of bond purchases, and the politicians' disagreements on the US budget and the so-called debt ceiling.

## Key figures for the year – Investments

DKKm	Return 2012	Total	Return 2013 Match	Free	Investment assets 31.12.12	31.12.13
Bonds, cash deposits etc. <sup>a)</sup>	1,731	472	225	247	40,802	38,339
Equities	269	564		564	2,444	2,656
Real estate	205	80		80	2,081	2,022
<b>Total</b>	<b>2,205</b>	<b>1,116</b>	<b>225</b>	<b>891</b>	<b>45,327</b>	<b>43,017</b>
Value adjustments, changed discount rate	-475	298	298			
Transferred to insurance technical interest	-525	-483	-483			
<b>Total investment return before other financial items</b>	<b>1,205</b>	<b>931</b>	<b>40</b>	<b>891</b>		
Other financial income and expenses, investment <sup>b)</sup>	-70	-40				
<b>Total investment return</b>	<b>1,135</b>	<b>891</b>				
Other financial income and expenses, non-investment <sup>b)</sup>	-550	-303				
<b>Investment return</b>	<b>585</b>	<b>588</b>				

<sup>a)</sup> Bonds, cash deposits etc. at 31 December 2012 has been adjusted. Bonds from the Finnish branch have been removed.

<sup>b)</sup> The item comprises interest on operating assets and bank debt, exchange rate adjustments of insurance items, writedown of owner-occupied property and costs of investment activities.

Tryg achieved a satisfactory free portfolio return of DKK 891m. To this should be added a mismatch of DKK 40m, as described below. All in all, this yielded a gross return after transfer to technical interest of DKK 931m.

The value of Tryg's owner-occupied property in Ballerup was adjusted to the market rent level through a write-down of DKK 76m, which affected other financial expenses and income negatively.

After transfer of insurance technical interest to insurance and other financial expenses and income, the total investment return totalled DKK 588m (DKK 585m).

#### The match portfolio

The interest rate risk for the claims provisions is hedged by Danish, Norwegian and Swedish interest rate swaps. Thereby Tryg avoids fluctuations in the fair value of its long-term liabilities in the respective countries. Fluctuations in swap rates, which are sometimes greater or smaller than the Danish Financial Supervisory Authority's rates, may cause a mismatch to arise. In addition, a mismatch may arise from other risks which are not interest rate risks and which cannot be hedged accurately.

The return on the match portfolio must thus cover price adjustments of the claims provisions and the insurance technical interest.

Tryg's aim of reducing deviations as much as possible yielded an overall positive mismatch of DKK 40m, although the year was characterised by major interest rate fluctuations.

For example, in May, the 10-year Danish swap rate fell to a historically low level of 1.6%, subsequently increasing to a level of 2.6% at the beginning of September. At the end of 2013, the interest rate had fallen again to 2.4%. The European interest rates fluctuated less, and, all in all, the local hedging in Denmark, Norway and Sweden was satisfactory with a positive mismatch of DKK 40m. This corresponded to a deviation of approximately 0.2% of the value of the match portfolio.

The match portfolio totalled DKK 30bn at the end of the year.

#### The free investment portfolio

The free investment portfolio generated a total gross return of DKK 891m, corresponding to 7.5% of the average invested capital. The free portfolio amounted to approximately DKK 13bn at the end of 2013, up DKK 2.2bn (DKK 10.8bn).

### Key figures for investments Q4

DKKm	Return Q4 2012	Return Q4 2013		Free	Investment assets 31.12.13
		Total	Match		
Bonds, cash deposits etc. <sup>a)</sup>	374	251	140	111	38,339
Equities	67	163		163	2,656
Real estate	43	9		9	2,022
<b>Total</b>	<b>484</b>	<b>423</b>	<b>140</b>	<b>283</b>	<b>43,017</b>
Value adjustments, changed discount rate	-104	18	18		
Transferred to insurance technical interest	-105	-120	-120		
<b>Total investment return before other financial items</b>	<b>275</b>	<b>321</b>	<b>38</b>	<b>283</b>	
Other financial income and expenses, investment <sup>b)</sup>	-20	-14			
<b>Total investment return</b>	<b>255</b>	<b>307</b>			
Other financial income and expenses, non-investment <sup>b)</sup>	-250	-153			
<b>Investment return</b>	<b>5</b>	<b>154</b>			

a) Bonds, cash deposits etc. at 31 December 2012 has been adjusted. Bonds from the Finnish branch have been removed.

b) The item comprises interest on operating assets and bank debt, exchange rate adjustments of insurance items, writedown of owner-occupied property and costs of investment activities.

In 2013, investor confidence largely returned, and the positive development on the equity markets, where the world index only developed negatively in two of the 12 months, provided a positive return on Tryg's equity portfolio of DKK 564m, corresponding to 23.2%. Tryg's equity portfolio is globally diversified, and the Japanese equities in particular, but also American and Nordic equities, contributed positively to the return on Tryg's equity portfolio. By comparison, the Japanese Nikkei index yielded a return of approximately 57%, but also American and Nordic equities yielded a return of more than 20%.

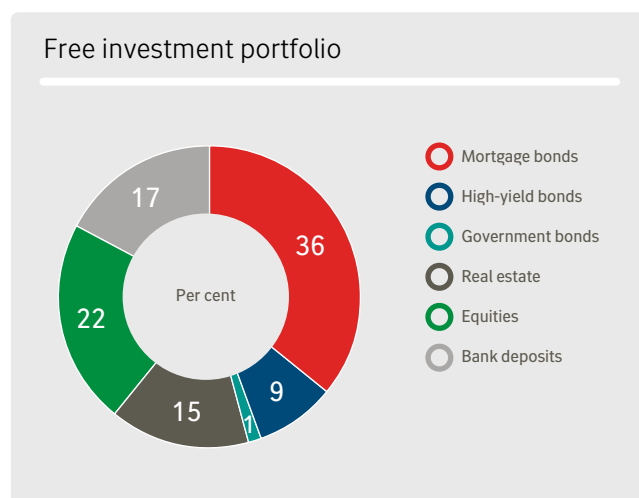
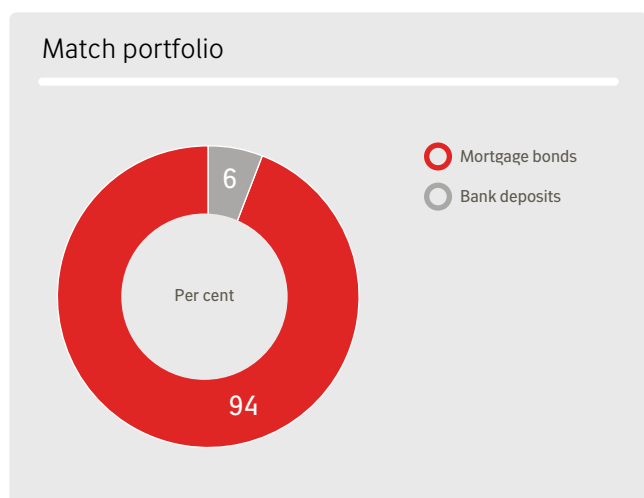
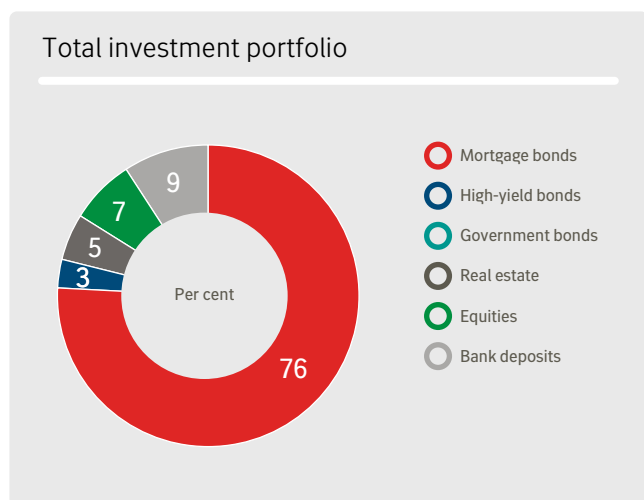
The exposure to credit bonds has also contributed satisfactorily to the return on the free bond portfolio of DKK 247m. This has been achieved in spite of uncertainty regarding the US Federal Reserve's gradual tapering of bond purchases in Q2, which caused investors to

worry about investments in the developing countries, in particular, and also in high-yield bonds. All in all, the bonds in the free portfolio yielded a return of 3.3%.

The real estate portfolio, comprising Danish and Norwegian investment properties, generated a return of DKK 80m, which was below the expected level of 6% due to property write-downs.

#### Other financial income and expenses

Other financial income and expenses, which are included in the investment return, were negative at DKK 343m in total (DKK 620m). This item comprises a number of elements, including the expense of hedging the currency risk of Tryg's own equity in Sweden and Norway. Another element is related to the expenses of DKK 89m due to Tryg's subordinate loans. In addition, Tryg effected a write-down on its owner-occupied property of DKK 76m.





---

## Financial highlights for Q4 2013

- Investment return of DKK 154m (DKK 5m).
- Return on match portfolio of DKK 38m (DKK 19m).
- Return on free portfolio of DKK 283m (DKK 256m).
- Write-down of owner-occupied property of DKK 76m.

### Investment activities in Q4 2013

In Q4, Tryg's investment portfolio yielded a gross return of DKK 423m, where the bond portfolio contributed a return of DKK 251m, and the equity portfolio DKK 163m. The return on the real estate portfolio was DKK 9m. After transfers to insurance technical interest, the net return totalled DKK 321m. The match portfolio yielded a positive mismatch of DKK 38m, while the free portfolio yielded a return of DKK 283m.

In Q4, other financial income and expenses were impacted by DKK 76m relating to the above-mentioned write-down of Tryg's owner-occupied property. After other financial income and expenses totalling DKK 167m, the total return on Tryg's investment activities was DKK 154m in Q4.





**Tryg ID** | Identity theft is one of the fastest-growing crimes in the world and is also a growing problem in Denmark. Tryg offers free access to identity protection for our Tryg Plus customers. The identity protection service helps customers reduce the risk of identity theft and handle cases of suspected or confirmed identity theft.



Are you receiving unexpected bills? Or are you suddenly no longer receiving post? Then you may be the victim of identity theft. Each year, more than 70,000 Danes are affected by identity theft.

We hear from increasing numbers of customers who are concerned about the issue.

Investigating identity theft and getting your life back is an overwhelming and time-consuming task. We therefore advise on ways of minimising the risk of theft, and help with all the practicalities in cases of misuse of personal information. In this way, we hope to provide more peace of mind for our customers.



## Credit ratings

At 31 December 2013

Standard & Poor's

Tryg Forsikring A/S  
Tryg Garantiforsikring A/S

'A-'/stable  
'A-'/stable

The main concept of insurance is that of spreading risk. By pooling risks from a large number of customers, an insurance company's risks are spread more evenly and are also more predictable, thereby reducing the capital required to cover negative fluctuations. The assessment and management of the company's aggregate risk and the associated capital requirements therefore constitute a central element in the management of an insurance company.

### Risk profile and appetite

Tryg's Supervisory Board defines the company's risk appetite and thereby also the capital which must be available to cover any losses. The risk appetite is described in the company's policies via exposure limits for different types of risk. Examples of this is the management of the investment risk via exposure limits within different asset classes (equities, property etc.) and the management of the total interest risk via the company's match strategy. This prescribes that the company's investment assets corresponding to the technical provisions must be invested in interest-related assets, the interest rate sensitivity of which precisely matches and thereby hedges the interest rate sensitivity of the discounted provisions.

The fundamental insurance risk is managed via limits for the size of single large commitments and via the use of reinsurance, thereby limiting the maximum cost of large claims, expenses due to a storm, cloudburst or another event which affects a number of insurances simultaneously. Moreover, the insurance risk is managed through geographical limitations and by refraining from offering certain types of insurance such as aviation and marine insurance. Operating within these limits, the company's risk will depend on the decisions made by the company as well as the development in the underlying risk factors such as share prices, the price of reinsurance, claims frequencies etc.

Good risk management requires the ongoing identification and quantification of these risk factors, subsequent reduction of undesired risks and reporting of the whole risk scenario. The quantification consists,

among other things, of a calculation of the capital requirements, and against this background an annual review is made of the company's risk appetite and limits.

To support the company's risk management, the Supervisory Board has appointed a Risk Committee consisting of representatives of the Supervisory Board and the day-to-day executive management. The Risk Committee monitors Tryg's risk scenario at all times.

### Capital requirement and management

Capital management is based on Tryg's internal capital model which is based on the risk profile, and which thus takes account of the composition of the insurance portfolio, the geographical spread, the provision profile, the reinsurance programme, the investment portfolio and Tryg's profitability in general. The model calculates the statutory capital requirement (Individual Solvency Requirement) with a 99.5% certainty level, meaning that Tryg would statistically be able to honour claims in 199 out of 200 years.

At the end of 2013, the Individual Solvency Requirement totalled DKK 6,366m (DKK 6,410m). The capital required to meet the Individual Solvency Requirement is called the capital base. At the end of 2013, the capital base totalled DKK 9,578m after dividend, corresponding to a surplus cover of DKK 3,212m.

The Supervisory Board regularly assesses the need for capital adjustments. Any adjustments are effected once a year in connection with the distribution of dividend. Extraordinary adjustments are made through share buy backs. The assessments are made in the company's capital plan, in which the the Individual Solvency requirement is projected based on Tryg's budgets, seeking to realise a number of the identified risks through various scenarios.

In the light of the expected satisfactory results for 2013 and the solid capital position, a decision was made in December 2013 to implement



an extraordinary share buy back totalling DKK 1 bn. The buy back will take place between 2 January 2014 and the end of the year. Moreover, at the annual general meeting to be held on 3 April 2014, the Supervisory Board will propose that dividend of DKK 27 per share be paid, corresponding to the distribution of DKK 1,656m.

In conjunction with the capital plan, a contingency plan has been prepared which describes specific measures which may be introduced in the short term, should the company's desired capital position be threatened.

### Capital structure

Tryg's capital base consists of equity and subordinate loan capital. The relative sizes of these two categories are subject to ongoing assessment with a view to maintaining an optimum structure which takes account of the target return on equity, the capital costs for the two categories and the desired financial flexibility.

Based on such an assessment, in 2013 Tryg repaid a subordinate loan from TryghedsGruppen of EUR 65m, replacing it with a new subordinate loan of NOK 800m. Unlike the old loan, the new subordinate loan is for a perpetual term, which therefore means that the loan is included in the capital base in full, which thus increased by NOK 800m. Against this background, in 2013 an extraordinary distribution was made through the acquisition of own shares for an amount of DKK 800m. All in all, the distribution and the new subordinate loan did not change the size of the capital base, but the equity share was reduced, which in isolation makes a positive contribution to the future return on equity, for the benefit of Tryg's shareholders. Moreover, the new subordinate loan is expected to qualify for inclusion as Tier 2 capital under the new capital solvency rules (Solvency II). [Read more about Tryg's subordinate loan under Note 2 on page 79.](#)

At the end of 2013, Tryg's subordinate loan capital corresponded to 16% of equity, with total interest expenses of DKK 89m.

### New individual solvency and Solvency II

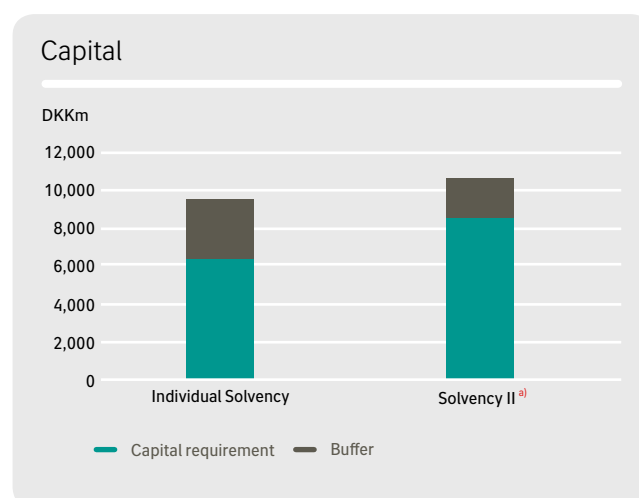
The forthcoming joint European rules providing uniform protection for policyholders (Solvency II) are now expected to take effect on 1 January 2016. The implementation date has been postponed several times, and the Danish Financial Supervisory Authority has therefore decided to implement the most important elements via the revised Executive Order on Solvency and Operating Plans for Insurance Com-

panies (Bekendtgørelse om solvens og driftsplaner for forsikringselskaber) with effect from 1 January 2014. The executive order contains provisions for the uniform calculation of the solvency requirement based on either a predefined standard formula or an internal model. Tryg's capital model is based on the Solvency II principles, and the revised executive order therefore does not noticeably impact the size of the company's Individual Solvency Requirement. The executive order contains a transitional provision on the calculation of the capital base which results in a moderate increase in Tryg's solvency surplus cover.

The executive order also contains requirements for a specific risk assessment, the form and scope of which are very similar to the assessment known as the Own Risk and Solvency Assessment (ORSA) under the Solvency II rules. Tryg has for several years prepared ORSA reports, which assess the general risk profile and propose improvements. In 2013, such a risk assessment was also carried out and considered by the company's day-to-day management and Supervisory Board, which are consequently entering 2014 with a fully updated view of Tryg's risk profile. [Read more about Tryg's risk management under Note 1 on page 67.](#)

### Standard & Poor's

Tryg has achieved an 'A-' rating from Standard & Poor's and aims to maintain this rating.



a) Tryg's expectations as regards the future Solvency II standard model are based on the Danish Financial Supervisory Authority's revised Executive Order on Solvency and Operating Plans for Insurance Companies, which came into force on 1 January 2014.

# Shareholder information


'Investor Relations' (IR) is responsible for communication with the equity market. It is important for Tryg that investors, shareholders, analysts and other stakeholders are able to form a true and fair view of developments, including the financial results. For this reason, we emphasise openness and transparency to ensure that stakeholder information requirements are accommodated best possible.

IR is also responsible for contact to rating agencies and bond investors.

 [Tryg's IR policy is available at tryg.com > Investor.](#)

Following the publication of interim reports, IR heads out on a road-show with Tryg's Executive Management to discuss the company's development with investors and analysts. In addition, Tryg participates in a number of financial conferences. In 2013, we held investor meetings in the financial centres in Europe, the USA and Canada, and we visited Asia twice. These were the first investor meetings in Asia and were arranged following increased interest in the Tryg share. The Tryg share is followed closely by 22 analysts, who continuously update their expectations for and views on the share.  [See a list of analysts and their recommendations of Tryg at tryg.com > Investor.](#)

## The Tryg share

The Tryg share is listed on Nasdaq OMX Copenhagen and is covered by the OMX C20 index (OMX C20 CAP), comprising the 20 most traded shares on the exchange. In accordance with the recommendations issued by Nasdaq OMX Copenhagen, Tryg does not comment on financial results or outlook two weeks before the publication of interim reports and four weeks before the publication of the annual report. All financial information is published on tryg.com in Danish and English. It is possible to order annual reports and subscribe for news and RSS feeds on the website. It is also possible to follow @Tryg IR on Twitter.  [The company announcements issued in 2013 are available at tryg.com > Investor > News.](#)

The Tryg share started the year at a price of 426.50 and ended 2013 at 524.50. Including a dividend of DKK 26, the share rose by 29.1% during 2013 (23% excluding dividend). By comparison, the OMX C20 CAP index rose by 24.1% in 2013. The index of insurance shares in Europe, the Euro STOXX Insurance Index, rose by 28.9% in 2013. The positive development of the Tryg share in 2013 was affected by the development in results, driven by the improvements resulting from Tryg's efficiency programme.

Nasdaq OMX in Copenhagen is still the primary exchange where most of the trading in the Tryg share takes place. In 2013, Nasdaq OMX

## Financial calendar 2014

3 April 2014	Annual general meeting
4 April 2014	Tryg shares trade ex-dividend
9 April 2014	Payment of dividend
10 April 2014	Interim report for Q1 2014
10 July 2014	Interim report for H1 2014
10 October 2014	Interim report for Q1-Q3 2014

accounted for 41.8% of the turnover of the Tryg share. In addition, 13% of trading in 2013 was carried out on alternative exchanges (MTF trades), led by BATS Chi-X as the largest alternative exchange. Nasdaq OMX is still the most important trading platform for the Tryg share, where most of the trading takes place, and where the price of the Tryg share is determined. Other trading platforms such as OTC (over-the-counter) and dark pools represent a large share of the remaining trade, but it takes place outside of the established exchanges and MTFs and thus does not have a direct impact on the price of and the liquidity in the share.

In 2013, a share buy back programme totalling DKK 800m, corresponding to 1.6 million shares, was completed. This had a positive impact on the turnover of the Tryg share. The total turnover (including OTC trades) of the share increased from 34 million shares in 2012 to 43 million shares in 2013.

## Share capital and ownership

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

At the end of 2013, there was a free float of 40% of the shares, divided among 25,951 registered shareholders. The 200 largest shareholders owned 88% of the shares. At the end of 2013, and after the share buy back programme, Tryg held 1,942,142 own shares, corresponding to 3.2% of the share capital. At Tryg's general meeting on 3 April 2014, the Supervisory Board intends to propose to nullify the 1.6 million shares that have been repurchased.

## Distribution

DKKm	2009	2010	2011	2012	2013 <sup>a)</sup>
Dividend	991	256	400	1,594	1,656
Dividend per share (DKK)	15.5	4	6.52	26	27
Payout ratio	49%	43%	35 %	72 %	70 %
Extraordinary share buy back	799	0	0	800	1,000

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

### Dividend policy

Tryg's dividend policy aims to achieve a higher degree of stability in the annual distribution. The dividend policy reflects our expectations of high earnings in the insurance business and a low risk profile within the investment activities, as well as the requirement to have a solid capital position based on Tryg's internal capital model (Individual Solvency). Tryg's internal capital model provides the framework for the company's capital requirement until this is replaced in accordance with the Solvency II rules. Tryg's dividend policy is based on the following assumptions:

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

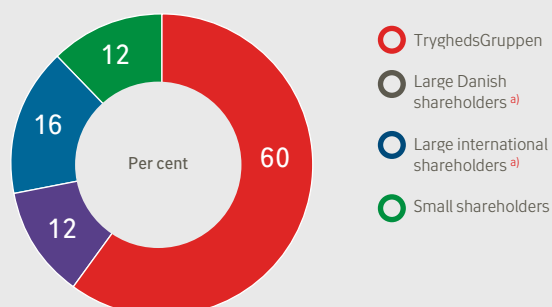
Based on Tryg's dividend policy and the satisfactory 2013 results, the Supervisory Board will propose a dividend of DKK 1,656m, corresponding to DKK 27 per share, at the 2014 annual general meeting. This corresponds to payment of 70% of the profit after tax. In addition, in December 2013, it was decided to initiate an extraordinary share buy back of DKK 1bn starting on 2 January 2014. This decision was made against the background of Tryg's solid capital position and expected earnings.

### Annual general meeting

Tryg's annual general meeting will be held on 3 April 2014 at 14:00 at Falkoner Centret, Falkoner Allé 9, 2000 Frederiksberg, Denmark. The notice will be advertised in the daily press in March 2014 and will be sent to shareholders, if requested. The annual general meeting will also be announced on tryg.com, where shareholders not able to attend can follow proceedings live via webcast.

## Shareholders

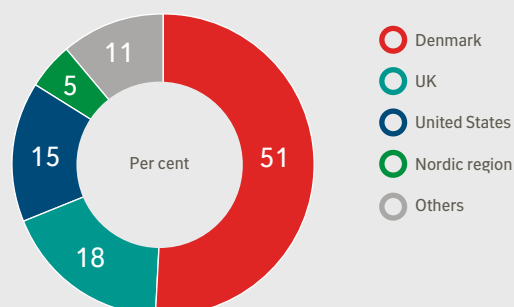
At 31 December 2013



a) Shareholders holding more than 10,000 shares.

## Free float – geographical distribution

At 31 December 2013



Free float is exclusive of TryghedsGruppen.



**Floods** | Many residents in Jyllinge Nordmark were hit by Bodil, the storm which swept Denmark in December 2013. Tryg took mobile site huts to the most exposed areas, including Jyllinge Nordmark, to answer questions and help house owners with practical issues. Because Bodil was a flood, insurance companies were not obliged to be on site. However, residents were very positive about the assistance and help provided by Tryg.






Tryg has many customers in the affected area and decided to go there, even though the Danish Storm Council was not due to meet until the week following the storm. Claims assessors went round to all the houses to answer questions and help the owners take steps to mitigate the damage.

'We were rather overwhelmed by the extent of the damage when we first arrived, but we soon got a grip on the situation, and we stayed for as long as customers needed us there. The Danish Storm Council covers some of the costs, but we are the ones who know how to tackle such a situation. That's why we were there to help anybody who needed it.'

**Peter Sylvester Iversen** | Tryg claims assessor




# Corporate governance

Tryg focuses on managing the company in accordance with the principles for good corporate governance and generally complies with the recommendations prepared by the Committee on Corporate Governance, most recently updated in 2013. The recommendations can be found at [corporategovernance.dk](http://corporategovernance.dk). Tryg has published its statutory corporate governance report based on the 'comply or explain' principle at [tryg.com](http://tryg.com).  [Download Tryg's report at tryg.com > Investor > Download.](#)

## Dialogue between Tryg, shareholders and other stakeholders

The Investor Relations (IR) department maintains regular contact with analysts and investors. Together with the Executive Management, IR organises investor meetings, conference calls and webcasts and attends conferences in Denmark and abroad. IR also communicates with stakeholders in the social media via Twitter, @TrygIR. The Supervisory Board (the Board) is informed regularly of the dialogue with investors and other stakeholders.

According to Tryg's IR policy, all company announcements and financial statements are published in Danish and English, and Tryg publishes quarterly interim financial statements. Moreover, Tryg prepares quarterly investor presentations for use in the dialogue with investors and analysts. All announcements, financial statements and presentations are available at [tryg.com](http://tryg.com). This provides all stakeholders with a comprehensive picture of Tryg's position and development. The consolidated financial statements are presented in accordance with IFRS. At [tryg.com](http://tryg.com), stakeholders can order printed annual reports and subscribe to press releases and company announcements as well as insider trading announcements. A number of internal guidelines ensure that the disclosure of price-sensitive information complies with the stock exchange codes of conduct.

Tryg has a number of policies which describe the relationship between different stakeholders.  [See IR policy at tryg.com > Investor > IR contacts > IR policy, and CSR policy at tryg.com > CSR > CSR strategy > CSR policy.](#)

## Annual general meeting

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

meeting, which as a minimum includes the following items:

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

All shareholders are encouraged to attend the annual general meeting. The annual general meeting is transmitted, allowing stakeholders to watch it at [tryg.com](http://tryg.com) both during and after the meeting.

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

The annual general meeting is held by personal attendance as the Board values oral dialogue with the shareholders.

## Takeover bids

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

## Duties and responsibilities of Supervisory Board

The 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 based on regular and systematic review of the strategy and risks. The Executive Management reports to the Board on strategies and action plans, market developments and group performance, funding issues, capital resources and special risks. The Board holds one annual strategy seminar to decide on and/or adjust the Group's strategy with a view to sustaining the value creation in the company. The Executive Management works with the Board to ensure that the Group's strategy



is developed and monitored. The Board ensures that the necessary skills and financial resources are available for Tryg to achieve its strategic targets. The Board specifies its activities in a set of rules of procedure and an annual cycle for its work.

### Share and capital structure

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

The Board ensures that Tryg's capital structure is in line 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 Board.


Depending on the development in results, the Board each year proposes a dividend and possibly an extraordinary share buy back, if further adjustment of the capital structure is required. In 2010, the annual general meeting authorised the Board to allow Tryg to acquire own shares amounting to up to 10% of the share capital until 14 April 2015. On 15 March 2013, Tryg initiated a share buy back programme which ran until 19 December 2013. Under the programme, Tryg acquired own shares for an amount of DKK 800m. On 2 January 2014, Tryg initiated a new share buy back programme totalling DKK 1bn, which runs until the end of 2014.

### Duties and composition of Executive Management


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

The Board considers the composition, development, risks and succession plans of the Executive Management in connection with the annual evaluation of the Executive Management and regularly in connection with Board meetings.

Each year, the Board discusses Tryg's activities to guarantee diversity at management levels. Tryg attaches importance to diversity at all manage-

ment 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. Tryg aims to increase the total number of women in management positions by 2% by the end of 2014. In 2013, the proportion of women at management level was 34.6%, up from 34.0% in 2012.  [See action plan at tryg.com > CSR.](#)

### Corporate social responsibility

Corporate social responsibility (CSR) constitutes an integral part of the way in which Tryg operates its business. The Board has adopted a CSR policy, and Tryg has joined several voluntary initiatives.  [Read more at tryg.com > CSR.](#)

### Chairman and Deputy Chairman of Supervisory Board


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

The tasks of the Chairman and Deputy Chairman are defined in the Board's rules of procedure. The tasks of the Chairman include chairing and evaluating the work of the Board and being in charge of the cooperation with the Executive Management. The Chairman also acts as spokesman for the Board.

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

### Composition and organisation of Supervisory Board


The 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 Board focuses, in particular, on expertise within management experience, financial insight, knowledge on insurance matters, accounting insight, financial knowledge and experience, M&A experience, market insights and international experience.

 [See the description of skills at tryg.com and the notice convening the annual general meeting.](#)


### New board members

The process of selecting new board members is thorough and transparent for members. The Articles of Association stipulate that the Chairman of TryghedsGruppen's Board must also be Chairman of


Tryg's Board. Furthermore, TryghedsGruppen's Board recommends three members to Tryg's Board from among the members of TryghedsGruppen's Board. The Nomination Committee selects new candidates for the four other board posts and presents its recommendation to the Board. Seven members of the Board are women, including three employee representatives, and the requirement for equality is thus met. The Board has members from Denmark, Sweden and Norway.

Prior to the election of new members, the Board prepares a description of the candidates' background, directorships, professional qualifications and experience. A balanced composition of the Board in terms of, e.g., age, gender and nationality is sought, and the need for integrating new talent and different skills is considered. New board members are given an introduction to Tryg.  See pages 46-47 and [tryg.com > Governance > Management > Supervisory Board](#).


#### Retirement age and election period

Board members elected by the annual general meeting are up for election each year at the annual general meeting. See pages 46-47 for information on when members joined the Board, were re-elected and when their current election period expires. To integrate new talent on the Board, members elected by the annual general meeting may hold office for a maximum of nine years. Furthermore, members of the Board must retire at the first general meeting following their 70<sup>th</sup> birthday.  See pages 46-47 and [tryg.com > Governance > Management > Supervisory Board](#).

#### Independence of Supervisory Board

Eight members of the Board are elected by the annual general meeting for one year at a time. Of the eight members elected at the annual general meeting, four are independent persons as stated in recommendation 3.2.1. in the Recommendations on Corporate Governance, while the other four members are not independent persons as they are appointed by the principal shareholder TryghedsGruppen.  See pages 46-47 and [tryg.com > Governance > Management > Supervisory Board](#). This is also described in the notice convening the general meeting.

#### Board members and other directorships and executive functions

The Board and the individual board members deem that all members have adequate time and resources to perform their duties as board members of Tryg in a satisfactory manner. Information about the board members' position, directorships and executive functions, shareholding and changes in portfolio can be found under their CVs.  See pages 46-47 and [tryg.com > Governance > Management > Supervisory Board](#).



#### Board members elected by employees

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

#### Meeting frequency


The Board holds at least seven meetings a year and an annual strategy seminar to discuss and define the strategy and targets for the years ahead. In 2013, the Board held seven meetings and the annual seminar.

#### Board committees


Tryg's Board has set up an Audit Committee, a Risk Committee, a Nomination Committee and a Remuneration Committee.  The board committees' terms of reference can be seen at [tryg.com > Governance > Management > Supervisory Board > Board committees](#), including descriptions of members, meeting frequency, responsibilities and activities during the year.  The special skills of all members are also described at [tryg.com](#).

Three out of four Audit Committee and Risk Committee members, including the committees' Chairman, are independent persons. Of the four members of the Remuneration Committee, one member is an independent person, while one out of two members of the Nomination Committee is independent. Board committee members are elected primarily based on special skills that are considered important by the Board. Involvement of the employee representatives in the committees is also considered important. The committees exclusively prepare matters for decision by the entire Board.


#### Audit Committee

The framework of the Audit Committee's work is defined in its terms of reference. The committee has four members with knowledge and experience of financial matters as well as accounting and auditing in publicly listed companies. The Audit Committee held five meetings in 2013 and reported regularly to the Board. In August 2013, the Audit Committee carried out an evaluation of the preceding year's work.  See the Audit Committee's tasks in 2013 at [tryg.com > Governance > Management > Supervisory Board > Board committees](#).


### **Risk Committee**

The Risk Committee supervises capital and risk management and monitors the risk management environment and related processes. The Risk Committee has five members and held five meetings in 2013.  [See the Risk Committee's tasks at tryg.com > Governance > Management > Supervisory Board > Board committees.](#)

### **Nomination Committee**

Tryg has a Nomination Committee which ensures the correct composition and size of the Executive Management and the Board. The Nomination Committee consists of the Chairmanship and held two meetings in 2013.  [See the Nomination Committee's tasks at tryg.com > Governance > Management > Supervisory Board > Board committees.](#)

### **Remuneration Committee**

The Remuneration Committee carries out preparatory work for the Board relating to remuneration of the Board, the Group Executive Management and significant risk-takers. The Remuneration Committee has four members, and the Chairman of the Board is Chairman of the committee. Moreover, the committee must consist of one member of TryghedsGruppen and at least one independent Board member. The committee has one independent member at the present time. The Remuneration Committee held four meetings in 2013. The Remuneration Committee's work is carried out with reference to Tryg's remuneration policy.  [See the Remuneration Committee's tasks at tryg.com > Governance > Management > Supervisory Board > Board committees.](#)

### **Evaluation of Supervisory Board and Executive Management**

The Board has adopted an evaluation procedure involving an annual evaluation of the composition, skills, contributions and results of the Board as a whole as well as its individual members, and its cooperation with the Executive Management. The Chairman oversees the evaluation of the Board, and the outcome is subsequently discussed at a Board meeting. In 2014, an external consultant will be involved in the process.

The Board has 12 members and deems the number of members adequate to ensure a constructive debate, sufficient diversification and efficient decision-making. The Board considers the number of board members each year when preparing the annual general meeting.

The Board carries out an annual evaluation of the work and performance of the Executive Management and of the cooperation between the Board and the Executive Management. In addition, the Board reviews

and approves the rules of procedure of the Board and the Executive Management each year to ensure alignment with Tryg's requirements.

### **Remuneration of Management**

Tryg has adopted a remuneration policy for the Board and the Executive Management, including general guidelines for incentive pay. The remuneration policy for 2013 was adopted by the Board in December 2012 and by the annual general meeting on 18 April 2013.

### **Information about remuneration policy**

The Chairman of the Board reports on Tryg's remuneration policy each year in connection with the consideration of the annual report at the annual general meeting. The Board's proposal for the remuneration of the Board for the current financial year is also submitted for approval by the shareholders at the annual general meeting. The remuneration policy also covers Tryg employees whose activities have a significant influence on the Group's risk profile, known as risk-takers, as well as employees in control functions such as compliance and internal audit.  [See remuneration policy at tryg.com > Governance > Remuneration.](#)


### **Remuneration of Supervisory Board**

Members of Tryg's Board receive a fixed fee and are not comprised by any form of incentive or severance programme. Their remuneration is based on trends in peer companies, taking into account board members' required skills, efforts and the scope of the board's work, including the number of meetings. The remuneration received by the Chairman of the Board is triple that received by ordinary members, while the Deputy Chairman's remuneration is double that received by ordinary members of the Board. The Board has no pension scheme.

### **Remuneration of Executive Management**

Members of the Executive Management are employed on a contractual basis, and all terms of their remuneration are established by the Board. The Board fixes the remuneration of the Executive Management for one year at a time. This is based on the work and results of the individual members of the Executive Management and on the need to attract and retain the most highly qualified members of the Executive Management. The fixed pay element must be competitive and appropriate for the market and provide sufficient motivation for all members of the Executive Management to do their best to achieve the company's defined targets.

The Executive Management's remuneration consists of a fixed pay element, pension and a variable pay element. The variable pay constitutes only a limited part of the overall remuneration. The Board can decide

that the fixed pay be supplemented with a variable pay element of up to 10% of the fixed basic pay including pension at the time of allocation. The variable pay element consists of a matching shares programme. Four years after the purchase by a member of the Executive Management of a specified number of shares, such member is allocated a corresponding number of free shares in Tryg. The allocation of matching shares is not dependent on performance. The purpose of the programme is both to retain members of the Executive Management, and to create a joint financial interest between the Executive Management and shareholders.  [Read more at tryg.com > Governance > Remuneration.](#)

Some members of the Executive Management still have unexercised share options, which were allocated under a previous programme.

 See Note 7 on page 88.


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

Each member of the Executive Management has 25% of the basic salary paid into a pension scheme. However, the Group CEO receives a defined-benefit pension, disbursed from the retirement date.

The pension is determined by the period of employment and constitutes a percentage of the pay received at the time of retiring.

### Financial reporting, risk management and auditing

Being an insurance business, Tryg is subject to the risk management requirements of the Danish Financial Business Act. In policies, the Board defines Tryg's risk management framework as regards insurance risk, investment risk and operational risk, as well as IT security. Guidelines are issued by the Board to the Executive Management. A Risk Management Committee comprising the Group CFO, Head of Group Risk and Head of Investments monitors the risk management environment.

Risks associated with relevant new and expected 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 financial reporting are described on page 34 and in Note 1 on page 67.

Tryg engages in ongoing risk identification, mapping insurance risks and other risks related to realising the Group's strategy or which may have a potentially substantial impact on the Group's financial position. The process involves registering and quantifying the risks identified. In 2013, Tryg undertook an Own Risk and Solvency Assessment (ORSA) in preparation of the statutory requirements soon to be introduced for insurance companies. The purpose of the ORSA is to link strategy, risk management and solvency with the aim of ensuring

### Total remuneration of the Supervisory Board in 2013

DKK	Fee	Audit Committee	Risk Committee	Remuneration Committee	Total
Jørgen Huno Rasmussen	793,833			94,875	888,708
Torben Nielsen	660,000	225,000	150,000		1,035,000
Paul Bergqvist	330,000			90,000	420,000
Anya Eskildsen	231,917			63,250	295,167
Vigdis Fossehagen	330,000			90,000	420,000
Ida Sofie Jensen	231,917				231,917
Bill-Owe Johansson	330,000				330,000
Lone Hansen	330,000				330,000
Jesper Hjulmand <sup>a)</sup>	330,000	105,416	70,278	26,750	532,444
Lene Skole	330,000	150,000	100,000		580,000
Tina Snebjerg <sup>b)</sup>	330,000	44,583	100,000		474,583
Mari Thjømøe	330,000	105,417	47,849		483,266
Mikael Olufsen <sup>c)</sup>	294,250			40,125	334,375
Jens Bjerg Sørensen <sup>c)</sup>	98,084	44,583	29,722		172,389

<sup>a)</sup> New member of the Audit Committee and the Risk Committee and resigned from the Remuneration Committee

<sup>b)</sup> Resigned from the Audit Committee

<sup>c)</sup> Resigning members of the Supervisory Board

## Total remuneration of the Executive Management in 2013

DKK	Basic salary	Pension	Car/ car allowance	Total fixed salary	Value of matching shares <sup>a)</sup>	Total fee
Morten Hübbe	8,584,825	2,146,206	255,000	10,986,031	850,000	11,836,031
Tor Magne Lønnum	4,824,291	900,840	154,564	5,879,695	550,000	6,429,695
Lars Bonde	4,265,838	1,066,460	255,000	5,587,298	400,000	5,987,298


a) At time of allocation.

a sensible correlation between the strategy for assuming risks and the available capital over a period of three to five years. In December 2013, the Board adopted an individual solvency policy which provides a specific framework for calculating capital requirements and preparing a capital contingency plan and ORSA. The policy took effect on 1 January 2014.

The Board and the Executive Management approve and monitor the Group's overall policies and guidelines, procedures and controls in important risk areas. They receive reports about developments and about the ways in which the frameworks are used. The Board checks that the risk management and internal controls are effective. Non-compliance with the frameworks and guidelines is reported to the Board. The Risk Committee monitors risk management on an ongoing basis and reports quarterly to the 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. Tryg has a decentralised set-up; risk managers in the business areas carry out controlling tasks for the risk management environment and Tryg's compliance function. The Executive Management has established a formal process for the Group comprising monthly reporting, including budget and deviation reports etc.

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 on page 34 and in Note 1 on page 67.](#)

### Whistle-blowing scheme

Tryg's Ethical Hotline is managed by an external operator and allows employees, customers or business partners to report any serious wrongdoing or suspected irregularities. Reporting is confidential.

 [Read more at tryg.com > Governance > Ethical Hotline.](#)

### Audit

The 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.

Each year, the annual general meeting appoints an independent auditor recommended by the Board. In 2013, a call for tenders for the provision of independent auditing services was launched. The recommendation was that Deloitte be reappointed. In connection with the Board's review of the annual report, it discusses accounting policies and other issues. The audit results are discussed by the Audit Committee and at board meetings to assess the auditor's observations and conclusions. The internal and independent auditors' long-form audit reports are reviewed by the Board. The audit agreement and associated audit fee are agreed between the Board and the auditor based on a recommendation from the Audit Committee. Each year, the Audit Committee reviews the scope of the independent auditors' non-audit services.

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

### Internal audit

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

### Deviations and explanations

Tryg follows the Recommendations on Corporate Governance with the exception of the recommendation for the number of independent members of the board committees, with which Tryg complies partially, see item 3.4.2 of the Recommendations on Corporate Governance.

 [See statutory corporate governance report at tryg.com > Download.](#)

# Supervisory Board

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



## Jørgen Huno Rasmussen<sup>a)</sup>

### Chairman

Born 1952. Joined: 2012. Nationality: Danish. Professional member of the Supervisory Board. Adjunct Professor, CBS. Former Group CEO of the FLSmidth Group.

**Education:** Graduate Diploma in Organisation and Graduate Engineer and Lic.techn.

**Chairman:** Tryg A/S, Tryg Forsikring A/S, TryghedsGruppen smba, the Lundbeck Foundation and LundbeckFond Invest A/S.

**Board member:** Vestas Wind Systems A/S, Bladt Industries A/S, Terma A/S and Haldor Topsøe A/S.

**Committee memberships:** Remuneration Committee (Chairman) and Nomination Committee (Chairman) in Tryg A/S.

**Number of shares held:** 366

**Change in portfolio in 2013:** 0

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



## Torben Nielsen<sup>b)</sup>

### Deputy Chairman

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

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

**Chairman:** Investeringsforen. Sparinvest, Investeringsforen. Sparinvest Sicav, Luxembourg, EIK banki p/f, VP Lux S.a.r.l., Capital Market Partners, Museum Southeast Denmark.

**Deputy Chairman:** Tryg A/S, Tryg Forsikring A/S and VP Securities a/s.

**Board member:** Sampension KP Livsforsikring A/S, Sydbank A/S, Dansk Landbrugs Realkredit and member of the Executive Board of Bombebøssen.

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

**Number of shares held:** 3,500

**Change in portfolio in 2013:** 0

Torben Nielsen has special skills in management, governance, finance, financial services and risk management from his former role as Governor of Danmarks Nationalbank and several board positions.



## Paul Bergqvist<sup>b)</sup>

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

**Education:** Economist and engineer.

**Chairman:** Sverige Bryggerier AB, East Capital Explorer AB, Pieno Zvaigzdes AB, Norrköpings Segel Sällskap, Östkind's Häradsallmänning.

**Board member:** Tryg A/S, Tryg Forsikring A/S.

**Committee memberships:** Remuneration Committee in Tryg A/S.

**Number of shares held:** 100

**Change in portfolio in 2013:** 0

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



## Anya Eskildsen

Born 1968. Joined: 2013. Nationality: Danish. President of Niels Brock Copenhagen Business College.

**Education:** MSc in Political Science, the certified IoD Board Program.

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

**Committee memberships:** Remuneration Committee in Tryg A/S. Member of the Danish Growth Council, Nykredits Regionsråd, Confederation of Danish Labour Unions' forum for the promotion of education, Copenhagen Rotary and NOCA.

**Number of shares held:** 0

Anya Eskildsen has experience within financial management, strategic management, communication and marketing, innovation and ideas generation and international system exports.



## Vigdis Fossehagen

### Employee representative

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

**Education:** Educated in the area of agricultural mechanics.

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

**Committee memberships:** Remuneration Committee in Tryg A/S.

**Number of shares held:** 0



## Lone Hansen

### Employee representative

Born 1966. Employed in 1990. Joined: 2012. Nationality: Danish. Chairman of the Association for Tied Agents and Key Account Managers in Tryg.

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

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

**Number of shares held:** 86

**Change in portfolio in 2013:** 0



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



### Jesper Hjulmand<sup>a)</sup>

Born 1963. Joined: 2010. Nationality: Danish. CEO of SEAS-NVE A.m.b.a. Former CFO and CEO of NVE A.m.b.a.

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

**Chairman:** Association of Danish Energy and Distribution Companies (DEA), Energi Danmark A/S, CLEVER.

**Deputy Chairman:** TryghedsGruppen smba.

**Board member:** Tryg A/S, Tryg Forsikring A/S, DI General Council.

**Committee memberships:** Audit Committee and Risk Committee in Tryg A/S, Chairman of Executive Director Committee of Dansk Energi and member of Dansk Energi Fælles Forum, Danish Intelligent Energy Alliance and Chairman of the Green Committee in Region Zealand.

**Number of shares held:** 1,750

**Change in portfolio in 2013:** 0

From his positions with SEAS-NVE and his former work with the Danish Air Force, Jesper Hjulmand has experience within the fields of M&A, strategy, organisational and management development, communication and business development.



### Ida Sofie Jensen

Born 1958. Joined: 2013. Nationality: Danish. Director General of Lif (Danish Association of the Pharmaceutical Industry). Director General of the subsidiary DLI (Dansk Lægemediel Information A/S).

**Education:** MSc in Political Science, European Health Leadership Programme INSEAD, Executive Management Programme INSEAD.

**Board member:** Tryg A/S and Tryg Forsikring A/S, TryghedsGruppen smba, Plougmann & Vingtoft A/S and Den Erhvervsdrivende Fond Hans Knudsen Institutet.

**Number of shares held:** 94

**Change in portfolio in 2013:** +94

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



### Mari Thjømøe<sup>b)</sup>

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

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

**Chairman:** Onshore Petroleum Company AS and Seilsport Maritimt Forlag AS.

**Board member:** Tryg A/S, Tryg Forsikring A/S, Argentum Fondsinvesteringer AS, Nordic Mining ASA, Forskningskonsernet Sintef, E-CO Energi, Infratek ASA and Sevan Marine ASA.

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

**Number of shares held:** 300

**Change in portfolio in 2013:** +100

Mari Thjømøe has experience from international management and competencies within strategy, finance, capital management, Investor Relations, branding and special knowledge of the insurance market. Being a Norwegian citizen, Mari Thjømøe has special insights into Norwegian market conditions.



### Bill-Owe Johansson

**Employee representative**

Born 1959. Joined: 2010. Nationality: Swedish. Claims handler, Moderna (Swedish branch). Employed in 2002.

**Education:** Insurance training.

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

**Number of shares held:** 200

**Change in portfolio in 2013:** 0



### Lene Skole<sup>b)</sup>

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

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

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

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

**Number of shares held:** 745

**Change in portfolio in 2013:** 0

Lene Skole has experience from international companies through her work in Coloplast and Maersk, UK. Lene Skole has competencies within strategy, finance, financing and communication.



### Tina Snebjerg

**Employee representative**

Born 1962. Joined: 2010. Nationality: Danish. Head of Section in Tryg's HR Department. Employed since 1987.

**Education:** Insurance training.

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

**Committee memberships:** Risk Committee in Tryg A/S.

**Number of shares held:** 86

**Change in portfolio in 2013:** 0



**Standing from left** Tor Magne Lønnum, Lars Bonde, Morten Hübbe.

**Seated** Rikke Larsen, Truls Holm Olsen, Trond Bøe Svestad, Per Fornander, Jesper Joensen.

# Group Executive Management

## Morten Hübbe

**CEO/Group CEO**

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

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

**Board member:** Tryg Ejendomme A/S, Ejendomsselskabet af 8. maj 2008 A/S and Tjenestemændenes Forsikring.

**Number of shares held:** 11,760  
**Change in portfolio in 2013:** +1,850

## Tor Magne Lønnum

**CFO/Group CFO**

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

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

**Board member:** Tryg Garantiforsikring A/S, Thermopylae AS (Chairman), Finansnæringens Fellesorganisasjon and TGS Nopec ASA.

**Number of shares held:** 4,910  
**Change in portfolio in 2013:** +1,400

## Lars Bonde

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

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

**Education:** Insurance training, LL.M.

**Board member:** The Danish Employers' Association for the Financial Sector, Tjenestemændenes Forsikring, Forsikringsakademiet and the Danish Insurance Association.

**Number of shares held:** 4,605  
**Change in portfolio in 2013:** +918

## Per Fornander

**Group Executive Vice President and Country Manager in Sweden**

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

**Education:** Marketing DIHM, IHM Business School in Stockholm.

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

**Number of shares held:** 2,990  
**Change in portfolio in 2013:** +880

## Jesper Joensen

**Group Executive Vice President, Claims**

Born 1963. Employed in 1992. Joined the Group Executive Management in 2013.

**Education:** Agricultural economist, certified insurance agent.

**Board member:** Procea.

**Number of shares held:** 1,086  
**Change in portfolio in 2013:** 0

## Rikke Larsen

**Group Executive Vice President, People and Reputation**

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

**Education:** LL.M. and lawyer.

**Number of shares held:** 781  
**Change in portfolio in 2013:** +746

## Truls Holm Olsen

**Group Executive Vice President, Corporate and Country Manager in Norway**

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

**Education:** LL.M.

**Board member:** Tryg Garantiforsikring A/S, Norsk Naturskadepool and Tryg Almenntyttige Stiftelse.

**Number of shares held:** 2,707  
**Change in portfolio in 2013:** +690

## Trond Bøe Svestad

**Group Executive Vice President, Commercial**

Born 1967. Employed in 2013. Joined the Group Executive Management in 2013.

**Education:** Master of Management, Business/Commerce and Bachelor of Commerce.

**Number of shares held:** 193  
**Change in portfolio in 2013:** +193

# Corporate Social Responsibility in Tryg

Tryg's ambition is to create peace of mind and value for customers, employees and shareholders. This obviously implies that we must be responsible members of society.

We make our knowledge of insurance, customer requirements and risk management available in areas where we see challenges for society. For this reason, we focus on climate-related damage, diversity, sustainable sourcing and responsible investments.

The CSR measures involve transforming the UN Global Compact principles into processes and practices that make protection of the climate and the environment, human rights, labour rights and anti-corruption tangible and relevant. We would like to show our customers, employees, suppliers, investors and society at large that CSR contributes to value creation – for them and for us. [Read our CSR policy at tryg.com > CSR > CSR strategy > CSR Policy.](#)

## Climate

Prevention of climate-related damage is high on our agenda. In our day-to-day contact with our customers and suppliers, we use our knowledge and experience of the consequences of cloudbursts, storms and landslides to help them prevent, minimise and handle the damage these cause. For this purpose, we are engaged in co-operation and partnerships with public authorities and researchers on the development of contingency plans, prevention and tools to adapt areas, buildings and processes to climate changes.

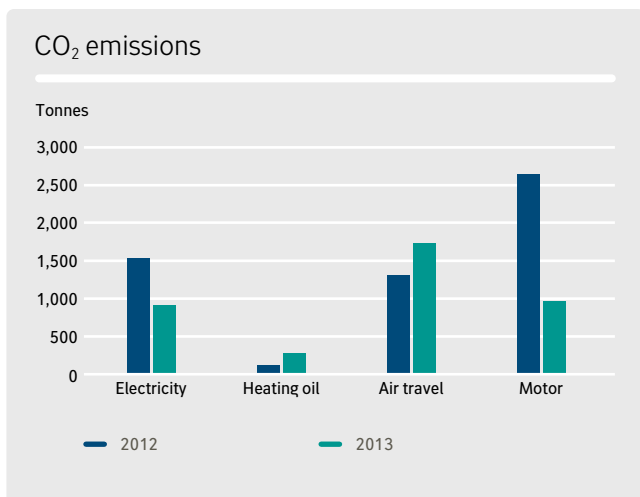
In 2014, we are launching a web-based tool, VisAdapt, which will enable our customers to establish their vulnerability and risk with regard to climate-related damage in the area where their homes or commercial buildings are located. This tool has been developed in a cooperation between four Nordic insurance companies and a team of researchers under NORDSTAR, the Nordic Council's Nordic Centre of Excellence.

Our preventive measures comprise good customer advice on the handling of fires, floods and storm damage. [Read about damage prevention after storms and cloudbursts \(in Danish\) at tryg.dk > Prevent damage](#) [See our advice and checklists for the prevention of fire \(in Danish\) at tryghedsraadgiveren.dk > fire.](#)

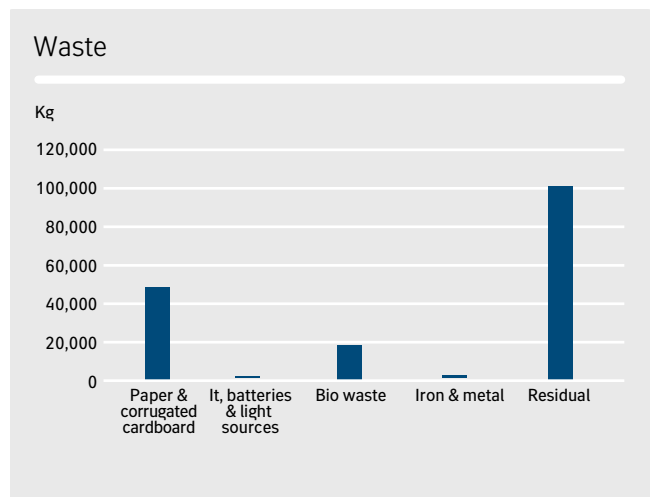
## Mobility Management

In the past year, Tryg continued its cooperation with Formel M, the Municipality of Ballerup and the neighbouring companies in Lautreupgård on Mobility Management. The project is about how to get from your home to the office and to meetings in a sustainable way, which will benefit both the environment and health and bring down transport costs and local traffic congestion.

Activities during the year included two campaigns supporting the use of green transport for work and for commuting. Employees are able to define and set their own targets for their contribution to intelligent transport. The project is supported by a workshop concept and materials available on Tryg's intranet.



In 2013, Air travel also includes trips to and from Sweden.

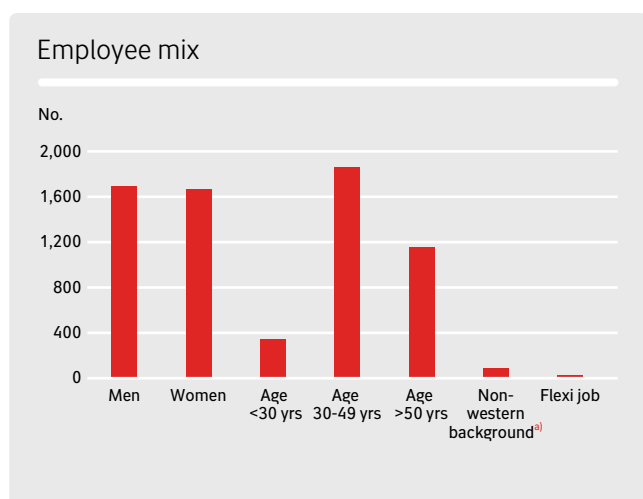


When the project started in 2011, Tryg carried out a survey of its employees' transport habits. In 2013, a follow-up survey was conducted in Ballerup. This showed an increase in the number of employees cycling to work of 6 percentage points from 11% to 17%. The share of employees using their own car fell during the same period by 8 percentage points from 80% to 72%. Furthermore, there has been an increase in the use of public transport and the combination of means of transportation.

Our local Ballerup network was selected as one of nine winning projects in a campaign run by the Danish Broadcasting Corporation and the newspaper *Information* called 'What do we do now? Our transition to a sustainable society'.

### Sustainable domiciles

Tryg's CO<sub>2</sub> emissions come from the consumption of electricity, heat and transport as well as from waste. In 2013, Tryg markedly reduced its CO<sub>2</sub> emissions, down 49.7% relative to 2007. The reduction is attributable primarily to the replacement of a cooling plant in Ballerup and a restructuring of the car fleet to include fewer and fuel-saving vehicles. The emissions reduction target is 25% in 2014. In 2013, Tryg came second in the top 10 of the most sustainable brands in Denmark in the Sustainability Brand Index. [Read more about Tryg's climate action at tryg.com > CSR > Thematic areas > Climate.](#)



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

### Human rights

It is a key objective for Tryg to respect and promote the human rights and labour rights that are relevant for our business and the areas in which we operate. This applies both internally and in our relations with our customers, suppliers, investors and partners. For this reason, we have focused our efforts on the human rights which we are most at risk of infringing, including the right not to be discriminated against, the right to data protection and the rights of workers.

### Inclusion

Tryg attaches great importance to diversity, protects against discrimination and guarantees equal treatment of our employees, regardless of gender, age, ethnic origin, disability, sexual orientation, faith or religion. Our diversity and our different competencies, perspectives and experience contribute to job satisfaction and enable us to better understand our customers and their needs.

The share of women in management was 34.6% in 2013, compared to 34% in 2012. Tryg aims to increase the total number of women in management positions by 2% by the end of 2014.

Tryg's focus on women in management is often mentioned as an example of good practice, and in 2013 it was presented at seven events in Denmark and the EU. [See our plan of action for women in management 2013 at tryg.com > CSR > CSR strategy > Plans of action.](#)

For almost 20 years, Tryg has endeavoured to include employees with a different ethnic origin than Danish and Norwegian in our organisation. Through our cooperation with ambisjoner.no, The Association New Dane (Nydansker) and ONE Denmark, we promote our efforts and share our experience with diversity in our day-to-day work.

Our target of 4% of our employees having a non-Western background was met in 2013. [Read more about our inclusion activities at tryg.com > CSR > Thematic areas > Inclusion.](#) [Read more about labour rights at tryg.com > CSR > Thematic areas > Well-being > Labour rights.](#)

The staff turnover was 11.8% in 2013, corresponding to 448 employees (221 women and 227 men). The gender distribution is even in all age groups. Most of the employees who left Tryg were evenly distributed in the 30-49 and 50+ age groups. Only a small number of employees in the under-30 age group left Tryg.

### Data protection

To earn our customers' trust, it is pivotal that we treat personal information correctly in our day-to-day customer contact and claims handling. To teach our employees about the significance and importance of obtaining consent for the use and disclosure of information on insurance affairs and claims ratios, we held 24 workshops on data protection in both business areas and support functions in 2013.

This work will be continued in 2014. [Read more about our work at tryg.com > CSR > Thematic areas > Prevention > Data protection.](#)

### Children's rights

Tryg also contributes to promoting the rights of the child through a financial training course offered in cooperation with Youth Town and Nordea. Eighty-nine Year 8 and Year 9 school classes completed the course in 2013. In the first half of 2014, 30 courses will be offered.



### Anti-corruption

An important prerequisite for creating peace of mind is that our employees have high moral standards and conduct themselves in an ethically correct manner and in accordance with the law. In 2013, Tryg's general rules and guidelines in these areas were codified in the 'Tryg Code of Conduct', which all employees must know and observe.

In 2011, Tryg set up an Ethical Hotline, which allows all employees and other stakeholders to confidentially report any wrongdoing or attempts to circumvent Tryg's rules. The Ethical Hotline was used once in 2013.

### Sourcing

In 2013, another 136 new suppliers in the Motor area were asked to report their CSR performance. These obligations include CO<sub>2</sub> emissions from heating, electricity and waste, the number of discrimination cases and equality initiatives, human rights screening of sub-suppliers and anti-corruption initiatives.

### Responsible investments

Tryg's equity investments are handled by a number of investment companies. They are all members of the UN Principle for Responsible Investments (PRI) and control the risk of a negative climate impact, human rights violations and corruption in connection with investments.

In this way, Tryg's fund managers ensure that our investments respect the relevant international standards on responsible investments, for which reason Tryg has chosen to discontinue its own membership of UN PRI.

In 2013, Tryg was entered on the STOXX Sustainability Index: Global ESG Leaders, which comprises the leading global companies in terms of environmental, social and governance criteria (ESG). The international index includes around 1,800 companies, of which five are Danish.



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



# Contents – Financial statements

---

Financial statements 2013		Page
Note	Tryg Group	
	Statement by the Supervisory Board and the Executive Management	56
	Independent auditor's reports	57
	Financial highlights	59
	Income statement	60
	Statement of comprehensive income	61
	Statement of financial position	62
	Statement of changes in equity	64
	Cash flow statement	66
1	Risk management	67
2	Capital management	78
3	Operating segments	80
3	Geographical segments	82
3	Technical result, net of reinsurance, by line of business	84
4	Premium income, net of reinsurance	86
5	Insurance technical interest, net of reinsurance	86
6	Claims, net of reinsurance	86
7	Insurance operating costs, net of reinsurance	86
8	Interest income and dividends etc.	91
9	Value adjustments	91
10	Tax	92
11	Profit/loss on discontinued and divested business	92
12	Intangible assets	93
13	Property, plant and equipment	95
14	Investment property	97
15	Equity investments in associates	98
16	Financial assets	99
17	Reinsurers' share	102
18	Current tax	103
19	Assets held for sale and associated liabilities	103
20	Equity	104
21	Premium provisions	104
21	Claims provisions	105
22	Pensions and similar liabilities	106
23	Deferred tax	109
24	Other provisions	110
25	Amounts owed to credit institutions	110
26	Debt relating to unsettled funds transactions and repos	110
27	Earnings per share	110
28	Contractual obligations, collateral and contingent liabilities	111
29	Related parties	113
30	Financial highlights	114
31	Accounting policies	115
	Tryg A/S (parent company)	
	Income statement – Tryg A/S (parent company)	126
	Statement of financial position – Tryg (parent company)	127
	Statement of changes in equity (parent company)	128
	Notes (parent company)	129
	Q4 2013	
	Q4 2013   Quarterly outline	132
	Q4 2013   Geographical segments	134
	Other key ratios	136
	Group chart	137
	Glossary	138
	Product overview	140
	Disclaimer	141

---

# Statement by the Supervisory Board and the Executive Management

The Supervisory Board and the Executive Management have today considered and adopted the annual report for 2013 of Tryg A/S and the Tryg Group.

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

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

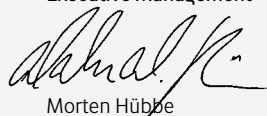
parent company's assets, liabilities and financial position at 31 December 2013 and of the results of the Group's and the parent company's operations and the cash flows of the Group for the financial year 1 January-31 December 2013.

Furthermore, in our opinion the Management's report gives a true and fair view of developments in the activities and financial position of the Group and the parent company, the results for the year and of the Group's and the parent company's financial position in general and describes significant risk and uncertainty factors that may affect the Group and the parent company.

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

## Ballerup, 30 January 2014

### Executive Management



Morten Hübbe  
Group CEO

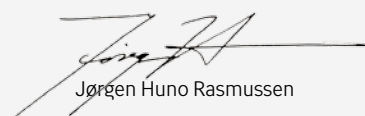


Tor Magne Lønnum  
Group CFO

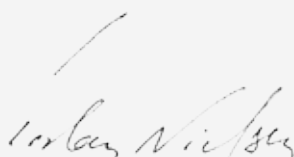


Lars Bonde  
Group Executive Vice President and COO

### Supervisory Board



Jørgen Huno Rasmussen  
Chairman




Torben Nielsen  
Deputy Chairman



Paul Bergqvist



Anya Eskildsen



Vigdis Fossehagen



Lone Hansen




Jesper Hjulmand



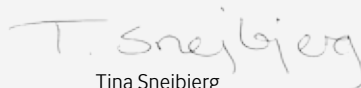
Ida Sofie Jensen



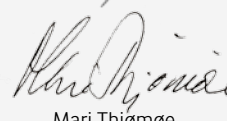
Bill-Owe Johansson



Lene Skole



Tina Snebjerg



Mari Thjømøe

# Independent auditor's reports

## To the shareholders of Tryg A/S

### Report on the consolidated financial statements and parent financial statements

We have audited the consolidated and parent financial statements of Tryg A/S for the financial year 1 January to 31 December 2013, page 59-131, which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and notes, including the accounting policies, for the Group as well as for the parent company, and the consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent financial statements are prepared in accordance with the Danish Financial Business Act. In addition, the consolidated and parent financial statements are prepared in accordance with Danish disclosure requirements for listed financial services companies.

### Management's responsibility for the consolidated financial statements and parent financial statements

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

### Auditor's responsibility

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

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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2013, and of the results of its operations and cash flows for the financial year 1 January to 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial services companies. Moreover, in our opinion, the parent financial statements give a true and fair view of the parent company's financial position at 31 December 2013, and of the results of its operations for the financial year 1 January to 31 December 2013 in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial services companies.

### Statement on the management's review

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

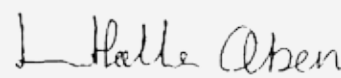
**Ballerup, 30 January 2014**

### Deloitte

Statsautoriseret Revisionspartnerselskab



Lars Kronow  
State Authorised  
Public Accountant



Lone Møller Olsen  
State Authorised  
Public Accountant



# Financial highlights

DKK <sup>m</sup>	2009	2010	2011	2012	2013
<b>Gross premium income</b>	<b>17,390</b>	<b>18,894</b>	<b>19,948</b>	<b>20,314</b>	<b>19,504</b>
Gross claims	-12,467	-15,111	-15,783	-14,675	-14,411
Total insurance operating costs	-2,861	-3,136	-3,271	-3,295	-3,008
Profit/loss on gross business	2,062	647	894	2,344	2,085
Profit/loss on ceded business	-518	-311	507	86	349
Insurance technical interest, net of reinsurance	145	124	171	62	62
<b>Technical result</b>	<b>1,689</b>	<b>460</b>	<b>1,572</b>	<b>2,492</b>	<b>2,496</b>
Investment return after insurance technical interest	1,083	550	61	585	588
Other income and costs	-38	-4	-30	-60	-91
<b>Profit/loss before tax</b>	<b>2,734</b>	<b>1,006</b>	<b>1,603</b>	<b>3,017</b>	<b>2,993</b>
Tax	-625	-265	-455	-837	-620
<b>Profit/loss on continuing business</b>	<b>2,109</b>	<b>741</b>	<b>1,148</b>	<b>2,180</b>	<b>2,373</b>
Profit/loss on discontinued and divested business after tax <sup>a)</sup>	-101	-148	-8	28	-4
<b>Profit/loss for the year</b>	<b>2,008</b>	<b>593</b>	<b>1,140</b>	<b>2,208</b>	<b>2,369</b>
Run-off gains/losses, net of reinsurance	692	824	944	1,015	970
<b>Statement of financial position</b>					
Total provisions for insurance contracts	29,042	32,031	34,220	34,355	32,939
Total reinsurers' share of provisions for insurance contracts	1,320	1,588	2,067	2,317	2,620
Total equity	9,631	8,458	9,007	10,979	11,107
Total assets	44,762	50,591	53,362	55,022	53,371
<b>Key ratios</b>					
Gross claims ratio	71.7	80.0	79.1	72.2	73.9
Net reinsurance ratio	3.0	1.6	-2.5	-0.4	-1.8
Claims ratio, net of ceded business	74.7	81.6	76.6	71.8	72.1
Gross expense ratio	16.6	16.7	16.6	16.4	15.6
<b>Combined ratio</b>	<b>91.3</b>	<b>98.3</b>	<b>93.2</b>	<b>88.2</b>	<b>87.7</b>
Gross expense ratio without adjustment	16.5	16.6	16.4	16.2	15.4
Operating ratio	90.4	97.6	92.2	87.8	87.2
Relative run-off gains/losses	3.6	3.9	4.0	4.1	3.9
Return on equity after tax (%)	22.5	6.6	13.1	22.1	21.5
Solvency ratio (Solvency I)	97	125	112	90	90

The gross expense ratio without adjustment is calculated as the ratio of actual gross insurance operating costs to gross premium income. Other key ratios are calculated in accordance with 'Recommendations & Financial Ratios 2010' issued by the Danish Society of Financial Analysts. The adjustment, which is made pursuant to the Danish Financial Supervisory Authority's and the Danish Society of Financial Analysts' definitions of expense ratio and combined ratio, involves the addition of a calculated expense (rent) in respect of owner-occupied property based on a calculated market rent and the deduction of actual depreciation and operating costs on owner-occupied property.

<sup>a)</sup> Profit/loss on discontinued and divested business after tax includes Marine Hull insurance, which was divested in 2010 and the Finnish branch of Tryg Forsikring, which was sold in 2012, with authority approval in May 2013.

# Income statement

DKKm		2012	2013
Note	<b>General insurance</b>		
	Gross premiums written	20,128	19,820
	Ceded insurance premiums	-1,147	-1,220
	Change in premium provisions	354	36
	Change in reinsurers' share of premium provisions	35	24
4	<b>Premium income, net of reinsurance</b>	<b>19,370</b>	<b>18,660</b>
5	<b>Insurance technical interest, net of reinsurance</b>	<b>62</b>	<b>62</b>
	Claims paid	-15,480	-14,059
	Reinsurance cover received	964	1,034
	Change in claims provisions	805	-352
	Change in the reinsurers' share of claims provisions	131	406
6	<b>Claims, net of reinsurance</b>	<b>-13,580</b>	<b>-12,971</b>
	<b>Bonus and premium discounts</b>	<b>-168</b>	<b>-352</b>
	Acquisition costs	-2,490	-2,227
	Administration expenses	-805	-781
	Acquisition costs and administration expenses	-3,295	-3,008
	Reinsurance commissions and profit participation from reinsurers	103	105
7	<b>Insurance operating costs, net of reinsurance</b>	<b>-3,192</b>	<b>-2,903</b>
3	<b>Technical result</b>	<b>2,492</b>	<b>2,496</b>
	<b>Investment activities</b>		
15	Income from associates	6	0
	Income from investment property	123	107
8	Interest income and dividends	1,196	1,029
9	Value adjustments	-16	111
8	Interest expenses	-100	-112
	Administration expenses in connection with investment activities	-99	-64
	<b>Total investment return</b>	<b>1,110</b>	<b>1,071</b>
5	Return on insurance provisions	-525	-483
	<b>Total investment return after insurance technical interest</b>	<b>585</b>	<b>588</b>
	Other income	106	100
	Other costs	-166	-191
	<b>Profit/loss before tax</b>	<b>3,017</b>	<b>2,993</b>
10	Tax	-837	-620
	<b>Profit/loss on continuing business</b>	<b>2,180</b>	<b>2,373</b>
11	Profit/loss on discontinued and divested business	28	-4
	<b>Profit/loss for the year</b>	<b>2,208</b>	<b>2,369</b>
27	Earnings per share of DKK 25 – continuing business	36.0	39.4
	Earnings per share of DKK 25	36.5	39.4
	Diluted earnings per share of DKK 25	36.4	39.3
	Earnings per share of DKK 25 – discontinued and divested business	0.5	0.0
	Diluted earnings per share of DKK 25 – discontinued and divested business	0.5	0.0

## Statement of comprehensive income

DKKm	2012	2013
<b>Profit/loss for the year</b>	<b>2,208</b>	<b>2,369</b>
<b>Other comprehensive income</b>		
<b>Other comprehensive income which cannot subsequently be reclassified as profit or loss</b>		
Revaluation of owner-occupied property for the year	42	9
Tax on revaluation of owner-occupied property for the year	-12	-3
Actuarial gains/losses on defined-benefit pension plans	-62	179
Tax on actuarial gains/losses on defined-benefit pension plans	16	-54
	-16	131
<b>Other comprehensive income which can subsequently be reclassified as profit or loss</b>		
Exchange rate adjustments of foreign entities for the year	193	-326
Hedging of currency risk in foreign entities for the year	-184	305
Tax on hedging of currency risk in foreign entities for the year	46	-76
	55	-97
<b>Total other comprehensive income</b>	<b>39</b>	<b>34</b>
<b>Comprehensive income</b>	<b>2,247</b>	<b>2,403</b>

# Statement of financial position

DKKm		2012	2013
Note	<b>Assets</b>		
12	<b>Intangible assets</b>	<b>759</b>	<b>758</b>
	Operating equipment	138	122
	Owner-occupied property	1,443	1,304
	Assets under construction	11	0
13	<b>Total property, plant and equipment</b>	<b>1,592</b>	<b>1,426</b>
14	<b>Investment property</b>	<b>2,081</b>	<b>2,022</b>
15	Equity investments in associates	21	18
	<b>Total investments in associates</b>	<b>21</b>	<b>18</b>
	Equity investments	199	150
	Unit trust units	3,261	3,741
	Bonds	38,862	36,971
	Deposits with credit institutions	949	1,301
	Derivative financial instruments	1,256	692
	<b>Total other financial investment assets</b>	<b>44,527</b>	<b>42,855</b>
16	<b>Total investment assets</b>	<b>46,629</b>	<b>44,895</b>
	Reinsurers' share of premium provisions	237	237
21	Reinsurers' share of claims provisions	2,080	2,383
17	<b>Total reinsurers' share of provisions for insurance contracts</b>	<b>2,317</b>	<b>2,620</b>
	Receivables from policyholders	1,149	1,088
	Total receivables in connection with direct insurance contracts	1,149	1,088
	Receivables from insurance enterprises	227	299
	Receivables from Group undertakings	1	0
	Other receivables	612	1,033
16	<b>Total receivables</b>	<b>1,989</b>	<b>2,420</b>
18	Current tax assets	0	145
	Cash at bank and in hand	504	553
19	Assets held for sale	742	0
	<b>Total other assets</b>	<b>1,246</b>	<b>698</b>
	Interest and rent receivable	369	406
	Other prepayments and accrued income	121	148
	<b>Total prepayments and accrued income</b>	<b>490</b>	<b>554</b>
	<b>Total assets</b>	<b>55,022</b>	<b>53,371</b>



# Statement of financial position

DKKm		2012	2013
Note	<b>Equity and liabilities</b>		
20	<b>Equity</b>	<b>10,979</b>	<b>11,107</b>
2	<b>Subordinate loan capital</b>	<b>1,597</b>	<b>1,818</b>
21	Premium provisions	6,688	6,212
21	Claims provisions	27,242	26,087
	Provisions for bonuses and premium discounts	425	640
	<b>Total provisions for insurance contracts</b>	<b>34,355</b>	<b>32,939</b>
22	Pensions and similar obligations	1,102	791
23	Deferred tax liability	1,143	1,057
24	Other provisions	98	23
	<b>Total provisions</b>	<b>2,343</b>	<b>1,871</b>
	Debt relating to direct insurance	415	447
	Debt relating to reinsurance	256	330
25	Amounts owed to credit institutions	14	6
26	Debt relating to unsettled funds transactions and repos	1,470	2,821
16	Derivative financial instruments	775	514
18	Current tax liabilities	652	409
19	Liabilities associated with assets held for sale	742	0
	Other debt	1,030	652
	<b>Total debt</b>	<b>5,354</b>	<b>5,179</b>
	<b>Accruals and deferred income</b>	<b>394</b>	<b>457</b>
	<b>Total equity and liabilities</b>	<b>55,022</b>	<b>53,371</b>
1	<b>Risk management</b>		
2	<b>Capital management</b>		
28	<b>Contractual obligations, collateral and contingent liabilities</b>		
29	<b>Related parties</b>		
30	<b>Financial highlights</b>		
31	<b>Accounting policies</b>		

## Statement of changes in equity

DKKm	Share capital	Revaluation reserves	Reserve for foreign exchange rate adjustment	Equalisation reserves	Other reserves <sup>a)</sup>	Retained earnings	Proposed dividend	Total
<b>Equity at 31 December 2011</b>	<b>1,533</b>	<b>42</b>	<b>92</b>	<b>59</b>	<b>1,089</b>	<b>5,792</b>	<b>400</b>	<b>9,007</b>
<b>2012</b>								
Profit/loss for the year					-44	658	1,594	2,208
Change in equalisation reserve for the year				2		-2		0
Revaluation of owner-occupied property for the year		42						42
Exchange rate adjustment of foreign entities for the year			192		-1	2		193
Hedging of foreign currency risk in foreign entities for the year			-184					-184
Actuarial gains and losses on pension obligation						-62		-62
Tax on changes in equity		-12	46			16		50
<b>Total comprehensive income</b>	<b>0</b>	<b>30</b>	<b>54</b>	<b>2</b>	<b>-45</b>	<b>612</b>	<b>1,594</b>	<b>2,247</b>
Dividend paid							-400	-400
Dividend, own shares						6		6
Purchase and sale of own shares						66		66
Exercise of share options						44		44
Issue of share options and matching shares						9		9
<b>Total changes in equity in 2012</b>	<b>0</b>	<b>30</b>	<b>54</b>	<b>2</b>	<b>-45</b>	<b>737</b>	<b>1,194</b>	<b>1,972</b>
<b>Equity at 31 December 2012</b>	<b>1,533</b>	<b>72</b>	<b>146</b>	<b>61</b>	<b>1,044</b>	<b>6,529</b>	<b>1,594</b>	<b>10,979</b>

## Statement of changes in equity

DKKm	Share capital	Revaluation reserves	Reserve for foreign exchange rate adjustment	Equalisation reserves	Other reserves <sup>a)</sup>	Retained earnings	Proposed dividend	Total
<b>Equity at 31 December 2012</b>	<b>1,533</b>	<b>72</b>	<b>146</b>	<b>61</b>	<b>1,044</b>	<b>6,529</b>	<b>1,594</b>	<b>10,979</b>
<b>2013</b>								
Profit/loss for the year					-156	869	1,656	2,369
Revaluation of owner-occupied property		9						9
Exchange rate adjustment of foreign entities for the year			-326					-326
Hedging of foreign currency risk in foreign entities for the year			305					305
Actuarial gains and losses on pension obligation						179		179
Tax on changes in equity		-3	-76			-54		-133
<b>Total comprehensive income</b>	<b>0</b>	<b>6</b>	<b>-97</b>	<b>0</b>	<b>-156</b>	<b>994</b>	<b>1,656</b>	<b>2,403</b>
Dividend paid							-1,594	-1,594
Dividend own shares						15		15
Purchase and sale of own shares						-800		-800
Exercise of share options						100		100
Issue of share options and matching shares						4		4
<b>Total changes in equity in 2013</b>	<b>0</b>	<b>6</b>	<b>-97</b>	<b>0</b>	<b>-156</b>	<b>313</b>	<b>62</b>	<b>128</b>
<b>Equity at 31 December 2013</b>	<b>1,533</b>	<b>78</b>	<b>49</b>	<b>61</b>	<b>888</b>	<b>6,842</b>	<b>1,656</b>	<b>11,107</b>

a) Other reserves contains Norwegian Natural Perils Pool.

Proposed dividend per share DKK 27 (in 2012 DKK 26)

Dividend per share is calculated as the total dividend proposed by the Supervisory Board after the end of the financial year divided by the number of shares at the end of the year (61,316,103 shares). The dividend is not paid until approved by the shareholders at the annual general meeting.

The possible payment of dividend from Tryg Forsikring A/S to Tryg A/S is influenced by contingency fund provisions of DKK 3,020 (DKK 3,363m in 2012). The contingency fund provisions can be used to cover losses in connection with the settlement of insurance provisions or otherwise for the benefit of the insured.

# Cash flow statement

DKKm	2012	2013
<b>Cash from operating activities</b>		
Premiums	20,200	19,610
Claims	-15,105	-14,048
Ceded business	42	-63
Costs	-3,094	-3,032
Change in other debt and other amounts receivable	-137	-1
<b>Cash flow from insurance activities</b>	<b>1,906</b>	<b>2,466</b>
Interest income	1,340	1,006
Interest expenses	-100	-142
Dividend received	15	19
Taxes	-425	-1,017
Other income and costs	-61	-91
<b>Cash from operating activities, continuing business</b>	<b>2,675</b>	<b>2,241</b>
Cash from operating activities, discontinued and divested business	37	25
<b>Total cash flow from operating activities</b>	<b>2,712</b>	<b>2,266</b>
<b>Investments</b>		
Purchase and refurbishment of real property	-53	-18
Sale of real property	278	2
Purchase/sale of equity investments and unit trust units (net)	-563	-128
Purchase/sale of bonds (net)	-1,897	657
Deposits with credit institutions	163	-420
Purchase/sale of operating equipment (net)	-54	-6
Hedging of currency risk	-184	305
<b>Investments, continuing business</b>	<b>-2,310</b>	<b>392</b>
Investments, discontinued and divested business	-74	-584
<b>Total investments</b>	<b>-2,384</b>	<b>-192</b>
<b>Financing</b>		
Exercise of share options/purchase of own shares (net)	110	-700
Subordinate loan capital	0	316
Dividend paid	-400	-1,594
Change in amounts owed to credit institutions	3	-8
<b>Financing, continuing business</b>	<b>-287</b>	<b>-1,986</b>
Financing, discontinued and divested business	58	0
<b>Total financing</b>	<b>-229</b>	<b>-1,986</b>
<b>Change in cash and cash equivalents, net</b>	<b>99</b>	<b>89</b>
Cash and cash equivalents – discontinued and divested business	-11	0
Exchange rate adjustment of cash and cash equivalents, beginning of year	14	-39
<b>Change in cash and cash equivalents, gross</b>	<b>102</b>	<b>50</b>
Cash and cash equivalents 1 January	402	504
<b>Cash and cash equivalents 31 December</b>	<b>504</b>	<b>553</b>

## 1 Risk management

### Risk management in Tryg

Risk management is a key element for an insurance business and an integral part of Tryg's business model. Tryg's Supervisory Board has the overall responsibility for risk management and determines Tryg's risk appetite, which is laid down in policies and incorporated in the company's business procedures.

Danish law imposes important and labour-intensive obligations on the Supervisory Board in terms of capital and risk management, for which reason Tryg has chosen to set up a special sub-committee 'the Supervisory Board's Risk Committee' with representatives from the Supervisory Board and the company's executive management. This committee meets once every quarter and considers subjects relating to capital and risk management in detail.

The risk management environment is administered by the Risk Management Committee and its sub-committees.

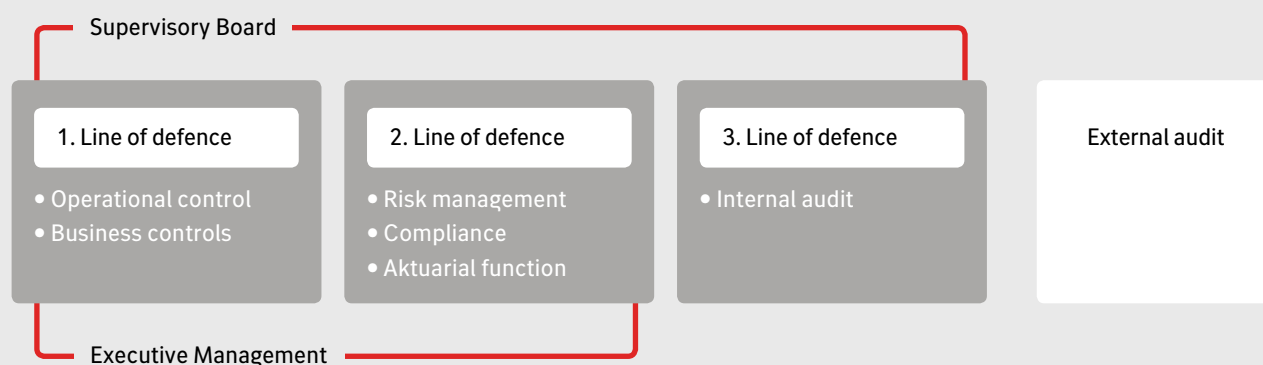
Risk management in Tryg is organised on the basis of three lines of defence: The first line of defence is the business managers, who manage and control all significant risks associated with their own activities.

This takes place at an operational level and involves establishing business procedures, contingency plans and control descriptions and ensuring that risks are hedged as appropriate. This work is supported by decentralised risk managers affiliated with the individual areas.

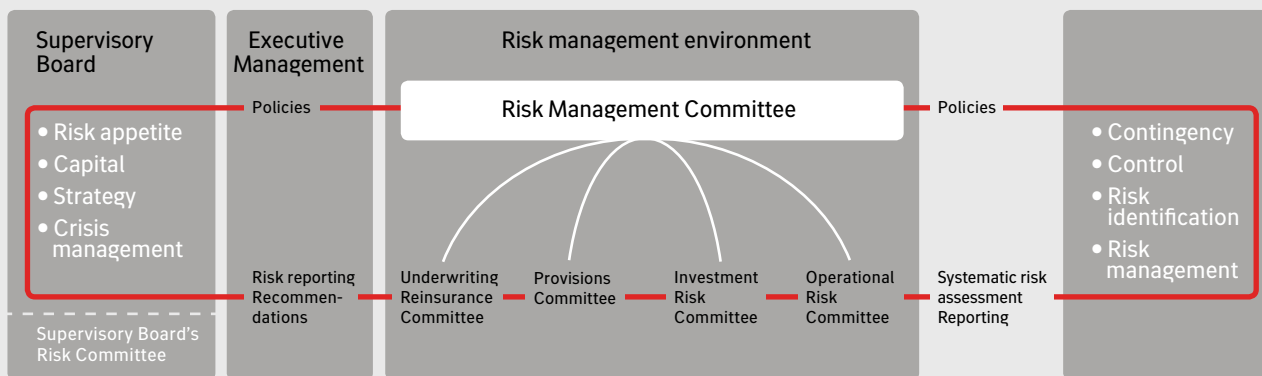
The risk management function is a part of the second line of defence and ensures a consistent risk management approach across business areas. This function carries out measurements and assessments at Group level, and recommendations for capital management and general risk hedging (reinsurance, inflation swaps, currency hedging etc.) are made. The risk management function is charged with maintaining the general overview of the company's most important risks and reporting on an ongoing basis on the development to the Supervisory Board and the management. In addition, the risk management function is responsible for calculating the company's solvency requirement and proving that the basis for this calculation takes sufficient account of the identified risks.

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

### Line of defence



Tryg's risk management environment



**The company's own risk assessment 'ORSA' (Own Risk and Solvency Assessment)**

ORSA is the company's own risk assessment that is summarised in an annual report, which is subject to Tryg's Supervisory Board's approval. The risk assessment was incorporated in Danish law on 1 January 2014 through the revised Executive Order on Solvency and Operating Plans for Insurance Companies (Bekendtgørelse om solvens og driftsplaner for forsikringsselskaber). This risk assessment is based on the Solvency II principles, which implies that Tryg must assess all material risks that the company is or may be exposed to. In addition, the risk assessment must include a review of whether the solvency requirement calculated is sufficiently in line with Tryg's risk profile. Finally, the risk assessment must comprise an estimate of the capital adequacy over the strategic planning period based on budgets and business plans taking into account the identified risks.

In Tryg, the ORSA report has long been part of the risk management activities, and it is supported by continuous processes. The risk assessment is thus performed continuously during the year, which means that the report provides an annual status of the work put into identifying, measuring, managing and monitoring risks, just as it describes the company's general risk profile and proposes improvements. The Supervisory Board is also deeply involved in the ongoing ORSA processes through its board work.

**Capital management**

Tryg's individual solvency requirement is calculated using a partial internal model with a safety level of 99.5%, which means that Tryg is able to honour claims in 199 out of 200 years in compliance with the Executive Order on Solvency and Operating Plans for Insurance Companies. This model has been used for a number of years to calculate the individual solvency requirement, and it is envisaged that it will be used as a partial internal model under the coming Solvency II regime from 2016.

ORSA-report

Ongoing ORSA-processes

**Risk profile assessment**

- Strategy brief and business model
- Risk appetite
- Capital allocation
- Risk reports

**Capital requirement assessment**

- Model documentation (description of the model, data, validation and model change policy)
- Standard model assessment

**Available capital assessment**

- Capital plan
- Contingent capital plan
- Dividend & capital structure
- Reserve reports

## Major risk types

### Underwriting risk

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

**Handled by the Underwriting Reinsurance Committee**

### Provisioning risk

At the end of a financial period, the level of technical provisions are set to cover expected future payments in respect of claims already incurred. The provisioning risk is the risk that future payments deviate significantly from our assumptions when making the provisions.

**Handled by the Provisions Committee**

### Investment risk

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

**Handled by the Investment Risk Committee**

### Operational risk

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

**Handled by the Operational Risk Committee**

### Strategic risk

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

**Handled by the Risk Management Committee**

## Sensitivity analysis

### Insurance risk

DKKm	2012	2013
<b>Effect of 1% change in:</b>		
Combined ratio (1 percentage point)	+ / -200	+ / -192
Claim frequency (1 percentage point)	+/- 1,599	+/- 1,437
Average claim	+/-141	+/-139
Premium rates	+/- 197	+/- 190
<b>Provisioning risk</b>		
1% change in social inflation	+/- 779	+/- 684
10% error in the assessment of long-tailed lines of business (workers' compensation, motor liability, accident)	+/-1,870	+/-1,753
<b>Investment risk</b>		
<b>Interest rate market</b>		
<b>Effect of 1% increase in interest curve:</b>		
Impact of interest-bearing securities	-851	-849
Higher discounting of claims provisions	864	755
Net effect of interest rate rise	13	-94
Impact of Norwegian pension obligation <sup>a)</sup>	291	282
<b>Equity market</b>		
15 % decline in equity market	-367	-398
Effect of derivatives	18	-35
<b>Real estate market</b>		
15 % decline in real estate markets	-530	-499
<b>Currency market</b>		
Equity:		
15 % decline in exposed currency (exclusive of EUR) relative to DKK	-851	-1,031
Impact of derivatives	868	985
Technical result per year:		
Effect of 15% change in exchange rates of NOK and SEK relative to DKK	+/- 175	+/- 195

<sup>a)</sup> additional sensitivity information in note 22 'Pensions and similar obligations'

In Tryg's partial internal model, insurance risks are modelled using internal components, while investment risks, operational risks and other risks that are not part of Tryg's primary business concept are described using the standard Solvency II model.

The individual solvency requirement must be covered by the 'adequate capital base' (see Note 2). The purpose of capital management in Tryg is to support the key business objectives:

- A solid capital base, supporting both the statutory requirements and the ambition of keeping the 'A-' rating from Standard & Poor's
- A steadily rising nominal dividend per share with a distribution of 60-90% of the net profit for the year after tax
- Return on the average equity of 20% after tax

The two first objectives are met by means of a high capital buffer, while the last objective requires that the capital buffer is kept at a minimum, or that the capital base mainly consists of subordinate loan capital. This balance is assessed in the company's capital plan and ORSA report and forms the basis of recommendations on dividend and any extraordinary share buy backs (see Note 2).

## Risks

### Underwriting risk

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

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

In Tryg, the ongoing assessment of the underwriting risk is based on the capital model, which defines the target premium levels for each area of the insurance business. This applies both when determining and updating tariffs, and when individually pricing major agreements for the corporate and partner segments. The underwriting risk is managed by means of ongoing profitability monitoring, business processes, acceptance policy, proxies and reinsurance. The overall management framework is defined by the Supervisory Board in Tryg's insurance policy.

Reinsurance is used to reduce the risk in areas where a special need for this exists. The need for reinsurance is assessed on an ongoing basis us-

ing Tryg's internal capital model, in which the price of reinsurance is compared with the reduction in the capital requirement that can be achieved.

Based on the higher frequency of weather claims, Tryg has adjusted its risk assessment associated with weather-related events upwards. As a consequence of this, Tryg has taken out what is known as lateral cover for combinations of nature-related claims. This covers a total amount of DKK 600m with a retention of DKK 300m for all claims above DKK 20m. This means that for each nature-related claim above DKK 20m, Tryg will be indemnified if it has already paid the retention of DKK 300m, up to a maximum of DKK 600m.

In the field of buildings and contents insurance, major events in 2014 are covered by catastrophe reinsurance cover of DKK 5.5bn with retention of DKK 150m. The primary risk for individual events is storms, and the scope of the cover is defined using simulation models such that this cover will prove insufficient in statistical terms less than once every 250 years. The reinsurance programme for catastrophes also covers other disastrous events, including terrorist attacks, up to a maximum of DKK 4.0bn.

For accident, workers' compensation and Norwegian group life policies, Tryg has purchased catastrophe reinsurance with cover of up to DKK 1.5bn for claims originating from the same event, including terrorism. Accident and workers' compensation, Norwegian group life, liability, auto, goods and fish farming have been joined under one cover with retention of DKK 100m for the first claim and DKK 25m for subsequent claims.

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

Property damage caused by natural disasters in Norway are covered under the Norwegian Natural Perils Pool (NNP). Insurance companies in the Norwegian market pay claims of up to NOK 1bn for these types of events, and joint reinsurance then covers up to NOK 12.5bn. Tryg pays a market share of this retention (approx. 12.2% in 2014), which is again covered by Tryg's catastrophe programme. Tryg also utilises the option of member companies to act as reinsurers for NNP corresponding to its own share of the pool. The risk assumed is subsequently hedged through Tryg's catastrophe programme, thereby reducing costs.



In addition, reinsurance is bought for a number of sectors which, from experience, are exposed to major claims. The largest single risks in Tryg's corporate portfolio are in the area of buildings and contents insurance, protected by reinsurance cover of DKK 1.7bn and with retention of DKK 50m, but with additional annual retention. This means that, in practice, retention is DKK 100m for the first claim, DKK 75m for the second claim and DKK 50m for subsequent claims. If there are more than four major claims in the same year, additional frequency cover has been purchased, reducing retention to DKK 25m for subsequent claims. Tryg buys facultative reinsurance cover for buildings and contents risks with exposure above DKK 1.7bn. For Tryg's subsidiary Tryg Garantiforsikring A/S, the maximum retention is limited to DKK 30m.

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

#### **Provisioning risk**

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

In determining the claims provisions, both individual assessments and statistical calculations are used. At the end of 2013, claims provisions totalled DKK 28,087m. The duration of these provisions, that is, the average time until these amounts were disbursed to customers, was 3.4 years. Most of the claims provisions relate to personal injury claims. These provisions are exposed to changes in inflation, the discount rate, disbursement patterns, economic trends, legislation and court decisions.

The calculation of claims provisions will always be subject to uncertainty. Historically, many insurers have experienced substantial positive as well as negative impacts on profit (run-off) resulting from provisioning risk, and this is also expected to be the case in future. The Supervisory Board defines the overall framework for managing provision risk in Tryg's insurance policy.

This implies, among other things, that the provisions assessments are based on underlying model analyses, that quarterly internal control calculations are performed, supplemented by periodic external reviews, and that a safety surcharge is charged to approximate market value.

Claims provisions relating to annuities under Danish workers' compensation insurance are discounted using the current market rate and simultaneously increased based on the wage inflation rate each year. This exposes Tryg to an explicit inflation risk. To hedge this, Tryg uses a number of zero coupon inflation swaps in Danish kroner, in which Tryg receives a fixed amount in return for payment of an amount based on the trend in Danish consumer prices. Tryg is exposed to interest rate changes as a result of its provisions under the Norwegian pension scheme, which is a defined-benefit plan covering approximately 1,376 employees. This scheme was closed to new employees in 2008, and the total provision was DKK 723m at the end of 2013. The Norwegian pension provision is also sensitive to changes in the life expectancy as well as salary and pension adjustments.

It is expected that a new bill on occupational pensions will be passed in Norway in 2014. It is not yet clear what the exact consequences of this legislation will be, but it will probably lead to a reduction of Tryg's Norwegian pension provision. Changes in the pension provision are not recognised in the income statement, but are charged directly to equity.

#### **Operational risk**

Operational risk relates to errors or failures in internal procedures, fraud, breakdown of infrastructure, IT security and similar factors. As operational risks are mainly internal, Tryg focuses on establishing an adequate control environment for its operations. In practice, this work is organised by means of procedures, controls and guidelines that cover the various aspects of Tryg's operations, including the IT security policy. Tryg has also set up a security and investigation unit to handle internal fraud, IT security, physical security and contingency plans.

The Supervisory Board defines the overall framework for managing operational risk in Tryg's IT security policy and operational risk policy. These risks are managed via the Operational Risk Committee, which is a sub-committee of the Group's Risk Committee.

Tryg has set up a crisis management structure 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 in the individual areas. Tryg has prepared contingency plans to handle the most important areas, such as contingency plans for handling prolonged IT breakdowns in the individual areas of the business. The contingency plans were tested in the autumn of 2013 in a major exercise with a satisfactory result.

#### **Strategic risk**

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

# Notes

## DKKm

### Claims provisions – estimated accumulated claims

Gross	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Estimated acc. claims, end of year	10,406	10,753	11,486	11,276	12,210	12,832	14,261	16,579	16,904	14,392	14,225	
1 year later	10,513	10,768	11,381	11,533	12,814	14,208	14,933	16,681	17,317	14,371		
2 years later	10,191	10,629	11,221	11,055	13,396	14,084	14,957	16,627	17,300			
3 years later	10,185	10,517	10,834	11,288	13,377	14,094	14,734	16,502				
4 years later	10,218	10,253	10,981	11,221	13,372	14,049	14,611					
5 years later	10,192	10,336	10,920	11,211	13,275	13,951						
6 years later	10,120	10,116	10,823	11,189	13,143							
7 years later	9,990	10,003	10,835	11,151								
8 years later	9,904	9,966	10,807									
9 years later	9,924	9,926										
10 years later	9,829											
	9,829	9,926	10,807	11,151	13,143	13,951	14,611	16,502	17,300	14,371	14,225	145,815
Cumulative payments to date	-9,395	-9,416	-10,099	-10,160	-11,936	-12,116	-12,614	-13,857	-14,097	-10,356	-6,570	-120,615
Provisions before discounting, end of year	434	510	708	990	1,207	1,835	1,997	2,646	3,203	4,015	7,655	25,201
Discounting	-55	-78	-112	-157	-154	-224	-214	-233	-234	-251	-279	-1,990
Reserves from 2002 and prior years												2,060
Other												816
Gross claims provisions, end of year												26,087
<b>Ceded business</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	
Estimated acc. claims, end of year	896	823	935	287	508	172	297	697	1,478	256	567	
1 year later	861	837	829	286	473	239	371	778	2,206	289		
2 years later	857	877	835	272	488	203	349	771	2,328			
3 years later	913	875	829	305	493	192	301	747				
4 years later	835	861	855	305	514	192	303					
5 years later	831	870	851	301	484	179						
6 years later	840	870	835	299	514							
7 years later	838	859	834	301								
8 years later	898	857	826									
9 years later	942	861										
10 years later	945											
	945	861	826	301	514	179	303	747	2,328	289	567	7,861
Cumulative payments to date	-856	-799	-804	-289	-483	-170	-275	-538	-1,821	-171	-44	-6,250
Provisions before discounting, end of year	90	61	22	12	32	9	28	209	507	118	523	1,610
Discounting	-5	-5	-2	-1	-2	-1	-1	-3	-16	-7	-5	-46
Reserves from 2002 and prior years												216
Other												603
Reinsurers' share of claims provisions, end of year												2,383

# Notes

DKKm

## Claims provisions – estimated accumulated claims

Net of reinsurance	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Estimated acc. claims, end of year	9,510	9,930	10,551	10,989	11,702	12,660	13,964	15,882	15,426	14,136	13,657	
1 year later	9,652	9,931	10,552	11,247	12,340	13,968	14,562	15,903	15,111	14,082		
2 years later	9,334	9,753	10,386	10,782	12,908	13,880	14,608	15,856	14,972			
3 years later	9,272	9,642	10,006	10,982	12,884	13,901	14,432	15,755				
4 years later	9,383	9,392	10,126	10,916	12,858	13,857	14,307					
5 years later	9,362	9,466	10,070	10,910	12,791	13,773						
6 years later	9,279	9,245	9,988	10,890	12,629							
7 years later	9,152	9,144	10,001	10,850								
8 years later	9,006	9,109	9,981									
9 years later	8,982	9,066										
10 years later	8,884											
	8,884	9,066	9,981	10,850	12,629	13,773	14,307	15,755	14,972	14,082	13,657	137,955
Cumulative payments to date	-8,539	-8,617	-9,295	-9,871	-11,454	-11,946	-12,339	-13,319	-12,275	-10,184	-6,526	-114,365
Provisions before discounting, end of year	345	449	686	979	1,175	1,826	1,968	2,437	2,696	3,898	7,132	23,591
Discounting	-50	-73	-111	-156	-152	-223	-213	-230	-218	-244	-274	-1,944
Reserves from 2002 and prior years												1,844
Other												213
Claims provisions, net of reinsurance, end of year												23,704

Other provisions comprise the claims provisions for Tryg Garantiforsikring A/S.

The amounts in foreign currency in the table are translated to Danish kroner using the exchange rate at 31 December 2013 to prevent the impact of exchange rate fluctuations.

DKKm	Expected cash flow					Carrying amount Total
	0-1 year	1-2 years	2-3 years	> 3 years	Other	
<b>Claims provisions (continued)</b>						
<b>2013</b>						
Premium provisions, gross	5,765	136	131	144	36	6,212
Premium provisions, ceded	-219	0	0	0	-18	-237
Claims provisions, gross	9,820	4,442	2,805	8,204	816	26,087
Claims provisions, ceded	-842	-253	-249	-436	-603	-2,383
	<b>14,524</b>	<b>4,325</b>	<b>2,687</b>	<b>7,912</b>	<b>231</b>	<b>29,679</b>
<b>2012</b>						
Premium provisions, gross	6,107	180	182	189	30	6,688
Premium provisions, ceded	-222	0	0	0	-15	-237
Claims provisions, gross	9,914	4,562	2,956	9,410	400	27,242
Claims provisions, ceded	-941	-387	-190	-375	-187	-2,080
	<b>14,858</b>	<b>4,355</b>	<b>2,948</b>	<b>9,224</b>	<b>228</b>	<b>31,613</b>

Other comprises Tryg Garantiforsikring A/S.

#### 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 provisions and is designed to hedge the interest rate sensitivity of these to the widest possible extent. 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.

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

In addition, the free portfolio is subject to the framework defined by the Supervisory Board through the investment policy. Tryg's largest investment risk pertains to its shareholdings, the value of which is directly dependent on how the equity markets fare. At the end of 2013, the equity portfolio accounted for 6.2% of the total investment assets. This share is expected to be at a similar level in 2014.

Tryg's property portfolio mainly comprises owner-occupied and investment properties, the value of which is adjusted based on the conditions on the property market through property valuations. At the end of 2013, investment properties accounted for 4.7%, while owner-occupied properties accounted for 2.8% of the total investment assets. Property investments are expected to be at a similar level in 2014.

Tryg does not wish to speculate in foreign currency, but since Tryg invests and operates its 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 an insurance company like Tryg, liquidity risk is practically non-existent, as premium payments fall due before claims payments.

# Notes

DKKm	2012	2013				
<b>Investment risk</b>						
<b>Bond portfolio</b>						
Duration 1 year or less	20,210	18,748				
Duration 1 year – 5 years	15,735	14,000				
Duration 5 – 10 years	2,641	3,188				
Duration more than 10 years	2,216	2,403				
<b>Total</b>	<b>40,802</b>	<b>38,339</b>				
<b>Duration</b>	<b>2.1</b>	<b>2.3</b>				
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.						
<b>Listed shares</b>	<b>2012</b>	<b>2013</b>				
Nordic countries	458	393				
United Kingdom	102	141				
Rest of Europe	483	793				
United States	632	892				
Asia etc.	429	591				
<b>Total</b>	<b>2,104</b>	<b>2,810</b>				
The portfolio of unlisted shares totals	199	150				
The share portfolio includes exposure from share derivatives of DKK 325m. ( in 2012 DKK -120m) Unlisted equity investments are based on an estimated market price						
<b>Exposure to exchange rate risk</b>	<b>Property</b>	<b>Bonds incl. derivatives</b>	<b>Shares incl. derivatives</b>	<b>Insurance</b>	<b>Hedge</b>	<b>Exposure</b>
<b>2013</b>						
USD	0	290	1,074	23	-1,335	52
EUR	0	1,189	389	-1,054	664	1,188
GBP	0	0	70	11	-91	-10
NOK	820	12,252	506	-10,352	-2,981	245
SEK	1	3,255	29	-1,979	-1,280	26
Other	0	0	570	-5	-379	186
<b>Total</b>						<b>1,707</b>
<b>2012</b>						
USD	0	0	728	-15	-700	13
EUR	0	1,819	412	-1,547	-338	346
GBP	0	0	94	10	-104	0
NOK	941	14,785	577	-12,950	-3,481	-128
SEK	1	2,702	589	-1,741	-1,546	5
Other	0	731	508	-87	-1,003	149
<b>Total</b>						<b>641</b>

# Notes

Impact of exchange rate fluctuations in SEK and NOK on technical result	2012	2013	Change	Currency effect	Change excl. currency effect
<b>Gross premium income</b>	<b>20,314</b>	<b>19,504</b>	<b>-810</b>	<b>-253</b>	<b>-557</b>
Gross claims	-14,675	-14,411	264	161	103
Total insurance operating costs	-3,295	-3,008	287	38	249
Profit/loss on gross business	2,344	2,085	-259	-54	-205
Profit/loss on ceded business	86	349	263	11	252
Insurance technical interest, net of reinsurance	62	62	0	-1	1
<b>Technical result</b>	<b>2,492</b>	<b>2,496</b>	<b>4</b>	<b>-44</b>	<b>48</b>

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

Impact of exchange rate fluctuations in SEK and NOK on statement of financial position	2012	2013	Change	Currency effect	Change excl. currency effect
<b>Assets</b>					
Intangible assets	759	758	-1	-24	23
Total property, plant and equipment	1,592	1,426	-166	-75	-91
Investment property	2,081	2,022	-59	-51	8
Investments in associates	21	18	-3	-3	0
Other financial investment assets	44,527	42,855	-1,672	-2,582	910
Reinsurers' share of provisions for insurance contracts	2,317	2,620	303	-146	449
Receivables	1,989	2,420	431	-98	529
Other assets	1,246	698	-548	-34	-514
Prepayments and accrued income	490	554	64	-20	84
<b>Total assets</b>	<b>55,022</b>	<b>53,371</b>	<b>-1,651</b>	<b>-3,033</b>	<b>1,382</b>
<b>Equity and liabilities</b>					
Equity	10,979	11,107	128	-21	149
Subordinate loan capital	1,597	1,818	221	-90	311
Provisions for insurance contracts	34,355	32,939	-1,416	-2,936	520
Total provisions	2,343	1,871	-472	-238	-234
Other debt	5,354	5,179	-175	-738	563
Accruals and deferred income	394	457	63	-10	73
<b>Total equity and liabilities</b>	<b>55,022</b>	<b>53,371</b>	<b>-1,651</b>	<b>-3,033</b>	<b>1,382</b>

# Notes

<b>Impact of exchange rate fluctuations in SEK and NOK on statement of financial position</b>	<b>2011</b>	<b>2012</b>	<b>Change</b>	<b>Currency effect</b>	<b>Change excl. currency effect</b>
<b>Assets</b>					
Intangible assets	952	759	-193	24	-217
Total property, plant and equipment	1,857	1,592	-265	33	-298
Investment property	2,199	2,081	-118	23	-141
Investments in associates	14	21	7	1	6
Other financial investment assets	43,392	44,527	1,135	1,153	-18
Reinsurers' share of provisions for insurance contracts	2,067	2,317	250	74	176
Receivables	1,665	1,989	324	46	278
Other assets	495	1,246	751	23	728
Prepayments and accrued income	721	490	-231	4	-235
<b>Total assets</b>	<b>53,362</b>	<b>55,022</b>	<b>1,660</b>	<b>1,381</b>	<b>279</b>
<b>Equity and liabilities</b>					
Equity	9,007	10,979	1,972	7	1,965
Subordinate loan capital	1,589	1,597	8	0	8
Provisions for insurance contracts	34,398	34,355	-43	929	-972
Total provisions	2,228	2,343	115	138	-23
Other debt	5,808	5,354	-454	300	-754
Accruals and deferred income	332	394	62	7	55
<b>Total equity and liabilities</b>	<b>53,362</b>	<b>55,022</b>	<b>1,660</b>	<b>1,381</b>	<b>279</b>
<b>Credit risk</b>					
<b>Bond portfolio by ratings</b>		<b>2012 DKKm</b>	<b>2012 %</b>	<b>2013 DKKm</b>	<b>2013 %</b>
AAA to A		37,900	97.5	36,456	98.6
Other		716	1.8	514	1.4
Not rated		246	0.6	1	0.0
<b>Total</b>		<b>38,862</b>	<b>100.0</b>	<b>36,971</b>	<b>100.0</b>
<b>Reinsurance balances</b>					
AAA to A		1,578	91.6	2,268	94.2
Other		9	0.5	1	0.0
Not rated		136	7.9	140	5.8
<b>Total</b>		<b>1,723</b>	<b>100.0</b>	<b>2,409</b>	<b>100.0</b>

## Liquidity risk

## Maturity of the Group's financial obligations including interest

2013	0-1 year	1-5 years	> 5 years	Total
Subordinate loan capital	89	356	2,558	3,003
Amounts owed to credit institutions	6	0	0	6
Debt relating to unsettled funds transactions and repos	2,821	0	0	2,821
Derivative financial instruments	219	199	125	543
Other debt	1,838	0	0	1,838
	<b>4,973</b>	<b>555</b>	<b>2,683</b>	<b>8,211</b>
<b>2012</b>				
Subordinate loan capital	541	201	1,514	2,256
Amounts owed to credit institutions	14	0	0	14
Debt relating to unsettled funds transactions and repos	1,470	0	0	1,470
Derivative financial instruments	85	160	694	939
Other debt	3,095	0	0	3,095
	<b>5,205</b>	<b>361</b>	<b>2,208</b>	<b>7,774</b>

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

## 2 Capital management

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

The new version of the Executive Order on Solvency and Operating Plans contains an annex on calculation of the 'adequate capital base'. However, this is only a temporary measure of the companies' individual solvency requirement until the entry into force of a new financial statements order (expected on 1 January 2015). For Tryg, the adequate capital base will be slightly higher than the capital base for accounting purposes, as some of the above-mentioned corrections do not apply to the calculation of an adequate capital base. It is expected that a new financial statements order, which will enter into force in 2015, will offer wider scope for including capital elements and for gearing.

Given Tryg's desire to optimise its capital structure in light of the currently favourable market conditions for core capital, Tryg refinanced a subordinate loan of EUR 65m with a definite maturity to a new subordinate loan of NOK 800m with indefinite maturity in 2013. Due to its indefinite maturity, the new subordinate loan may be included in the capital base by up to 50% of the company's minimum requirement under Solvency I. It is also expected that the subordinate loan may be included as Tier 2 capital under Solvency II.

Tryg's total subordinated debt is DKK 1,818m. In total, debt amounted to 16% of equity at the end of 2013, and interest expenses in 2013 amounted to DKK 89m.

Based on its strong capital position, expectations for future earnings and the objective of achieving a return on equity of 20% after tax, Tryg initiated an extraordinary share buy back of DKK 1,000m on 2 January 2014. This will continue throughout 2014.



# Notes

Mio. DKK	2012	2013
<b>Capital adequacy</b>		
Equity according to annual report	10,979	11,107
Proposed dividend	-1,594	-1,656
Solvency requirements of subsidiaries – 50%	-2,406	-2,307
<b>Tier 1 Capital</b>	<b>6,979</b>	<b>7,144</b>
Subordinate loan capital	873	1,551
Solvency requirements of subsidiaries – 50%	-2,405	-2,307
<b>Capital base</b>	<b>5,447</b>	<b>6,388</b>
<b>Weighted assets</b>	<b>6,048</b>	<b>7,111</b>
<b>Solvency ratio</b>	<b>90</b>	<b>90</b>

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

Subordinary loan capital	Tryghedsgruppen smba EUR 65m		Bond loan EUR 150m		Bond loan NOK 800m	
	2012	2013	2012	2013	2012	2013
The fair value of the loan at the statement of financial position date	490	-	1,119	1,127	-	741
The fair value of the loan at the statement of financial position date is based on a price of	101	-	100	101	-	105
Total capital losses and costs at the statement of the financial position date	0	-	7	5	-	5
Interest expenses for the year	30	6	50	50	-	33
Effective interest rate	0.4%	-	4.4%	4.1%	-	4.8%
<b>Loan terms:</b>						
Lender	Called in April 2013.		Listed bonds		Listed bonds	
Principal			EUR 150m		NOK 800m	
Issue price			99.017		100	
Issue date			December 2005		March 2013	
Maturity year			2025		Perpetual	
Loan may be called by lender as from			2015		2023	
Repayment profile			Interest-only		Interest-only	
Interest structure			4.5% (until 2015)		3.75 % above NIBOR 3M (until 2023)	
			2.1% above EURIBOR 3M (from 2015)		4.75 % above NIBOR 3M (from 2023)	

The share of capital included in the calculation of the capital base total DKK 1,551m ( in 2012 DKK 873m). The loans are initially recognised at fair value on the date on which a loan is entered and subsequently measured at amortised cost. The loans are taken by Tryg Forsikring A/S. The creditors have no option to call the loans before maturity or otherwise terminate the loan agreements. The loans are automatically accelerated upon the liquidation or bankruptcy of Tryg Forsikring A/S. Prices used for determination of fair value in respect of both loans are based on actual traded prices from Bloomberg.

# Notes

DKKm	Private	Commercial	Corporate	Sweden	Other	Group
<b>3 Operating segments</b>						
<b>2013</b>						
<b>Gross premium income</b>	<b>9,366</b>	<b>3,528</b>	<b>5,041</b>	<b>1,587</b>	<b>-18</b>	<b>19,504</b>
Gross claims	-6,596	-2,438	-4,201	-1,178	2	-14,411
Gross operating expenses	-1,418	-680	-630	-280	0	-3,008
Profit/loss on ceded business	-43	19	348	9	16	349
Insurance technical interest, net of reinsurance	26	10	15	11	0	62
<b>Technical result</b>	<b>1,335</b>	<b>439</b>	<b>573</b>	<b>149</b>	<b>0</b>	<b>2,496</b>
Investment return after insurance technical interest						588
Other income and costs						-91
<b>Profit/loss before tax</b>						<b>2,993</b>
Tax						-620
<b>Profit/loss on continuing business</b>						<b>2,373</b>
Profit/loss on discontinued and divested business						-4
<b>Profit/loss</b>						<b>2,369</b>
Run-off gains/losses, net of reinsurance	310	176	464	20	0	970
Intangible assets				463	295	758
Equity investments in associates					18	18
Reinsurers' share of premium provisions	8	9	219	1	0	237
Reinsurers' share of claims provisions	265	404	1,641	73	0	2,383
Assets held for sale					0	0
Other assets					49,975	49,975
<b>Total assets</b>						<b>53,371</b>
Premium provisions	2,727	1,281	1,374	830	0	6,212
Claims provisions	6,377	5,992	11,961	1,757	0	26,087
Provisions for bonuses and premium discounts	507	29	94	10	0	640
Liabilities associated with assets held for sale					0	0
Other liabilities					9,325	9,325
<b>Total liabilities</b>						<b>42,264</b>

# Notes

DKKm	Private	Commercial	Corporate	Sweden	Other	Group
<b>3 Operating segments (continued)</b>						
<b>2012</b>						
<b>Gross premium income</b>	<b>9,733</b>	<b>3,687</b>	<b>5,258</b>	<b>1,654</b>	<b>-18</b>	<b>20,314</b>
Gross claims	-7,084	-2,372	-3,929	-1,267	-23	-14,675
Gross operating expenses	-1,524	-748	-648	-306	-69	-3,295
Profit/loss on ceded business	81	32	-37	-3	13	86
Insurance technical interest, net of reinsurance	27	5	6	24	0	62
<b>Technical result</b>	<b>1,233</b>	<b>604</b>	<b>650</b>	<b>102</b>	<b>-97</b>	<b>2,492</b>
Investment return after insurance technical interest						585
Other income and costs						-60
<b>Profit/loss before tax</b>						<b>3,017</b>
Tax						-837
<b>Profit/loss on continuing business</b>						<b>2,180</b>
Profit/loss on discontinued and divested business						28
<b>Profit/loss</b>						<b>2,208</b>
Run-off gains/losses, net of reinsurance	326	212	506	-29	0	1,015
Intangible assets				502	257	759
Equity investments in associates					21	21
Reinsurers' share of premium provisions	1	0	236	0	0	237
Reinsurers' share of claims provisions	249	319	1,448	64	0	2,080
Assets held for sale					742	742
Other assets					51,183	51,183
<b>Total assets</b>						<b>55,022</b>
Premium provisions	2,899	1,397	1,414	978	0	6,688
Claims provisions	6,479	6,203	13,011	1,549	0	27,242
Provisions for bonuses and premium discounts	291	32	101	0	1	425
Liabilities associated with assets held for sale					742	742
Other liabilities					8,946	8,946
<b>Total liabilities</b>						<b>44,043</b>

### Description of segments

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

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

# Notes

DKKm	2009	2010	2011	2012	2013
<b>3 Geographical segments</b>					
<b>Danish general insurance <sup>a)</sup></b>					
<b>Gross premium income</b>	<b>9,533</b>	<b>9,648</b>	<b>10,019</b>	<b>9,910</b>	<b>9,534</b>
Technical result	1,190	195	1,033	1,441	1,202
Run-off gains/losses, net of reinsurance	423	615	770	571	566
<b>Key ratios</b>					
Gross claims ratio	71.4	81.6	83.3	71.1	79.5
Net reinsurance ratio	2.5	0.7	-8.1	-0.2	-7.0
Claims ratio, net of ceded business	73.9	82.3	75.2	70.9	72.5
Gross expense ratio	14.6	16.2	15.1	14.5	15.0
<b>Combined ratio</b>	<b>88.5</b>	<b>98.5</b>	<b>90.3</b>	<b>85.4</b>	<b>87.5</b>
Number of full-time employees 31 December	2,296	2,349	2,315	2,187	2,046
<b>Norwegian general insurance</b>					
<b>Gross premium income</b>	<b>6,750</b>	<b>7,490</b>	<b>7,916</b>	<b>8,239</b>	<b>7,819</b>
Technical result	618	389	598	1,017	1,258
Run-off gains/losses, net of reinsurance	277	177	181	465	387
<b>Key ratios</b>					
Gross claims ratio	70.8	76.7	73.2	72.4	65.1
Net reinsurance ratio	3.7	3.1	3.2	-1.0	4.1
Claims ratio, net of ceded business	74.5	79.8	76.4	71.4	69.2
Gross expense ratio	17.0	15.7	17.0	16.8	15.3
<b>Combined ratio</b>	<b>91.5</b>	<b>95.5</b>	<b>93.4</b>	<b>88.2</b>	<b>84.5</b>
Number of full-time employees 31 December	1,398	1,338	1,338	1,282	1,199
<b>Swedish general insurance</b>					
<b>Gross premium income</b>	<b>1,111</b>	<b>1,769</b>	<b>2,050</b>	<b>2,183</b>	<b>2,169</b>
Technical result	-75	-124	-59	131	36
Run-off gains/losses, net of reinsurance	-8	32	-7	-21	17
<b>Key ratios</b>					
Gross claims ratio	80.6	84.6	82.0	75.3	80.6
Net reinsurance ratio	1.8	0.8	2.6	1.5	0.7
Claims ratio, net of ceded business	82.4	85.4	84.6	76.8	81.3
Gross expense ratio	25.1	22.4	20.3	18.6	17.6
<b>Combined ratio</b>	<b>107.5</b>	<b>107.8</b>	<b>104.9</b>	<b>95.4</b>	<b>98.9</b>
Number of full-time employees 31 December	425	414	423	444	458

# Notes

DKKm	2009	2010	2011	2012	2013
<b>3 Geographical segments</b>					
<b>Other<sup>b)</sup></b>					
<b>Gross premium income</b>	<b>-4</b>	<b>-13</b>	<b>-37</b>	<b>-18</b>	<b>-18</b>
Technical result	-44	0	0	-97	0
<b>Tryg</b>					
<b>Gross premium income</b>	<b>17,390</b>	<b>18,894</b>	<b>19,948</b>	<b>20,314</b>	<b>19,504</b>
Technical result	1,689	460	1,572	2,492	2,496
Investment return	1,083	550	61	585	588
Other income and costs	-38	-4	-30	-60	-91
Profit/loss before tax	2,734	1,006	1,603	3,017	2,993
Run-off gains/losses, net of reinsurance	692	824	944	1,015	970
<b>Key ratios</b>					
Gross claims ratio	71.7	80.0	79.1	72.2	73.9
Net reinsurance ratio	3.0	1.6	-2.5	-0.4	-1.8
Claims ratio, net of ceded business	74.7	81.6	76.6	71.8	72.1
Gross expense ratio <sup>c)</sup>	16.6	16.7	16.6	16.4	15.6
<b>Combined ratio</b>	<b>91.3</b>	<b>98.3</b>	<b>93.2</b>	<b>88.2</b>	<b>87.7</b>
Number of full-time employees, continuing business at 31 December	4,119	4,101	4,076	3,913	3,703
Number of full-time employees, discontinued and divested business at 31 December	217	191	242	189	0

a) Includes Danish general insurance and Finnish guarantee insurance.

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

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

DKKm

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

	Accident and health		Health care		Workers' compensation	
	2012	2013	2012	2013	2012	2013
<b>Gross premiums written</b>	<b>1,838</b>	<b>1,798</b>	<b>327</b>	<b>324</b>	<b>1,076</b>	<b>1,039</b>
Gross premium income	1,831	1,740	350	326	1,089	1,007
Gross claims	- 1,456	- 1,282	- 224	- 209	- 687	- 394
Gross operating expenses	- 241	- 219	- 29	- 29	- 135	- 128
Profit/loss on ceded business	- 12	- 3	0	0	- 14	- 36
Insurance technical interest, net of reinsurance	4	4	1	1	- 21	- 6
<b>Technical result</b>	<b>126</b>	<b>240</b>	<b>98</b>	<b>89</b>	<b>232</b>	<b>443</b>
Gross claims ratio	79.5	73.7	64.0	64.1	63.1	39.1
<b>Combined ratio</b>	<b>93.3</b>	<b>86.4</b>	<b>72.3</b>	<b>73.0</b>	<b>76.8</b>	<b>55.4</b>
Claims frequency <sup>a)</sup>	4.2%	4.4%	106.3%	108.8%	16.5%	16.8%
Average claims DKK <sup>b)</sup>	39,432	36,905	5,837	4,918	97,258	89,638
Total claims	36,243	36,480	47,547	45,694	9,582	9,209
	Fire and contents (Private)		Fire and contents (Commercial)		Change of ownership	
	2012	2013	2012	2013	2012	2013
<b>Gross premiums written</b>	<b>4,803</b>	<b>4,739</b>	<b>2,758</b>	<b>2,651</b>	<b>35</b>	<b>66</b>
Gross premium income	4,831	4,693	2,793	2,632	89	79
Gross claims	- 3,664	- 3,405	- 2,051	- 1,933	- 81	- 52
Gross operating expenses	- 863	- 794	- 436	- 419	- 7	- 8
Profit/loss on ceded business	97	- 21	46	- 126	0	0
Insurance technical interest, net of reinsurance	20	18	14	10	0	0
<b>Technical result</b>	<b>421</b>	<b>491</b>	<b>366</b>	<b>164</b>	<b>1</b>	<b>19</b>
Gross claims ratio	75.8	72.6	73.4	73.4	91.0	65.8
<b>Combined ratio</b>	<b>91.7</b>	<b>89.9</b>	<b>87.4</b>	<b>94.1</b>	<b>98.9</b>	<b>75.9</b>
Claims frequency <sup>a)</sup>	7.8%	9.0%	18.6%	23.1%	7.2%	8.1%
Average claims DKK <sup>b)</sup>	11,856	10,508	58,678	56,519	25,631	25,531
Total claims	306,088	348,296	32,471	38,033	4,280	4,349
	Other insurance <sup>c)</sup>		Total exclusive of Norwegian Group Life		Norwegian Group Life, one-year policies	
	2012	2013	2012	2013	2012	2013
<b>Gross premiums written</b>	<b>114</b>	<b>101</b>	<b>19,574</b>	<b>19,276</b>	<b>554</b>	<b>544</b>
Gross premium income	100	102	19,730	18,980	584	524
Gross claims	- 127	- 24	- 14,139	- 13,887	- 536	- 524
Gross operating expenses	- 159	- 74	- 3,259	- 2,977	- 36	- 31
Profit/loss on ceded business	30	- 12	87	351	- 1	- 2
Insurance technical interest, net of reinsurance	0	0	54	56	8	6
<b>Technical result</b>	<b>- 156</b>	<b>- 8</b>	<b>2,473</b>	<b>2,523</b>	<b>19</b>	<b>- 27</b>
Gross claims ratio	127.0	23.5	71.7	73.2	91.8	100.0
<b>Combined ratio</b>	<b>256.0</b>	<b>107.8</b>	<b>88.0</b>	<b>87.2</b>	<b>98.1</b>	<b>106.3</b>
Average claims DKK <sup>b)</sup>	34,658	63,990				
Total claims	512	210				

# Notes

Motor TPL insurance		Motor comprehensive insurance		Marine, aviation and cargo insurance	
2012	2013	2012	2013	2012	2013
<b>2,400</b>	<b>2,322</b>	<b>4,013</b>	<b>3,986</b>	<b>392</b>	<b>359</b>
2,456	2,298	4,011	3,884	386	344
- 1,742	- 1,728	- 2,617	- 2,532	- 158	- 167
- 430	- 403	- 641	- 602	- 39	- 39
- 12	- 36	- 4	- 2	- 25	- 91
14	7	16	14	0	1
<b>286</b>	<b>138</b>	<b>765</b>	<b>762</b>	<b>164</b>	<b>48</b>
70.9	75.2	65.2	65.2	40.9	48.5
<b>88.9</b>	<b>94.3</b>	<b>81.3</b>	<b>80.7</b>	<b>57.5</b>	<b>86.3</b>
5.1%	5.7%	18.1%	19.4%	20.1%	21.0%
25,090	24,059	11,244	10,644	84,256	68,910
72,300	73,973	240,070	238,955	2,659	2,621
Liability insurance		Credit and guarantee insurance		Tourist assistance insurance	
2012	2013	2012	2013	2012	2013
<b>945</b>	<b>986</b>	<b>309</b>	<b>336</b>	<b>564</b>	<b>569</b>
918	978	307	326	569	571
- 718	- 848	- 201	- 888	- 413	- 425
- 139	- 135	- 61	- 47	- 79	- 80
10	50	- 28	629	- 1	- 1
0	3	3	2	3	2
<b>71</b>	<b>48</b>	<b>20</b>	<b>22</b>	<b>79</b>	<b>67</b>
78.2	86.7	65.5	272.4	72.6	74.4
<b>92.3</b>	<b>95.4</b>	<b>94.5</b>	<b>93.9</b>	<b>86.6</b>	<b>88.6</b>
10.0%	11.6%	0.3%	0.3%	12.3%	14.0%
76,535	59,246	2,541,601	6,994,362	8,889	8,265
8,927	10,566	83	127	53,491	54,848

## Total

2012	2013
<b>20,128</b>	<b>19,820</b>
20,314	19,504
- 14,675	- 14,411
- 3,295	- 3,008
86	349
62	62
<b>2,492</b>	<b>2,496</b>
72.2	73.9
<b>88.2</b>	<b>87.7</b>

- a) The claims frequency is calculated as the number of claims incurred in the year in proportion to the average number of insurance contracts in the year.
- b) Average claims are total claims before run-off in the year relative to the number of claims in the year.
- c) Other insurance, gross claims and gross operating expenses include restructuring costs of DKK 28m and DKK 69m, respectively, in 2012

# Notes

DKKm			2012	2013
<b>4 Premium income, net of reinsurance</b>				
Direct insurance			20,395	19,740
Indirect insurance			60	83
			20,455	19,823
Unexpired risk provision			27	33
			20,482	19,856
Ceded direct insurance			-1,051	-1,161
Ceded indirect insurance			-61	-35
			<b>19,370</b>	<b>18,660</b>
<b>Direct insurance, by location of risk</b>			<b>2012</b>	<b>2013</b>
	<b>Gross</b>	<b>Ceded</b>	<b>Gross</b>	<b>Ceded</b>
Denmark	9,947	-541	9,709	-719
Other EU countries	2,176	-61	2,162	-39
Other countries	8,299	-449	7,902	-403
	<b>20,422</b>	<b>-1,051</b>	<b>19,773</b>	<b>-1,161</b>
<b>5 Insurance technical interest, net of reinsurance</b>			<b>2012</b>	<b>2013</b>
Return on insurance provisions			525	483
Discounting transferred from claims provisions			-463	-421
			<b>62</b>	<b>62</b>
<b>6 Claims, net of reinsurance</b>				
Claims			-14,958	-15,273
Run-off previous years, gross			283	862
			-14,675	-14,411
Reinsurance cover received			363	1,332
Run-off previous years, reinsurers' share			732	108
			<b>-13,580</b>	<b>-12,971</b>
<b>7 Insurance operating costs, net of reinsurance</b>				
Commission regarding direct insurance contracts			-477	-379
Other acquisition costs			-2,013	-1,848
Total acquisition costs			-2,490	-2,227
Administration expenses			-805	-781
Insurance operating costs, gross			-3,295	-3,008
Commission from reinsurers			103	105
			<b>-3,192</b>	<b>-2,903</b>



# Notes

DKKm	2012	2013
<b>7 Insurance operating costs, net of reinsurance (continued)</b>		
Administrative expenses include fee to the auditors appointed by the annual general meeting:		
Deloitte	-6	-13
	<b>-6</b>	<b>-13</b>
<i>The fee is divided into:</i>		
Statutory audit	-6	-6
Tax advice	0	-1
Other services	0	-6
	<b>-6</b>	<b>-13</b>
In addition, expenses have been incurred for the Group's Internal Audit Department.		
In the calculation of the expense ratio, costs are stated exclusive of depreciation and operating costs on the owner-occupied property but including a calculated rent concerning the owner-occupied property based on a calculated market rent of DKK 41m (DKK 46m in 2012).		
<b>Insurance operating costs, gross, classified by type</b>		
Commissions	-477	-379
Staff expenses	-1,977	-1,802
Other staff expenses	-206	-224
Office expenses, fees and headquarter expenses	-473	-411
IT operating and maintenance costs, software expenses	-218	-237
Depreciation, amortisation and impairment losses and write-downs	-129	-110
Other income	185	155
	<b>-3,295</b>	<b>-3,008</b>
Total lease expenses amount to DKK 30m (DKK 36m in 2012)		
<i>Insurance operating costs and claims include the following staff expenses:</i>		
Salaries and wages	-2,379	-2,122
Commission	-10	-8
Allocated share options and matching shares	-9	-4
Defined-contribution pension plans	-295	-287
Defined-benefit pension plans	-98	-75
Other social security costs	-5	-5
Payroll tax	-369	-355
	<b>-3,165</b>	<b>-2,856</b>
Remuneration for the Supervisory Board and Executive Management is disclosed in note 29 'Related parties'.		
<b>Average number of full-time employees during the year (continuing business)</b>	<b>4,016</b>	<b>3,800</b>
<b>Restructuring costs</b>		
In order to improve cost-efficiency and profitability, in 2012 Tryg planned to reduce the number of employees by approx. 400, of which a reduction of 294 employees was realised by the end of 2013. As at 31 December 2013, the restructuring provisions amounted to DKK 23m (DKK 97m in 2012).		

## 7 Share option programmes

Spec. of outstanding options:

	TOTAL NUMBERS				MARKET VALUE			
	Executive Management	Other senior employees	Other employees	Total	Per option at time of allocation (DKK)	Total value at time of allocation (DKKm)	Per option at 31 December (DKK)	Total value at 31 December (DKKm)
<b>2013</b>								
<i>Allocation 2008-2011</i>								
Allocated in 2008-2011, 1 January	92,818	391,877	66,580	551,275	69/94/75/72	42	238/226/238	99
Exercised	-43,777	-227,782	-28,201	-299,760	69/94/75/72	-23	238/226/238	-43
Cancelled		-7,525	-3,427	-10,952	69/94/75/72	-1	238/226/238	-2
Expired		-8,580	-2,100	-10,680	69/94/75/72	-1	238/226/238	0
<b>Outstanding options from 2008-2011 allocation 31 Dec. 2013</b>	<b>49,041</b>	<b>147,990</b>	<b>32,852</b>	<b>229,883</b>		<b>18</b>		<b>54</b>
Number of options exercisable 31 Dec. 2013	40,756	53,727	9,046	103,529				
<b>2012</b>								
<i>Allocation 2007-2011</i>								
Allocated in 2007-2011, 31 December	121,638	581,090	98,106	800,834	99/69/94/75/72	64	60/118/115/137	71
Category changes		18,859	-18,859	0	99/69/94/75/72	0	60/118/115/137	0
Exercised	-11,575	-103,177	-6,780	-121,532	99/69/94/75/72	-10	60/118/115/137	-10
Cancelled		-4,883	-1,887	-6,770	99/69/94/75/72	0	60/118/115/137	-1
Expired	-17,245	-100,012	-4,000	-121,257	99/69/94/75/72	-12	60/118/115/137	0
<b>Outstanding options from 2007-2011 allocation 31 Dec. 2012</b>	<b>92,818</b>	<b>391,877</b>	<b>66,580</b>	<b>551,275</b>		<b>42</b>		<b>60</b>
Number of options exercisable 31 Dec. 2012	51,165	153,305	18,670	223,140				

**7 Share option programmes**

Specification of outstanding options:

Year of allocation	Years of exercise	1 Jan. 2013	Additions	Exercised	Cancelled	Expired	31 Dec. 2013
2008	2011-2013	124,978	0	-113,598	-700	-10,680	0
2009	2012-2014	98,162	0	-57,254	0	0	40,908
2010	2013-2015	194,532	0	-128,908	-3,003	0	62,621
2011	2014-2016	133,603	0	0	-7,249	0	126,354
<b>Outstanding options 31 December 2013</b>		<b>551,275</b>	<b>0</b>	<b>-299,760</b>	<b>-10,952</b>	<b>-10,680</b>	<b>229,883</b>

Assumptions for calculation of market value at time of allocation

Year of allocation	Years of exercise	Average share price at time of allocation (DKK)	Expected volatility	Expected maturity	Risk-free interest rate	Average time to expiry, 31 Dec. 2013	Average exercise price, 31 Dec. 2013
2008	2011-2013	378.24	20.30%	4 years	3.60%	0.00	0.00
2009	2012-2014	313.51	37.70%	4 years	2.80%	0.08	286.34
2010	2013-2015	320.04	29.20%	4 years	2.70%	0.58	300.02
2011	2014-2016	295.83	30.00%	4 years	3.00%	1.11	288.90

Tryg did not allocate share options in 2013. At 31 December 2013, the share option plan comprised 229,883 share options (551,275 share options at 31 December 2012). Each share option entitles the holder to acquire one existing share with a nominal value of DKK 25 in Tryg A/S. The share option plan entitles the holders to buy 0.4% of the share capital in Tryg A/S if all share options are exercised.

In 2013, the fair value of share options recognised in the consolidated income statement amounted to DKK 2m (DKK 7m in 2012). At 31 December 2013, a total amount of DKK 78m was recognised for share option programmes issued in 2006-2011. Fair values at the time of allocation are based on the Black & Scholes option pricing formula.

The Group Executive Management includes retired managers with a total of 8,285 units with a value of DKK 0,6m at the time of allocation. Risk-takers are included under 'Other senior employees'.

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

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

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

## 7 Matching shares

	TOTAL NUMBERS			MARKET VALUE			
	Executive Management	Risk-takers	Total	Average per matching share at time of allocation (DKK)	Total value at time of allocation (DKKm)	Average per matching share at 31 Dec. (DKK)	Total value at 31 Dec. (DKKm)
<b>2013</b>							
Allocated in 2013	3,928	2,526	6,454	457	3	525	3
<b>Matching shares allocated at 31. Dec.</b>	<b>3,928</b>	<b>2,526</b>	<b>6,454</b>	<b>457</b>	<b>3</b>	<b>525</b>	<b>3</b>
Allocated in 2012	5,948	3,846	9,794	301	3	525	5
Cancelled	0	-1,005	-1,005	301	0	525	0
<b>Matching shares allocated at 31. Dec.</b>	<b>5,948</b>	<b>2,841</b>	<b>8,789</b>	<b>301</b>	<b>3</b>	<b>525</b>	<b>5</b>
Allocated in 2011	4,979	5,996	10,975	302	4	525	5
Cancelled	0	-988	-988	302	0	525	0
<b>Matching shares allocated at 31. Dec.</b>	<b>4,979</b>	<b>5,008</b>	<b>9,987</b>	<b>302</b>	<b>4</b>	<b>525</b>	<b>5</b>
<b>2012</b>							
Allocated in 2012	5,948	3,846	9,794	301	3	427	4
<b>Matching shares allocated at 31. Dec.</b>	<b>5,948</b>	<b>3,846</b>	<b>9,794</b>	<b>301</b>	<b>3</b>	<b>427</b>	<b>4</b>
Allocated in 2011	4,979	5,996	10,975	302	4	427	5
<b>Matching shares allocated at 31. Dec.</b>	<b>4,979</b>	<b>5,996</b>	<b>10,975</b>	<b>302</b>	<b>4</b>	<b>427</b>	<b>5</b>

In 2011, 2012 and 2013, Tryg entered into an agreement on matching shares for the Executive Management and selected risk-takers as a consequence of the Group's remuneration policy. The Executive Management and selected risk-takers are allocated one share in Tryg A/S for each share that the Executive Management member or risk-taker acquires in Tryg A/S at market rate for liquid cash at a contractually agreed sum. The shares are reported at market value and are accrued over the 4-year maturation period. In 2013, the reported fair value of matching shares for the Group amounted to DKK 2m (DKK 2m in 2012). At 31 December 2013, a total amount of DKK 4m was recognised for matching shares.

# Notes

DKKm	2012	2013
<b>8 Interest and dividends etc.</b>		
<i>Interest income and dividends</i>		
Dividends	15	19
Interest income cash at bank and in hand	26	18
Interest income bonds	1,133	984
Interest income, other	22	8
	1,196	1,029
<i>Interest expenses</i>		
Interest expenses subordinate loan capital and credit institutions	-80	-89
Interest expenses, other	-20	-23
	-100	-112
	<b>1,096</b>	<b>917</b>
<b>9 Value adjustments</b>		
<i>Value adjustments concerning financial assets or liabilities at fair value with value adjustment in the income statement:</i>		
Equity investments	2	-42
Unit trust units	378	578
Share derivatives	-2	30
Bonds	202	-250
Interest derivatives	263	-300
Other loans	0	-5
	843	11
<i>Value adjustments concerning assets or liabilities that cannot be attributed to IAS 39:</i>		
Investment property	82	-21
Owner-occupied property	-350	-76
Discounting	-475	298
Other statement of financial position items	-116	-101
	-859	100
	<b>-16</b>	<b>111</b>

Exchange rate adjustments concerning financial assets or liabilities which cannot be stated at fair value total DKK -146m (DKK 37m in 2012)

# Notes

DKKm	2012	2013
<b>10 Tax</b>		
Tax on accounting profit/loss	-754	-749
Difference between Danish and foreign tax rates	-57	-58
Tax adjustment, previous years	2	-2
Adjustment of non-taxable income and costs	49	152
Change in valuation of tax assets	-89	-20
Change in tax rate	12	58
Other taxes	0	-1
	<b>-837</b>	<b>-620</b>
<b>Effective tax rate</b>	<b>%</b>	<b>%</b>
Tax on accounting profit/loss	25	25
Difference between Danish and foreign tax rates	2	2
Change in tax rate	0	-2
Adjustment of non-taxable income and costs	-2	-5
Change in valuation of tax assets	3	1
	<b>28</b>	<b>21</b>
<b>11 Profit/loss on discontinued and divested business</b>		
Gross premium income	611	202
Gross claims	-484	-149
Total insurance operating costs	-244	-55
Profit/loss on gross business	-117	-2
Profit/loss on ceded business	-4	0
Insurance technical interest, net of reinsurance	4	1
Technical result	-117	-1
Total investment return after insurance technical interest	32	0
Other income and costs	113	1
Profit/loss before tax	28	0
Tax	0	-4
<b>Profit/loss on discontinued and divested business</b>	<b>28</b>	<b>-4</b>
Run-off regarding discontinued Marine Hull insurance	1	11
Divested finnish branch	27	-15

Profit/loss on discontinued and divested business includes Marine Hull insurance, which was divested in 2010 and the Finnish branch of Tryg Forsikring which was sold in 2012, with authority approval in May 2013.

For the year 2013 there has been no line of business with premium income which exceed DKK 70m.

# Notes

DKKm	Goodwill	Trademarks and customer relations	Software <sup>a)</sup>	Assets under construction <sup>a)</sup>	Total
<b>12 Intangible assets</b>					
<b>2013</b>					
<b>Cost</b>					
Cost at 1 January	397	178	869	227	1,671
Exchange rate adjustments	-16	-7	-26	-1	-50
Transferred to assets held for sale	0	0	0	0	0
Transferred from assets under construction	0	0	77	-77	0
Additions for the year	0	0	16	121	137
Disposals for the year	0	0	0	0	0
Cost at 31 December	381	171	936	270	1,758
<b>Amortisation and write-downs</b>					
Amortisation and write-downs at 1 January	0	-73	-747	-92	-912
Exchange rate adjustments	0	3	22	0	25
Transferred to assets held for sale	0	0	0	0	0
Amortisation for the year	0	-19	-81	0	-100
Impairment losses and write-downs for the year	0	0	-13	0	-13
Amortisation and write-downs at 31 December	0	-89	-819	-92	-1,000
<b>Carrying amount at 31 December</b>	<b>381</b>	<b>82</b>	<b>117</b>	<b>178</b>	<b>758</b>
<b>2012</b>					
<b>Cost</b>					
Cost at 1 January	380	170	882	257	1,689
Exchange rate adjustments	17	8	12	0	37
Transferred to assets held for sale	0	0	-4	0	-4
Transferred from asset under construction	0	0	14	-14	0
Additions for the year	0	0	13	82	95
Disposals for the year	0	0	-48	-98	-146
Cost at 31 December	397	178	869	227	1,671
<b>Amortisation and write-downs</b>					
Amortisation and write-downs at 1 January	0	-51	-632	-54	-737
Exchange rate adjustments	0	-2	-9	0	-11
Transferred to assets held for sale	0	0	3	0	3
Amortisation for the year	0	-20	-143	0	-163
Impairment losses and write-downs for the year	0	0	-2	-38	-40
Reversed amortisation	0	0	36	0	36
Amortisation and write-downs at 31 December	0	-73	-747	-92	-912
<b>Carrying amount at 31 December</b>	<b>397</b>	<b>105</b>	<b>122</b>	<b>135</b>	<b>759</b>

<sup>a)</sup> In cost at 31 December is included developed in-house DKK 245m (DKK 134m at 31 December).

DKKm

**12 Intangible assets (continued)****Impairment test****Goodwill**

At 31 December 2013, management performed an impairment test of the carrying amount of goodwill based on the allocation of the cost of goodwill to the cash-generating unit, which consists of the total Swedish insurance activities.

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

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

The cash flows appearing from the latest budgets approved by management for the next 5 financial years are used when calculating the value in use of the total Swedish activities acquired. The cash flows in the latest budget period have been extrapolated for financial years after the budget periods (terminal period) and adjusted for expected growth rates determined on the basis of expectations for the general economic growth. The required return is based on an assessment of the risk profile of the tested business activities compared with the market's expectations for the Group.

The impairment test shows a calculated value in use of approximately DKK 1.4bn relative to a recognised equity of DKK 0.8bn and does not indicate any impairment.

	Assumed annual growth 0-10 years	Assumed annual growth > 10 years	Required return before tax
<b>2013</b>			
Moderna	2.0%	0.0%	12.5%
<b>2012</b>			
Moderna	2.0%	2.0%	12.4%

**Trademarks and customer relations**

As at 31 December 2013, management performed a test of the carrying amounts of trademarks and customer relations as an integral part of the goodwill test. The test did not indicate any impairment.

**Software and assets under construction**

As at 31 December 2013, 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 indicated impairment of a small number of projects, resulting in impairment losses. The total impairment of intangible assets amounts to DKK 13m (DKK 138m in 2012).



# Notes

DKKm	Operating equipment	Owner-occupied property	Assets under construction	Total
<b>13 Property, plant and equipment</b>				
<b>2013</b>				
<b>Cost</b>				
Cost at 1 January	228	1,786	101	2,115
Exchange rate adjustments	-8	-60	-6	-74
Transferred to assets held for sale	0	0	0	0
Transferred from assets under construction	0	10	-10	0
Additions for the year	18	2	0	20
Disposals for the year	-1	0	0	-1
Cost at 31 December	237	1,738	85	2,060
<b>Accumulated value adjustments</b>				
Accumulated value adjustments at 1 January	0	-281	-90	-371
Exchange rate adjustments	0	-11	5	-6
Value adjustments for the year at revalued amount in income statement	0	-76	0	-76
Value adjustments for the year at revalued amount in other comprehensive income	0	9	0	9
Accumulated value adjustments at 31 December	0	-359	-85	-444
<b>Accumulated depreciation</b>				
Accumulated depreciation at 1 January	-90	-62	0	-152
Exchange rate adjustments	3	2	0	5
Transferred to assets held for sale	0	0	0	0
Reversed depreciation	0	0	0	0
Depreciation for the year	-28	-15	0	-43
Accumulated depreciation at 31 December	-115	-75	0	-190
<b>Carrying amount at 31 December</b>	<b>122</b>	<b>1,304</b>	<b>0</b>	<b>1,426</b>

# Notes

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

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

## Impairment test

### Property, plant and equipment

A valuation of the owner-occupied property has been carried out, including the improvements made, and a revaluation of DKK 9m relating to the domicile in Bergen was subsequently included in other comprehensive income (DKK 42m in 2012) and impairment of DKK 7.6m relating to the domicile in Ballerup in the income statement (DKK 350m in 2012). The impairment test performed for operating equipment did not indicate any impairment.

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

Return percentages weighted average	2012	2013
Office property	6.9	6.7

# Notes

DKKm	2012	2013
<b>14 Investment property</b>		
Fair value at 1 January	2,199	2,081
Exchange rate adjustments	24	-52
Additions for the year	35	16
Disposals for the year	-259	-2
Value adjustments for the year	47	-21
Reversed on sale	35	0
<b>Fair value at 31 December</b>	<b>2,081</b>	<b>2,022</b>

Total rental income for 2013 is DKK 139m (DKK 152m in 2012).

Total expenses for 2013 are DKK 32m (DKK 29m in 2012). Of this amount, expenses for non-let property total DKK 2m (DKK 2m in 2012); total expenses for the income-generating investment property are DKK 30m (DKK 27m in 2012).

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

In determining the fair value of the properties, not only publicly available market data are included, corresponding to the 'non-observable input' in the fair value hierarchy. No reclassifications have been made between this category and other categories in the fair value hierarchy during the year. The following return percentages were used for each property category:

Return percentages weighted average	2012	2013
Business property	7.0	7.0
Office property	6.4	6.5
Residential property	5.9	6.0
<b>Total</b>	<b>6.5</b>	<b>6.5</b>

# Notes

DKKm	2012	2013
<b>15 Equity investments in associates</b>		
<b>Cost</b>		
Cost at 1 January	0	0
Cost at 31 December	0	0
<b>Revaluations at net asset value</b>		
Revaluations at 1 January	14	21
Exchange rate adjustments	1	-3
Value adjustments for the year	6	0
Revaluations at 31 December	21	18
<b>Carrying amount at 31 December</b>	<b>21</b>	<b>18</b>

Shares in associates according to the latest annual report:

Name and registered office	Assets	Equity and liabilities	Equity	Revenue	Profit/loss for the year	Ownership share in %
<b>2013</b>						
Komplementarselskabet af 1. marts 2006 ApS, Denmark	0	0	0	0	0	50
Bilskadeinstituttet AS, Norway	5	0	5	2	0	30
AS Eidsvåg Fabrikker, Norway	52	7	45	16	6	28
<b>2012</b>						
Komplementarselskabet af 1. marts 2006 ApS, Denmark	0	0	0	0	0	50
Bilskadeinstituttet AS, Norway	5	0	5	2	0	30
AS Eidsvåg Fabrikker, Norway	60	19	42	22	9	28

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

# Notes

DKKm	2012	2013		
<b>16 Financial assets</b>				
Financial assets at fair value with value adjustments in the income statement	45,014	42,782		
Derivative financial instruments at fair value used for hedge accounting with value adjustment in other comprehensive income	0	73		
Receivables measured at amortised cost with value adjustment in the income statement	2,634	3,118		
<b>Total financial assets</b>	<b>47,648</b>	<b>45,973</b>		
Financial assets at amortised cost only deviate to a minor extent from fair value.				
<b>Financial liabilities</b>				
Derivative financial instruments at fair value with value adjustments in the income statement	737	514		
Derivative financial instruments at fair value with value adjustments in other comprehensive income	38	0		
Financial liabilities at fair value with value adjustment in the income statement	6,176	6,483		
<b>Total financial liabilities</b>	<b>6,951</b>	<b>6,997</b>		
Information on valuation of subordinate loan capital at fair value is stated in note 2.				
Other financial liabilities measured at amortised cost only deviate to a minor extent from fair value.				
<b>Fair value hierarchy for financial instruments measured at fair value in the statement of financial position.</b>				
<b>2013</b>	<b>Quoted market price</b>	<b>Observable input</b>	<b>Non-observ- able input</b>	<b>Total</b>
Equity investments	0	0	150	150
Unit trust units	3,741	0	0	3,741
Bonds	25,068	11,903	0	36,971
Deposits with credit institutions	1,301	0	0	1,301
Derivative financial instruments	0	178	0	178
	30,110	12,081	150	42,341
<b>2012</b>				
Equity investments	0	0	199	199
Unit trust units	3,261	0	0	3,261
Bonds	24,794	14,058	10	38,862
Deposits with credit institutions	949	0	0	949
Derivative financial instruments	0	481	0	481
Assets held for sale	487	0	0	487
	29,491	14,539	209	44,239
			<b>2012</b>	<b>2013</b>
<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			217	209
Exchange rate adjustments			5	-10
Gains/losses in the income statement			-13	-48
Purchases			15	3
Sales			-10	-4
Transfers to/from the group 'non-observable input'			-5	0
<b>Carrying amount at 31 December</b>			<b>209</b>	<b>150</b>
Gains/losses in the income statement for assets held at the statement of financial position date recognised in value adjustments			-13	-42
Bonds measured on the basis of observable inputs mainly consist of Norwegian bonds issued by banks and to some extent Danish semi-liquid bonds, where no quoted prices based on actual trades are available. No significant reclassifications have been made between the categories 'Quoted prices' and 'Observable input' in 2013. 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 -166m (DKK 3m in 2012).				

# Notes

DKKm	Bonds	Shares	Investment property	Total
<b>16 Financial assets (continued)</b>				
<b>Reconciliation between investment assets as per 'Investment Activities' in the management's review and the statement of financial position</b>				
<b>2013</b>				
Investment assets as per the section 'Investment activities' in the management's review	38,339	2,656	2,022	43,017
Consisting of:				
Cash and cash equivalents allocated to portfolio management	-253	0	0	-253
Debt and receivables relating to unsettled funds and property transactions	148	0	0	148
Unit trust units	-1,256	-2,485	0	-3,741
Deposits with credit institutions	-1,301	0	0	-1,301
Derivative financial instruments	-88	-3	0	-91
Repo debt and reverse receivables	1,788	0	0	1,788
Accrued interest	-406	0	0	-406
Associated shares	0	-18	0	-18
<b>Investment assets according to the statement of financial position</b>	<b>36,971</b>	<b>150</b>	<b>2,022</b>	<b>39,143</b>
Unit trust units				3,741
Deposits with credit institutions				1,301
Derivative financial instruments				692
Associated shares				18
<b>Total investment assets according to the statement of financial position</b>				<b>44,895</b>
<b>2012</b>				
Investment assets as per the section 'Investment activities' in the Management's report	40,802	2,444	2,081	45,327
Consisting of:				
Cash and cash equivalents allocated to portfolio management	-61	0	0	-61
Debt and receivables relating to unsettled funds and property transactions	905	0	0	905
Unit trust units	-1,037	-2,224	0	-3,261
Deposits with credit institutions	-949	0	0	-949
Derivative financial instruments	-511	0	0	-511
Repo debt and reverse receivables	94	0	0	94
Accrued interest	-369	0	0	-369
Assets held for sale	-12	0	0	-12
Associated shares	0	-21	0	-21
<b>Investment assets according to the statement of financial position</b>	<b>38,862</b>	<b>199</b>	<b>2,081</b>	<b>41,142</b>
Unit trust units				3,261
Deposits with credit institutions				949
Derivative financial instruments				1,256
Associated shares				21
<b>Total investment assets according to the statement of financial position</b>				<b>46,629</b>

DKKm	2012	2013
<b>16 Financial assets (continued)</b>		
<b>Sensitivity information</b>		
<i>Impact on equity from the following changes:</i>		
Interest rate increase of 0.7-1.0 percentage point	112	-18
Interest rate fall of 0.7-1.0 percentage point	-182	-41
Equity price fall of 12 %	-279	-349
Fall in property prices of 8 %	-283	-266
Exchange rate risk (VaR 99)	-19	-25
Loss on counterparties of 8 %	-320	-396

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

#### Derivative financial instruments

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

	2012		2013	
	Nominal	Market value in statement of financial position	Nominal	Market value in statement of financial position
Interest derivatives	27,078	511	26,015	88
Share derivatives	120	0	325	3
Exchange rate derivatives	7,949	-30	9,352	87
Derivatives according to statement of financial position	35,147	481	35,692	178
Inflation derivatives, recognised in claims provisions	2,590	3	3,311	-166
<b>Total derivative financial instruments</b>	<b>37,737</b>	<b>484</b>	<b>39,003</b>	<b>12</b>
Due after less than 1 year	8,079	-30	16,003	-58
Due within 1 to 5 years	10,955	42	14,169	55
Due after more than 5 years	18,703	472	8,831	15

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

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

	2012			2013		
	Gains	Losses	Net	Gains	Losses	Net
<i>Gains and losses on hedges charged to other comprehensive income:</i>						
Gains and losses at 1 January	1,256	-1,580	-324	1,447	-1,955	-508
Value adjustments for the year	191	-375	-184	340	-35	305
<b>Gains and losses at 31 December</b>	<b>1,447</b>	<b>-1,955</b>	<b>-508</b>	<b>1,787</b>	<b>-1,990</b>	<b>-203</b>

DKKm	2012	2013
<b>16 Finansielle aktiver (forsat)</b>		
<b>Value adjustments</b>		
<i>Value adjustments of foreign entities recognised in other comprehensive income in the amount of:</i>		
Value adjustments at 1 January	337	529
Value adjustment for the year	192	-326
<b>Value adjustments at 31 December</b>	<b>529</b>	<b>203</b>
<b>Receivables</b>		
Receivables from insurance enterprises	1,376	1,387
Receivables from Group undertakings	1	0
Reverse repos	326	885
Other receivables	286	148
	<b>1,989</b>	<b>2,420</b>
<i>Specification of write-downs on receivables from insurance contracts:</i>		
Write-downs at 1 January	143	113
Exchange rate adjustments	2	-7
Transferred to assets held for sale and write-downs and reversed write-downs for the year	-32	6
<b>Write-downs at 31 December</b>	<b>113</b>	<b>112</b>
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 43m in 2013 (DKK 48m in 2012).		
<i>Receivables in connection with insurance contracts include overdue receivables totalling:</i>		
<i>Falling due:</i>		
Within 90 days	160	194
After 90 days	108	108
	<b>268</b>	<b>302</b>
Including writedowns of due amounts	113	112
Other receivables do not contain overdue receivables		
<b>17 Reinsurer's share</b>		
Reinsurers' share	2,354	2,647
Write-downs after impairment test	-37	-27
	<b>2,317</b>	<b>2,620</b>
<b>Impairment test</b>		
As at 31 December 2013, management performed a test of the carrying amount of total reinsurers' share of provisions for insurance contracts. The impairment test resulted in impairment charges totalling DKK 27m (DKK 37m in 2012). Write-downs for the year include reversed write-downs totalling DKK 0m (DKK 16m in 2012). There is no overdue reinsurers' share other than the share already provided for.		



# Notes

DKKm	2012	2013
<b>18 Current tax</b>		
Net current tax, 1 January	-167	-652
Exchange rate adjustments	-16	64
Current tax for the year	-949	-631
Current tax on equity entries	46	-76
Adjustment of current tax in respect of previous years	9	14
Tax paid for the year	425	1,017
<b>Net current tax at 31 December</b>	<b>-652</b>	<b>-264</b>
<i>Current tax is recognised in the statement of financial position as follows:</i>		
Under assets, current tax	0	145
Under liabilities, current tax	-652	-409
<b>Net current tax</b>	<b>-652</b>	<b>-264</b>
<b>19 Assets held for sale and associated liabilities</b>		
Intangible assets	112	0
Property, plant and equipment	2	0
Investment assets and cash and cash equivalents	603	0
Reinsurers' share of claims provisions	7	0
Receivables	18	0
<b>Assets held for sale</b>	<b>742</b>	<b>0</b>
Premium provisions	125	0
Claims provisions	540	0
Other debt	77	0
<b>Liabilities associated with assets held for sale</b>	<b>742</b>	<b>0</b>
Net assets held for sale	0	0
<p>In the statement of financial position at 31 December 2012 assets and liabilities related to the Finnish branch are classified as 'Assets held for sale' and 'Liabilities associated with assets held for sale'. The Group had no other assets held for sale and associated liabilities.</p> <p>The proceeds from the sale are equal to the carrying amount of the related assets and liabilities. The profit is unchanged in relation to the assessment per 31.12.2012</p> <p>The activity which comprised assets and liabilities held for sale and constituted the Group's activities in Finland was definitively disposed of on 1 May 2013. The sale can be specified as follows:</p>		
Intangible assets	0	112
Property, plant and equipment	0	1
Investment assets, cash and cash equivalents	0	3
Reinsurers' share of claims provisions	0	696
Receivables	0	48
Premium provisions	0	168
Claims provisions	0	565
Other debt	0	15
Carrying amount of net assets sold	0	112
Total consideration	0	112

# Notes

DKKm

## 20 Equity

### Share capital

Number of shares, exclusive of own shares	2012		2013	
	Number of shares	Nominal value (DKK '000)	Number of shares	Nominal value (DKK '000)
Number of shares at 1 January	60,373,269	1,509,332	60,694,811	1,517,370
Bought during the year	0	0	-1,620,637	-40,516
Sold during the year	200,000	5,000	0	0
Used in connection with exercise of incentive programme	121,542	3,038	299,787	7,495
<b>Number of shares at 31 December</b>	<b>60,694,811</b>	<b>1,517,370</b>	<b>59,373,961</b>	<b>1,484,349</b>

Own shares	2012			2013		
	Number of shares	Nominal value (DKK '000)	% of share capital	Number of shares	Nominal value (DKK '000)	% of share capital
Own shares at 1 January	942,834	23,571	1.54	621,292	15,532	1.01
Bought during the year	0	0	0.00	1,620,637	40,516	2.65
Sold during the year	-200,000	-5,000	-0.33	0	0	0.00
Cancellation in connection with buyback programme	0	0	0.00	0	0	0.00
Used in connection with exercise of incentive programme	-121,542	-3,039	-0.20	-299,787	-7,495	-0.49
<b>Own shares at 31 December</b>	<b>621,292</b>	<b>15,532</b>	<b>1.01</b>	<b>1,942,142</b>	<b>48,553</b>	<b>3.17</b>

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

## 21 Premium provisions

	2012	2013
Premium provision at 1 January	6,770	6,658
Value adjustments of provisions, beginning of year	185	-335
Paid in the financial year	20,139	18,740
Change in premiums in the financial year	-20,434	-18,881
Exchange rate adjustments	-2	-6
Premium provisions at 31 December	6,658	6,176
Other <sup>a)</sup>	30	36
	<b>6,688</b>	<b>6,212</b>

# Notes

DKKm	Gross	Ceded	Net of reinsurance
<b>21 Claims provisions</b>			
<b>2013</b>			
Claims provisions at 1 January	26,842	1,893	24,949
Value adjustments of provisions , beginning of year	-1,569	-126	-1,443
	25,273	1,767	23,506
Paid in the financial year in respect of the current year	-6,571	-43	-6,528
Paid in the financial year in respect of prior years	-6,604	-628	-5,976
	-13,175	-671	-12,504
Change in claims in the financial year in respect of the current year	13,902	562	13,340
Change in claims in the financial year in respect of prior years	-854	103	-957
	13,048	665	12,383
Discounting and exchange rate adjustments	125	19	106
Claims provisions at 31 December	25,271	1,780	23,491
Other <sup>a)</sup>	816	603	213
	<b>26,087</b>	<b>2,383</b>	<b>23,704</b>
<b>2012</b>			
Total at 1 January	26,159	1,755	24,404
Value adjustments of provisions, beginning of year	720	44	676
	26,879	1,799	25,080
Paid in the financial year in respect of the current year	-7,442	-92	-7,350
Paid in the financial year in respect of prior years	-8,233	-867	-7,366
	-15,675	-959	-14,716
Change in claims in the financial year in respect of the current year	14,978	268	14,710
Change in claims in the financial year in respect of prior years	-300	740	-1,040
	14,678	1,008	13,670
Discounting and exchange rate adjustment	960	45	915
Claims provisions at 31 December	26,842	1,893	24,949
Other <sup>a)</sup>	400	187	213
	<b>27,242</b>	<b>2,080</b>	<b>25,162</b>

a) Comprises premium and claims provisions for Tryg Garantiforsikring A/S.

# Notes

DKKm	2012	2013
<b>22 Pensions and similar obligations</b>		
Jubilees	60	68
<b>Recognised liability</b>	<b>60</b>	<b>68</b>
<i>Defined-benefit pension plans:</i>		
Present value of pension obligations funded through operations	106	86
Present value of pension obligations funded through establishment of funds	2,045	1,671
Pension obligation, gross	2,151	1,757
Fair value of plan assets	1,109	1,034
<b>Pension obligation, net</b>	<b>1,042</b>	<b>723</b>
<i>Specification of change in recognised pension obligations:</i>		
Recognised pension obligation at 1 January	1,990	2,151
Exchange rate adjustments	120	-278
Present value of pensions earned during the year	81	63
Capital cost of previously earned pensions	52	39
Actuarial gains/losses	-22	-157
Paid during the period	-70	-62
<b>Recognised pension obligation at 31 December</b>	<b>2,151</b>	<b>1,756</b>
<i>Change in carrying amount of plan assets:</i>		
Carrying amount of plan assets at 1 January	1,013	1,109
Exchange rate adjustments	58	-144
Investments in the year	130	81
Estimated return on pension funds	41	21
Actuarial gains/losses	-84	10
Paid during the period	-49	-44
<b>Carrying amount of plan assets at 31 December</b>	<b>1,109</b>	<b>1,033</b>
<b>Total pensions and similar obligations at 31 December</b>	<b>1,042</b>	<b>723</b>
<b>Total recognised obligation at 31 December</b>	<b>1,102</b>	<b>791</b>
<i>Specification of pension cost for the year:</i>		
Present value of pensions earned during the year	69	56
Interest expense on accrued pension obligation	51	42
Expected return on plan assets	-40	-23
Accrued employer contributions	11	11
<b>Total year's cost of defined-benefit plans</b>	<b>91</b>	<b>86</b>
The premium for the following financial years is estimated at:	114	78
Number of active persons and number of pensioners	1,428	1,376
<b>Estimated distribution of plan assets:</b>	<b>%</b>	<b>%</b>
Shares	9	10
Bonds	74	73
Property	17	17
Average return on plan assets	2.5	3.3

DKKm	2012	2013
<b>22 Pensions and similar obligations (continued)</b>	<b>%</b>	<b>%</b>
<i>Assumptions used</i>		
Discount rate	2.4	3.3
Estimated return on pension funds	2.5	3.3
Salary adjustments	3.5	3.8
Pension adjustments	3.3	3.5
G adjustments	3.3	3.5
Turnover	7.0	7.0
Employer contributions	14.1	14.0
Mortality table	Adj. K2005	Adj. K2013
<b>Sensitivity information</b>		
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	84	80
Interest rate decrease of 0.3 percentage point	-90	-70
Pay increase rate, increase of 1 percentage point	-105	-65
Pay increase rate, decrease of 1 percentage point	86	69
Pension adjustment, increase of 0.5 percentage point	-151	-140
pension adjustment, decrease of 0.5 percentage point	128	121
Turnover, increase of 2.0 percentage point	-77	-66
Turnover decrease of 2.0 percentage point	99	84

## 22 Pensions and similar obligations (continued)

### Description of the Norwegian plan

In the Norwegian part of the group, 56 % 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.

Pensions being disbursed are regulated in step with the basic amount of old-age pension paid in Norway (G regulation). Under the present defined-benefit plan, members earn a free policy entitlement comprising disability cover, spouse and cohabitant cover and children's pension.

In connection with new legislation on occupational pensions in Norway, adopted and applicable from 1 January 2014, changes are expected to be made to the defined-benefit pension plan. These changes will affect the future recognition and measurement of the obligation.

The pension funds are managed by Nordea Liv & Pension and regulated by local legislation and practice.

### Description of the Swedish plan

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

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

This year's premium paid to FPK amounted to DKK 16m, which is about 3% of the annual premium in FPK (2012). FPK writes in its interim report for 2013 that it had a collective consolidation ratio of 114 at 30 June 2013 (consolidation ratio 104 at 30 June 2012). The collective consolidation ratio is defined as the fair value of the plan assets relative to the total collective pension obligations.

# Notes

DKKm	2012	2013
<b>23 Deferred tax</b>		
<b>Tax asset</b>		
Operating equipment	22	14
Debt and provisions	290	105
Capitalised tax loss	13	6
	<b>325</b>	<b>125</b>
<b>Tax liability</b>		
Intangible rights	76	75
Land and buildings	253	227
Bonds and loans secured by mortgages	78	45
Contingency funds	1,061	835
	<b>1,468</b>	<b>1,182</b>
<b>Deferred tax</b>	<b>1,143</b>	<b>1,057</b>
Unaccrued timing differences of statement of financial position items	118	122
<b>Development in deferred tax</b>		
Deferred tax at 1 January	1,191	1,143
Exchange rate adjustments	56	-119
Change in deferred tax relating to change in tax rate	-12	-50
Change in deferred tax previous years	7	16
Change in capitalised tax loss	65	5
Change in deferred tax taken to the income statement	-247	-7
Change in valuation of tax asset	89	20
Change in deferred tax taken to equity	-6	49
<b>Deferred tax at 31 December</b>	<b>1,143</b>	<b>1,057</b>
<b>Tax value of non-capitalised tax loss</b>		
Denmark	18	18
Sweden	4	3
Finland	0	1

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

The losses are not recognised as tax assets until it has been substantiated that the company can generate sufficient future taxable income to offset the tax loss.

The total current and deferred tax relating to items recognised in equity is recognised in the statement of financial position in the amount of DKK -133m. (2012 DKK 50m).

# Notes

DKKm	2012	2013
<b>24 Other provisions</b>		
Other provisions 1 January	11	98
Change in provisions	87	-75
<b>Other provisions 31 December</b>	<b>98</b>	<b>23</b>
Other provisions relate to provisions for the Group's own insurance claims and restructuring costs. The provision for restructuring costs has been reassessed and amounts to DKK 23m at 31 December 2013.		
<b>25 Amounts owed to credit institutions</b>		
Overdraft facilities	14	6
	<b>14</b>	<b>6</b>
<b>26 Debt relating to unsettled funds transactions and repos</b>		
Unsettled fund transactions	1,050	148
Repo debt	420	2,673
	<b>1,470</b>	<b>2,821</b>
Unsettled fund transactions include debt for bonds purchased in 2012 and 2013; however, with settlement in 2013 and 2014, respectively.		
<b>27 Earnings per share</b>		
Profit/loss from continuing business	2,180	2,373
Profit/loss on discontinued and divested business	28	-4
Profit/loss for the year	2,208	2,369
Average number of shares (1,000)	60,491	60,155
Diluted number of shares (1,000)	223	104
Diluted average number of shares (1,000)	60,714	60,259
Earnings per share, continuing business	36.0	39.4
Earnings per share	36.5	39.4
Diluted earnings per share	36.4	39.3
Earnings per share, discontinued and divested business	0.5	0.0
Diluted earnings per share, discontinued and divested business	0.5	0.0



# Notes

DKKm	Obligations due by period				Total
	<1 year	1-3 years	3-5 years	> 5 years	
<b>28 Contractual obligations, collateral and contingent liabilities</b>					
<b>Contractual obligations</b>					
<b>2013</b>					
Operating leases	150	182	75	73	480
Other contractual obligations	298	12	0	0	310
	<b>448</b>	<b>194</b>	<b>75</b>	<b>73</b>	<b>790</b>
<b>2012</b>					
Operating leases	136	215	65	57	473
Other contractual obligations	397	86	0	0	483
	<b>533</b>	<b>301</b>	<b>65</b>	<b>57</b>	<b>956</b>

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

Tryg Forsikring A/S and Tryg Forsikring, a Norwegian branch of Tryg Forsikring A/S, have signed a letter of intent concerning an outsourcing agreement with TCS. Telephony services contract with Telenor for DKK 98m, which expires after 2015. Lease contracts on premises for DKK 293m. The contracts expire after 5 years.

**Collateral**

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

	2012	2013
<i>Tryg Forsikring A/S and Tryg Garantiforsikring A/S have registered the following assets as having been held as security for the insurance provisions:</i>		
Equity investments in associates	21	18
Equity investments	199	150
Unit trust units	3,261	3,741
Bonds	37,458	34,867
Deposits with credit institutions	949	1,301
Receivables relating to reinsurance	1,614	585
Bonds and cash and cash equivalents included in the item 'Assets held for sale'	587	0
Interest and rent receivable	365	403
Equity investments in and receivables from Group undertakings which have been eliminated in the consolidated financial statements	2,128	1,944
<b>Total</b>	<b>46,582</b>	<b>43,009</b>

## 28 Offsetting and collateral in relation to financial assets and obligations

2013	Gross amount before offsetting	Offsetting	According to the statement of financial position	Collateral which is not offset in the statement of financial position		Net amount
				Bonds as collateral for repos/ reverse repos	Collateral in cash	
<b>Assets</b>						
Reverse repos	885	0	885	-885	0	0
Derivative financial instruments	692	0	692	0	-553	139
	<b>1,577</b>	<b>0</b>	<b>1,577</b>	<b>-885</b>	<b>-553</b>	<b>139</b>
<b>Liabilities</b>						
Repo debt	2,673	0	2,673	-2,673	0	0
Derivative financial instruments	514	0	514	0	-433	81
Inflation derivatives, recognised in claims provisions	166	0	166	0	-155	11
	<b>3,353</b>	<b>0</b>	<b>3,353</b>	<b>-2,673</b>	<b>-588</b>	<b>92</b>
<b>2012</b>						
<b>Assets</b>						
Reverse repos	326	0	326	-326	0	0
Derivative financial instruments	1,256	0	1,256	0	-536	720
Inflation derivatives, recognised in claims provisions	3	0	3	0	-9	-6
	<b>1,585</b>	<b>0</b>	<b>1,585</b>	<b>-326</b>	<b>-545</b>	<b>714</b>
<b>Liabilities</b>						
Repo debt	420	0	420	-420	0	0
Derivative financial instruments	775	0	775	0	-230	545
	<b>1,195</b>	<b>0</b>	<b>1,195</b>	<b>-420</b>	<b>-230</b>	<b>545</b>

**Contingent liabilities**

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

Tryg decided to initiate a transition of its IT-operation for implementation in 2014. In 2013 a letter of intent concerning an agreement on the outsourcing of operations was signed with TCS. Costs may be incurred in connection with the transition in 2014.

Management believes that the outcome of disputes and IT-transition will not affect the Group's financial position significantly beyond the obligations recognised in the statement of financial position at 31 December 2013.

# Notes

DKKm	2012	2013
<b>29 Related parties</b>		
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.		
<b>Premium income</b>		
- Parent company (TryghedsGruppen smba)	0.3	0.3
- Key management	0.4	0.4
- Other related parties	3.0	1.9
<b>Claims payments</b>		
- Parent company (TryghedsGruppen smba)	0.0	0.2
- Key management	0.1	0.1
- Other related parties	0.2	0.2

## Specification of remuneration

2013	Number of persons	Basic salary	Variable salary	Pension	Total <sup>a)</sup>
Supervisory Board	14	7	0	0	7
Executive Management	3	18	1	4	23
Risk-takers	10	20	0	5	25
	<b>27</b>	<b>45</b>	<b>1</b>	<b>9</b>	<b>55</b>
<i>Of which retired</i>	<b>Number of persons</b>	<b>Severance pay</b>			
Supervisory Board	2	0			
Executive Management	0	0			
Risk-takers	1	5			
	<b>3</b>	<b>5</b>			

The maximum amount paid in severance pay to an individual is DKK 5m.

2012	Number of persons	Basic salary	Variable salary	Pension	Total <sup>a)</sup>
Supervisory Board	16	6	0	0	6
Executive Management	3	18	1	4	23
Risk-takers	11	22	2	5	29
	<b>30</b>	<b>46</b>	<b>3</b>	<b>9</b>	<b>58</b>
<i>Of which retired</i>	<b>Number of persons</b>	<b>Severance pay</b>			
Supervisory Board	4	0			
Executive Management	0	0			
Risk-takers	1	20			
	<b>5</b>	<b>20</b>			

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

<sup>a)</sup> Exclusive of severance pay

DKKm

## 29 Related parties (continued)

Fees are charges incurred during the financial year. Variable salary includes the charges for matching shares, which are recognised over 4 years and share options, which are recognised over 3 years. Reference is made to section 'Corporate governance' of the management's review on the corresponding disbursements.

The Executive Management and risk-takers are included in incentive programmes. Please refer to note 7 for information concerning this.

The members of the Supervisory Board in Tryg A/S are paid with a fixed remuneration and are not covered by the incentive schemes. The Executive Management is paid a fixed remuneration and pension. The variable salary is awarded in the form of a matching share programme, see 'Corporate governance'.

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

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

### Parent company

#### Tryghedsgruppen smba

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

#### Intra-group trading involved:

	2012	2013
- Subordinate loan capital, called in April 2013	490	0
- Interest expenses	30	6

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

#### Intra-group transactions

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

## 30 Financial highlights

Please refer to page 59.

## 31 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 2013 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:

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

A reclassification has been made in respect of derivative financial instruments of DKK 709m in 2012 from the main items 'Total other financial investment assets' and 'Total debt' due to the grossing-up of derivative instruments at contract level.

The comparative figures have been restated to reflect the above changes. Except as noted above, the accounting policies have been applied consistently with last year.

## Accounting regulation

### Implementation of changes to accounting standards and interpretation in 2013

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

No standards or interpretations have been implemented for the first time for the accounting year that began on 1st January 2013 that will have a significant impact on the group. New or amended standards and interpretations that have been implemented but have not significantly affected the group:

- Amendments to IFRS 7 'Offsetting of assets and liabilities'
- IFRS 13 'Fair Value Measurement'
- Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income'

- Amendments to IAS 1 'Annual Improvements 2009-2011 Cycle (Comparative information)'
- Amendments to IAS 16 'Annual Improvements 2009-2011 Cycle (Servicing Equipment)'
- IAS 19 (as revised in 2011) 'Employee Benefits'
- Amendments to IAS 32 'Annual Improvements 2009-2011 Cycle (tax effect of equity distribution)'

### Future orders, standards and interpretations that the group has not implemented and which have still not entered into force:

- IFRS 7 'Deferral of mandatory effective dates' <sup>b)</sup>
- IFRS 9 'Financial Instruments' <sup>b)</sup>
- Reissue of IFRS 9 to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements' <sup>b)</sup>
- Amendments to IFRS 9 'Deferral of mandatory effective dates' <sup>b)</sup>
- Amendments to IFRS 9 'Additional hedge accounting disclosures' <sup>b)</sup>
- Amendments to IAS 39 'Novations of derivatives' <sup>a)</sup>
- IFRS 10 'Consolidated Financial Statements' <sup>a)</sup>
- IFRS 11 'Joint Arrangements' <sup>a)</sup>
- IFRS 12 'Disclosure of Interests in Other Entities' <sup>a)</sup>
- Amendments to IFRS 10, 11 and 12 'transitional guidance' <sup>a)</sup>
- IAS 27 (as revised in 2011) 'Separate Financial Statements' <sup>a)</sup>
- IAS 28 (as revised in 2011) 'Investments in Associates and Joint Ventures' <sup>a)</sup>
- IFRIC 21 'Levies' <sup>a)</sup>
- Amendments to IAS 19 'Clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service' <sup>a)</sup>
- Amendments to IAS 32 'Offsetting of assets and liabilities' <sup>a)</sup>
- Amendments to IAS 36 'Recoverable Amount Disclosures for Non-financial Assets' <sup>a)</sup>

<sup>a)</sup> enters into force for the accounting year commencing 1 January 2014 or later.

<sup>b)</sup> enters into force for the accounting year commencing 1 July 2015 or later.

The changes will be implemented going forward from 2013. The changes will not significantly affect the Group.

### Changes to accounting estimates

The calculation of insurance technical interest was changed with effect from Q2 2013. Insurance technical interest is subsequently calculated based on the monthly average provision plus interest under the present yield curve for each individual group of risks taking into account the provisions' expected run-off pattern. A co-weighted interest from the present yield curve was previously used for each individual group of risks.

The change does not affect the net profit for the period as it concerns a redistribution between the technical result and the investment return net of insurance technical interest. It is estimated that the change has improved the technical result by as much as DKK 12m, with the investment return being reduced by the same amount.

The reduction of the estimated tax rate from 25% to 23% in Q3 2013 is due to a change in the expected tax-free share gains in Norway as well as recognition of the reduction in the tax rate in Denmark in the coming years.

### Significant accounting estimates and assessments

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

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

### Liabilities under insurance contracts

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

Claims provisions are estimated based on actuarial and statistical projections of claims and the administration of claims. The projections are based on Tryg's knowledge of historical developments, payment patterns, reporting delays, duration of the claims settlement process and other factors that might influence future developments in the liabilities.

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

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

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

The Financial Supervisory Authority's adjusted discount curve, which is based on euro swap rates, national spreads and Danish swap rates, and

also an option-adjusted mortgage interest rate spread, is used to discount Danish claims provisions.

The Norwegian and Swedish provisions are discounted based on euro swap rates, to which a country-specific interest rate spread is added that reflects the difference between Norwegian and Swedish government bonds and the interest rate on German government bonds. Finnish provisions are discounted using the Danish discount curve.

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

### Defined benefit pension schemes

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

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

### Fair value of financial assets and liabilities

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

### Valuation of property

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

### Measurement of goodwill, Trademarks and Customer relations

Goodwill, Trademarks and customer relations was acquired in connection with acquisition of businesses. Goodwill is allocated to the cash-generating units under which management manages the investment. The carrying amount is tested for impairment at least annually. Impairment testing

involves estimates of future cash flows and is affected by a number of factors, including discount rates and other circumstances dependent on economic trends, such as customer behaviour and competition.

## Description of accounting policies

### Recognition and measurement

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

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

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

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

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

### Consolidation

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

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

Undertakings in which the Group exercises significant influence but not control are classified as associates. Significant influence is typically

achieved through direct or indirect ownership or control of more than 20% but less than 50% of the votes.

Investments in joint ventures are recognised using the pro rata consolidation method. Using pro rata consolidation, the Group's share of joint venture assets and liabilities is recognised in the statement of financial position. The share of income and costs and assets and liabilities are presented on a line-by-line basis in the consolidated financial statements.

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

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

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

### Business combinations

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

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

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

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

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

### Currency translation

A functional currency is determined for each of the reporting entities in the Group. The functional currency is the currency used in the primary

economic environment in which the reporting entity operates. Transactions in currencies other than the functional currency are transactions in foreign currencies.

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

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

### Segment reporting

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

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

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 2010 issued by the Danish Society of Financial Analysts and the Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds issued by the Danish Financial Supervisory Authority.

## Income statement

### Premiums

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

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

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

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

### Technical interest

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

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

### Claims

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

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

Changes in claims provisions due to changes in yield curve and exchange rates are recognised as a price adjustment.

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



## Bonus and premium discounts

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

## Insurance operating expenses

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

## Leasing

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

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

## Share-based payment

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

## Share option programme

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

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

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

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

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

Group's holding of own shares is reserved for settlement of the options allocated.

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

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

## Matching shares

Members of Executive Management and risk takers have been allocated shares in accordance with the 'Matching shares' scheme. Under Matching shares, the individual management member or risk takers is allocated one share in Tryg A/S for each share the Executive management member or risk taker acquires in Tryg A/S at the market rate for 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, four years after the time of purchase. The holder may not sell the shares until six months after the matching time.

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

## Investment activities

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

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

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

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

## Other income and expenses

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

## Discontinued and divested business

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

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

The comparative figures, including five-year financial highlights and key ratios, have been restated to reflect discontinued business. Discontinued and divested business in the income statement includes the profit/loss after tax of the run-off for the marine hull business in 2010 and the divested activities in the Finnish branch in 2012. Discontinued business also comprises the Tryg Forsikring A/S run-off business.

## Statement of financial position

### Intangible assets

#### Goodwill

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

#### Trademarks and customer relations

Trademarks and customer relations have been identified as intangible assets on acquisition. The intangible assets are recognised at fair value at the time of acquisition and amortised on a straight-line basis over the expected economic lifetime of 5–12 years.

#### Software

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

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

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

#### Assets under construction

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

#### Fixed assets

##### Operating equipment

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

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

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

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

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

#### Land and buildings

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

#### Owner-occupied property

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

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

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

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

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

#### **Assets under construction**

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

#### **Investment property**

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

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

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

Changes in fair values are recorded in the income statement.

#### **Impairment test for intangible assets, property and operating equipment**

Operating equipment and intangible assets are assessed at least once per year to ensure that the depreciation method and the depreciation period that is used are connected to the expected economic lifetime. This also applies to the salvage value. Write-down is performed if depreciation has been demonstrated. A continuous assessment of owner-occupied property is performed.

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

#### **Equity investments in Group undertakings**

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

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

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

The results of foreign subsidiaries are based on translation of the items in the income statement using average exchange rates for the period. Income and costs in domestic enterprises denominated in foreign currencies are translated using the exchange rates applicable on the transaction date.

Statement of financial position items of foreign subsidiaries are translated using the exchange rates applicable at the statement of financial position date.

#### **Equity investments in associates**

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

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

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

### Investments

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

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

### Financial assets at fair value recognised in income statement

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

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

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

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

### Derivative financial instruments and hedge accounting

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

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

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

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

### Reinsurers' share of provisions for insurance contracts

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

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

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

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

The Group continuously assesses its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount. Impairment losses are recognised in the income statement.

## Receivables

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

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

Receivables that are not derivative financial instruments are recognised initially at fair value and are subsequently assessed at amortised cost. The income statement includes an estimated reservation for expected unobtainable sums when there is a clear indication of asset impairment. The reservation entered is assessed as the difference between the carrying amount of an asset and the present value of expected future cash flows.

## Assets held for sale and associated liabilities

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

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

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

## Other assets

Other assets include current tax assets and cash at bank and in hand. Current tax assets are receivables concerning tax for the year adjusted for on-account payments and any prior-year adjustments. Cash at bank and in hand is recognised at nominal value at the statement of financial position date.

## Prepayments and accrued income

Prepayments include expenses paid in respect of subsequent financial years and interest receivable. Accrued underwriting commission relating to the sale of insurance products is also included.

## Equity

### Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

### Revaluation reserves

Revaluation of owner-occupied property is recognised in other comprehensive income unless the revaluation offsets a previous impairment loss.

### Foreign currency translation reserve

Assets and liabilities of foreign entities are recognised using the exchange rate applicable at the statement of financial position date. Income and expense items are recognised using the average monthly exchange rates for the period. Any resulting differences are recognised in equity. When an entity is wound up, the balance is transferred to the income statement. The hedging of the currency risk in respect of foreign entities is also offset in other comprehensive income in respect of the part that concerns the hedge.

### Contingency fund reserves

Contingency fund reserves are recognised as part of retained earnings under equity. The reserves may only be used when so permitted by the Danish Financial Supervisory Authority and when it is for the benefit of the policyholders. The Norwegian contingency fund reserves include provisions for the Norwegian Natural Perils Pool, security reserve and guarantee reserve. The Danish and Swedish provisions comprise contingency fund provisions. Deferred tax on the Norwegian and Swedish contingency fund reserves is allocated.

### Dividends

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

### Own shares

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

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

### Subordinate loan capital

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

### Provisions for insurance contracts

Premiums written are recognised in the income statement (premium income) proportionally over the period of coverage and, where necessary, adjusted to reflect any time variation of the risk. The portion of premiums

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

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

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

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

Claims provisions are determined for each line of business based on actuarial methods. Where such business lines encompass more than one business area, short-tailed claims provisions are distributed based on number of claims reported while long-tailed claims provisions are distributed based on premiums earned. The models currently used are Chain-Ladder, Bornhuetter-Ferguson, the Loss Ratio method and De Vylder's credibility method. Chain-Ladder techniques are used for lines of business with a stable run-off pattern. The Bornhuetter-Ferguson method, and sometimes the Loss Ratio method, are used for claims years in which the previous run-off provides insufficient information about the future run-off performance. De Vylder's credibility method is used for areas that are somewhere in between the Chain-Ladder and Bornhuetter-Ferguson/Loss Ratio methods, and may also be used in situations that call for the use of exposure targets other than premium volume, for example the number of insured.

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

In some instances, the historic data used in the actuarial models is not necessarily predictive of the expected future development of claims. For example, this is the case with legislative changes where an a priori estimate is used for premium increases related to the expected in-

crease 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.

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.

The plan is closed for new business.

#### **Other employee benefits**

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

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

#### **Income tax and deferred tax**

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

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

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

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

#### **Other provisions**

Provisions are recognised when the Group has a legal or constructive obligation as a result of an event prior to or at the statement of financial position date, and it is probable that future economic benefits will flow out of the Group. Provisions are measured at the best estimate by management of the expenditure required to settle the present obligation. The measurement of provisions is based on a discounting of the costs necessary to settle the obligation if this has a significant effect on the measurement of the obligation.

Provisions for restructurings are recognised as obligations when a detailed formal restructuring plan has been announced prior to or at the statement of financial position date at the latest to the persons affected by the plan.

Own insurance is included under other provisions. The provisions apply to the Group's own insurance claims and are reported when the damage occurs according to the same principle as the Group's other claims provisions.

#### **Debt**

Debt comprises debt in connection with direct insurance and reinsurance, amounts owed to credit institutions, current tax obligations and other debt. Derivative financial instruments are assessed at fair value according to the same practice that applies to financial assets. Other liabilities are assessed at amortised cost based on the effective interest method.

#### **Cash flow statement**

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

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

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

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

Cash and cash equivalents comprise cash and demand deposits.

## Income statement (parent company)

DKKm		2012	2013
Note	<b>Investment activities</b>		
1	Income from Group undertakings	2,265	2,410
	Interest expenses	0	1
	Administration expenses in connection with investment activities	-8	-6
	<b>Total investment return</b>	<b>2,257</b>	<b>2,405</b>
2	Other expenses	-67	-52
	<b>Profit/loss before tax</b>	<b>2,190</b>	<b>2,353</b>
3	Tax	18	14
	<b>Profit/loss on continuing business</b>	<b>2,208</b>	<b>2,367</b>
	<b>Profit/loss for the year</b>	<b>2,208</b>	<b>2,367</b>
	<b>Proposed distribution for the year:</b>		
	Dividend	1,594	1,656
	Transferred to reserve for net revaluation according to the equity method	1,865	817
	Transferred to retained profit	-1,251	-106
		<b>2,208</b>	<b>2,367</b>
	<b>Statement of comprehensive income</b>		
	Profit/loss for the year	2,208	2,367
	<b>Other comprehensive income</b>		
	<b>Other comprehensive income which cannot subsequently be reclassified as profit or loss</b>		
	Revaluation of owner-occupied property for the year	42	9
	Tax on revaluation of owner-occupied property for the year	-12	-3
	Actuarial gains/losses on defined-benefit pension plans	-62	179
	Tax on actuarial gains/losses on defined-benefit pension plans	16	-54
	Deferred tax on contingency fund provision	0	0
		-16	131
	<b>Other comprehensive income which can subsequently be reclassified as profit or loss</b>		
	Exchange rate adjustments of foreign entities for the year	193	-326
	Hedging of currency risk in foreign entities for the year	-184	305
	Tax on hedging of currency risk in foreign entities for the year	46	-76
		55	-97
	<b>Total other comprehensive income</b>	<b>39</b>	<b>34</b>
	<b>Comprehensive income</b>	<b>2,247</b>	<b>2,401</b>



## Statement of financial position (parent company)

DKKm		2012	2013
Note	<b>Assets</b>		
4	Equity investments in Group undertakings	10,889	11,740
	<b>Total investments in Group undertakings</b>	<b>10,889</b>	<b>11,740</b>
	<b>Total investment assets</b>	<b>10,889</b>	<b>11,740</b>
	Receivables from Group undertakings	85	0
	<b>Total receivables</b>	<b>85</b>	<b>0</b>
5	Current tax assets	24	14
	Cash at bank and in hand	1	1
	<b>Total other assets</b>	<b>25</b>	<b>15</b>
	<b>Total assets</b>	<b>10,999</b>	<b>11,755</b>
	<b>Equity and liabilities</b>		
	<b>Equity</b>	<b>10,996</b>	<b>11,122</b>
	Debt to Group undertakings	0	629
	Other debt	3	4
	<b>Total debt</b>	<b>3</b>	<b>633</b>
	<b>Total equity and liabilities</b>	<b>10,999</b>	<b>11,755</b>
6	Deferred tax assets		
7	Capital adequacy		
8	Contractual obligations, contingent liabilities and collateral		
9	Related parties		
10	Reconciliation of profit/loss and equity		
11	Accounting policies		

## Statement of changes in equity (parent company)

DKKm	Share capital	Revaluation reserves	Retained earnings	Proposed dividend	Total
<b>Equity at 31 December 2011</b>	<b>1,533</b>	<b>1,998</b>	<b>5,093</b>	<b>400</b>	<b>9,024</b>
<b>2012</b>					
Profit/loss for the year		1,865	-1,251	1,594	2,208
Revaluation of owner-occupied properties		42			42
Exchange rate adjustment of foreign entities for the year		193			193
Hedging of currency risk in foreign entities for the year		-184			-184
Actuarial gains and losses on pension obligation		-62			-62
Tax on changes in equity		50			50
Total comprehensive income	0	1,904	-1,251	1,594	2,247
Dividend paid				-400	-400
Dividend, own shares			6		6
Purchase and sale of own shares			66		66
Exercise of share options			44		44
Issue of share options			9		9
<b>Total changes in equity in 2012</b>	<b>0</b>	<b>1,904</b>	<b>-1,126</b>	<b>1,194</b>	<b>1,972</b>
<b>Equity at 31 December 2012</b>	<b>1,533</b>	<b>3,902</b>	<b>3,967</b>	<b>1,594</b>	<b>10,996</b>
<b>2013</b>					
Profit/loss for the year		817	-106	1,656	2,367
Revaluation of owner-occupied property for the year		9			9
Exchange rate adjustments of foreign entities for the year		-326			-326
Hedging of currency risk in foreign entities for the year		305			305
Actuarial gains and losses on pension obligation		179			179
Tax on changes in equity		-133			-133
Total comprehensive income	0	851	-106	1,656	2,401
Dividend paid				-1,594	-1,594
Dividend own shares			15		15
Purchase and sale of own shares			-800		-800
Exercise of share options			100		100
Issue of share options and matching shares			4		4
<b>Total changes in equity in 2013</b>	<b>0</b>	<b>851</b>	<b>-787</b>	<b>62</b>	<b>126</b>
<b>Equity at 31 December 2013</b>	<b>1,533</b>	<b>4,753</b>	<b>3,180</b>	<b>1,656</b>	<b>11,122</b>

Proposed dividend per share DKK 27 (in 2012 DKK 26)

Dividend per share is calculated as the total dividend proposed by the Supervisory Board after the end of the financial year divided by the number of shares at the end of the year (61,316,103 shares). The dividend is not paid until approved by the shareholders at the annual general meeting.

The possible payment of dividend from Tryg Forsikring A/S to Tryg A/S is influenced by contingency fund provisions of DKK 3,020m (DKK 3,363m in 2012). The contingency fund provisions can be used to cover losses in connection with the settlement of insurance provisions or otherwise for the benefit of the insured.

# Notes (parent company)

DKKm	2012	2013
<b>1 Income from Group undertakings</b>		
Tryg Forsikring A/S	2,265	2,410
	<b>2,265</b>	<b>2,410</b>
<b>2 Other expenses</b>		
Administration expenses	-67	-52
	<b>-67</b>	<b>-52</b>
<p>Remuneration for the Executive Management is paid partly by Tryg A/S and partly by Tryg Forsikring A/S and Tryg Forsikring, a Norwegian branch of Tryg Forsikring A/S and is charged to Tryg A/S via the cost allocation. Remuneration for the Supervisory Board, the Executive Management and risk-takers can be seen from note 29 concerning related parties of the Tryg Group. Refer to Note 7 of the consolidated financial statements for a specification of the audit fee.</p>		
Average number of full-time employees for the year	11	11
<b>3 Tax</b>		
<b>Reconciliation of tax costs</b>		
Tax on accounting loss before profit/loss in subsidiaries and tax	-19	-14
Tax adjustments, previous years	1	0
	<b>-18</b>	<b>-14</b>
<b>Effective tax rate</b>	<b>%</b>	<b>%</b>
Tax on accounting profit	25	25
Charge in respect of previous years	-1	0
	<b>24</b>	<b>25</b>
<b>4 Equity investments in Group undertakings</b>		
<b>Cost</b>		
Cost at 1 January	6,987	6,987
Cost at 31 December	6,987	6,987
<b>Revaluation and impairment to net asset value</b>		
Revaluation and impairment at 1 January	1,998	3,902
Revaluations for the year	2,304	2,445
Dividend paid	-400	-1,594
Revaluation and impairment at 31 December	3,902	4,753
<b>Carrying amount at 31 December</b>	<b>10,889</b>	<b>11,740</b>
<b>Name and registered office</b>	<b>Ownership share in %</b>	<b>Equity</b>
<b>2013</b>		
Tryg Forsikring A/S, Ballerup	100	100
<b>2012</b>		
Tryg Forsikring A/S, Ballerup	100	100

## Notes (parent company)

DKKm	2012	2013
<b>5 Current tax assets</b>		
Tax payable at 1 January	17	24
Current tax for the year	24	14
Adjustment of current tax in respect of previous years	-7	0
Tax paid for the year	-10	-24
<b>Tax payable at 31 December</b>	<b>24</b>	<b>14</b>
<b>6 Deferred tax assets</b>		
<b>Capitalised tax losses</b>		
Tryg A/S	0	0
<b>Non-capitalised tax losses</b>		
Tryg A/S	18	18
The loss in Tryg A/S can only be utilised in Tryg A/S. The loss can be carried forward indefinitely.		
The losses are not recognised as tax assets until it has been substantiated that the company can generate sufficient future taxable income to offset the tax losses.		
<b>7 Capital adequacy</b>		
Equity according to annual report	10,996	11,122
Proposed dividend	-1,594	-1,656
Solvency requirements of subsidiaries – 50%	-2,406	-2,307
<b>Tier 1 capital</b>	<b>6,996</b>	<b>7,159</b>
Subordinate loan capital	873	1,551
Solvency requirements of subsidiaries – 50%	-2,405	-2,307
<b>Capital base</b>	<b>5,464</b>	<b>6,403</b>
<b>Weighted items</b>	<b>6,078</b>	<b>7,126</b>
<b>Solvency ratio</b>	<b>90</b>	<b>90</b>
<b>8 Contractual obligations, contingent liabilities and collateral</b>		
The Danish companies in the Tryg Group are taxed jointly with TryghedsGruppen smba. As of 1 July 2012, the companies and the other jointly taxed companies are thus jointly and severally liable for any obligations to withhold tax deducted at source on interest, royalties and dividends in respect of the jointly taxed companies.		
Companies in the Tryg Group are party to a number of disputes. Management believes that the outcome of these legal proceedings will not affect the Group's financial position over and above the receivables and liabilities recognised in the statement of financial position at 31 December 2013.		

## Notes (parent company)


DKKm	2012	2013
<p><b>9 Related parties</b> 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 Management and their members' related family. Related parties are the same as for the Tryg Group; please see Note 29 in the consolidated financial statements.</p> <p><b>Parent company</b> <b>TryghedsGruppen smba</b> TryghedsGruppen smba controls 60% of the shares in Tryg A/S.</p> <p><b>Transactions with Group undertakings and associates</b> Tryg A/S exercises full control over Tryg Forsikring A/S.</p> <p><b>Intra-group trading involved</b></p> <p>- Providing and receiving services - Intra-group accounts'</p> <p>Administration fee, etc. is settled on a cost-recovery basis. Intra-group accounts are offset and carry interest on market terms.</p>		
	-40	-23
	84	-629
<p><b>10 Reconciliation of profit/loss and equity</b> The executive order on application of International Financial Reporting Standards for companies subject to the Danish Financial Business Act issued by the Danish FSA requires disclosure of differences between the format of the annual report under International Financial Reporting Standards and the rules issued by the Danish FSA. The following is a reconciliation of profit/loss and equity.</p> <p><b>Reconciliation of profit/loss</b> Profit/loss – IFRS Change during the year of deferred tax provisions for contingency funds</p> <p><b>Profit/loss – Danish FSA executive order</b></p>	2,208 0	2,369 -2
	<b>2,208</b>	<b>2,367</b>
<p><b>Reconciliation of equity</b> Equity – IFRS Deferred tax provisions for contingency funds Change during the year of deferred tax provisions for contingency funds</p> <p><b>Equity – Danish FSA executive order</b></p>	10,979 17 0	11,107 17 -2
	<b>10,996</b>	<b>11,122</b>
<p><b>11 Accounting policies</b> Please refer to Tryg Group's accounting policies.</p>		

## Q4 2013 | Quarterly outline

DKKm	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
<b>Private</b>									
<b>Gross premium income</b>	<b>2,373</b>	<b>2,401</b>	<b>2,405</b>	<b>2,478</b>	<b>2,449</b>	<b>2,384</b>	<b>2,363</b>	<b>2,329</b>	<b>2,290</b>
Technical result	192	152	351	404	326	245	364	440	286
<b>Key ratios</b>									
Gross claims ratio	76.0	80.4	71.8	69.0	70.1	72.9	68.5	64.7	75.6
Net reinsurance ratio	0.3	-2.3	-2.1	-0.1	1.1	1.8	0.8	1.7	-2.5
Claims ratio, net of ceded business	76.3	78.1	69.7	68.9	71.2	74.7	69.3	66.4	73.1
Gross expense ratio	16.3	16.0	16.0	15.0	15.6	15.3	15.6	15.1	14.6
<b>Combined ratio</b>	<b>92.6</b>	<b>94.1</b>	<b>85.7</b>	<b>83.9</b>	<b>86.8</b>	<b>90.0</b>	<b>84.9</b>	<b>81.5</b>	<b>87.7</b>
Combined ratio exclusive of run-off	94.4	98.4	90.1	87.0	88.4	93.5	89.0	84.0	90.8
<b>Commercial</b>									
<b>Gross premium income</b>	<b>916</b>	<b>920</b>	<b>930</b>	<b>931</b>	<b>906</b>	<b>908</b>	<b>899</b>	<b>859</b>	<b>862</b>
Technical result	133	87	168	193	156	98	94	177	70
<b>Key ratios</b>									
Gross claims ratio	64.2	78.2	62.6	56.8	59.8	67.7	73.1	55.3	80.2
Net reinsurance ratio	2.1	-7.1	-1.4	2.3	2.8	2.1	-2.1	4.1	-6.3
Claims ratio, net of ceded business	66.3	71.1	61.2	59.1	62.6	69.8	71.0	59.4	73.9
Gross expense ratio	19.4	20.0	21.1	20.1	20.0	19.4	18.9	20.5	18.3
<b>Combined ratio</b>	<b>85.7</b>	<b>91.1</b>	<b>82.3</b>	<b>79.2</b>	<b>82.6</b>	<b>89.2</b>	<b>89.9</b>	<b>79.9</b>	<b>92.2</b>
Combined ratio exclusive of run-off	95.9	95.7	90.4	86.3	85.8	93.9	93.0	88.6	95.7
<b>Corporate</b>									
<b>Gross premium income</b>	<b>1,308</b>	<b>1,305</b>	<b>1,312</b>	<b>1,311</b>	<b>1,330</b>	<b>1,270</b>	<b>1,287</b>	<b>1,241</b>	<b>1,243</b>
Technical result	29	150	284	95	121	134	198	95	146
<b>Key ratios</b>									
Gross claims ratio	90.0	78.9	64.0	78.2	77.8	68.9	82.7	111.8	70.4
Net reinsurance ratio	-4.6	-2.2	1.8	2.5	0.7	7.6	-9.6	-31.3	5.5
Claims ratio, net of ceded business	85.4	76.7	65.8	80.7	78.5	76.5	73.1	80.5	75.9
Gross expense ratio	13.1	12.6	12.7	11.9	12.2	13.1	11.8	12.3	12.8
<b>Combined ratio</b>	<b>98.5</b>	<b>89.3</b>	<b>78.5</b>	<b>92.6</b>	<b>90.7</b>	<b>89.6</b>	<b>84.9</b>	<b>92.8</b>	<b>88.7</b>
Combined ratio exclusive of run-off	112.9	96.7	92.1	97.3	103.4	97.8	95.5	100.9	98.6

DKK M	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
<b>Sweden</b>									
<b>Gross premium income</b>	<b>370</b>	<b>361</b>	<b>417</b>	<b>477</b>	<b>399</b>	<b>377</b>	<b>420</b>	<b>442</b>	<b>348</b>
Technical result	-44	-28	28	48	54	23	28	54	44
<b>Key ratios</b>									
Gross claims ratio	88.1	87.5	77.7	75.3	67.2	75.6	76.7	72.6	71.8
Net reinsurance ratio	0.5	0.6	-0.2	1.0	-0.8	-0.3	0.0	0.5	-2.9
Claims ratio, net of ceded business	88.6	88.1	77.5	76.3	66.4	75.3	76.7	73.1	68.9
Gross expense ratio	24.9	21.9	17.7	14.5	21.1	19.6	17.6	14.7	19.3
<b>Combined ratio</b>	<b>113.5</b>	<b>110.0</b>	<b>95.2</b>	<b>90.8</b>	<b>87.5</b>	<b>94.9</b>	<b>94.3</b>	<b>87.8</b>	<b>88.2</b>
Combined ratio exclusive of run-off	115.1	107.8	92.8	88.7	87.2	92.0	94.3	89.8	94.5
<b>Other<sup>a)</sup></b>									
<b>Gross premium income</b>	<b>-17</b>	<b>-2</b>	<b>-7</b>	<b>-1</b>	<b>-8</b>	<b>-1</b>	<b>-7</b>	<b>-4</b>	<b>-6</b>
Technical result	0	0	0	-88	-9	0	0	0	0
<b>Tryg</b>									
<b>Gross premium income</b>	<b>4,950</b>	<b>4,985</b>	<b>5,057</b>	<b>5,196</b>	<b>5,076</b>	<b>4,938</b>	<b>4,962</b>	<b>4,867</b>	<b>4,737</b>
Technical result	310	361	831	652	648	500	684	766	546
Investment return	144	353	-111	338	5	269	13	152	154
Other income and costs	13	-12	-19	-14	-15	-10	-9	-11	-61
Profit/loss before tax	467	702	701	976	638	759	688	907	639
Profit/loss	344	556	515	733	404	575	514	715	565
<b>Key ratios</b>									
Gross claims ratio	78.5	79.9	68.7	70.3	70.2	71.2	73.7	75.9	74.9
Net reinsurance ratio	-0.9	-2.7	-1.0	1.0	0.9	3.1	-2.6	-6.6	-1.2
Claims ratio, net of ceded business	77.6	77.2	67.7	71.3	71.1	74.3	71.1	69.3	73.7
Gross expense ratio	16.9	16.6	16.5	16.4	16.3	16.0	15.6	15.5	15.4
<b>Combined ratio</b>	<b>94.5</b>	<b>93.8</b>	<b>84.2</b>	<b>87.7</b>	<b>87.4</b>	<b>90.3</b>	<b>86.7</b>	<b>84.8</b>	<b>89.1</b>
Combined ratio exclusive of run-off	101.2	98.5	91.1	91.5	92.1	94.8	91.9	89.8	94.3

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

 A more detailed version of the table can be found at [tryg.com](http://tryg.com) > investor > Downloads.

## Q4 2013 | Geographical segments

DKKm	Q4 2012	Q4 2013	2012	2013
<b>Danish general insurance<sup>a)</sup></b>				
<b>Gross premium income</b>	<b>2,456</b>	<b>2,364</b>	<b>9,910</b>	<b>9,534</b>
Technical result	536	128	1,441	1,202
Run-off gains/losses, net of reinsurance	159	124	571	566
<b>Key ratios</b>				
Gross claims ratio	62.6	86.0	71.1	79.5
Net reinsurance ratio	2.4	-6.6	-0.2	-7.0
Claims ratio, net of ceded business	65.0	79.4	70.9	72.5
Gross expense ratio	12.7	15.4	14.5	15.0
<b>Combined ratio</b>	<b>77.7</b>	<b>94.8</b>	<b>85.4</b>	<b>87.5</b>
Number of full-time employees 31 December			2,187	2,046
<b>Norwegian general insurance</b>				
<b>Gross premium income</b>	<b>2,091</b>	<b>1,885</b>	<b>8,239</b>	<b>7,819</b>
Technical result	54	412	1,017	1,258
Run-off gains/losses, net of reinsurance	80	117	465	387
<b>Key ratios</b>				
Gross claims ratio	79.9	59.4	72.4	65.1
Net reinsurance ratio	-0.6	5.3	-1.0	4.1
Claims ratio, net of ceded business	79.3	64.7	71.4	69.2
Gross expense ratio	18.5	13.9	16.8	15.3
<b>Combined ratio</b>	<b>97.8</b>	<b>78.6</b>	<b>88.2</b>	<b>84.5</b>
Number of full-time employees 31 December			1,282	1,199
<b>Swedish general insurance</b>				
<b>Gross premium income</b>	<b>537</b>	<b>494</b>	<b>2,183</b>	<b>2,169</b>
Technical result	67	6	131	36
Run-off gains/losses, net of reinsurance	-2	6	-21	17
<b>Key ratios</b>				
Gross claims ratio	65.7	80.0	75.3	80.6
Net reinsurance ratio	1.9	0.8	1.5	0.7
Claims ratio, net of ceded business	67.6	80.8	76.8	81.3
Gross expense ratio	20.7	18.8	18.6	17.6
<b>Combined ratio</b>	<b>88.3</b>	<b>99.6</b>	<b>95.4</b>	<b>98.9</b>
Number of full-time employees 31 December			444	458



DKK <sup>m</sup>	Q4 2012	Q4 2013	2012	2013
<b>Other<sup>b)</sup></b>				
<b>Gross premium income</b>	<b>-8</b>	<b>-6</b>	<b>-18</b>	<b>-18</b>
Technical result	-9	0	-97	0
<b>Tryg</b>				
<b>Gross premium income</b>	<b>5,076</b>	<b>4,737</b>	<b>20,314</b>	<b>19,504</b>
Technical result	648	546	2,492	2,496
Investment return	5	154	585	588
Other income and costs	-15	-61	-60	-91
Profit/loss before tax	638	639	3,017	2,993
Run-off gains/losses, net of reinsurance	237	247	1,015	970
<b>Key ratios</b>				
Gross claims ratio	70.2	74.9	72.2	73.9
Net reinsurance ratio	0.9	-1.2	-0.4	-1.8
Claims ratio, net of ceded business	71.1	73.7	71.8	72.1
Gross expense ratio <sup>c)</sup>	16.3	15.4	16.4	15.6
<b>Combined ratio</b>	<b>87.4</b>	<b>89.1</b>	<b>88.2</b>	<b>87.7</b>
Number of full-time employees, continuing business at 31 December			3,913	3,703
Number of full-time employees, discontinued and divested business at 31 Dec.			189	0

a) Includes Danish general insurance and Finnish guarantee insurance.

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

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

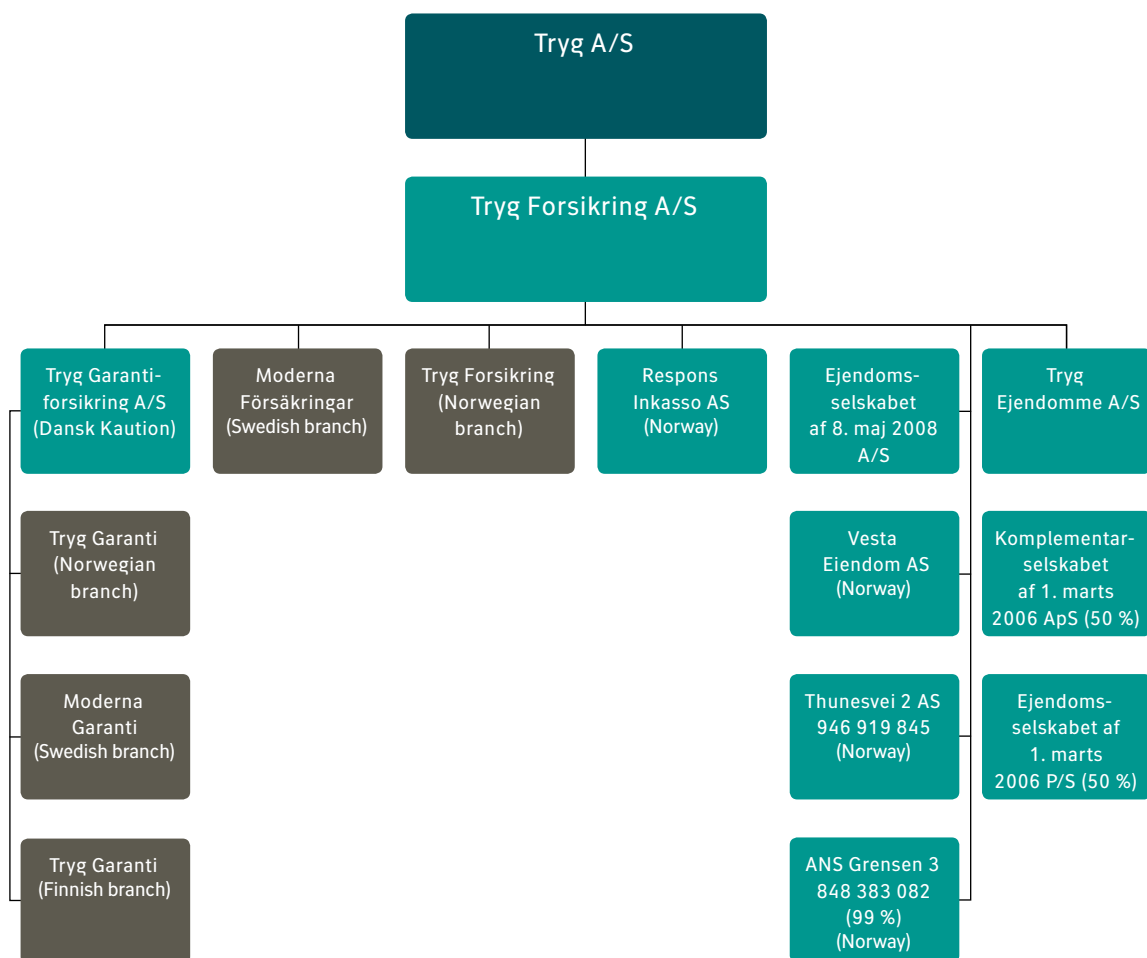
## Other key figures

	2009	2010	2011	2012	2013
Claims ratio, net	73.8	81.4	75.7	70.7	70.8
Expense ratio, net with adjustment	16.9	17.1	17.0	16.9	16.1
Combined ratio, net with adjustment	90.7	98.5	92.7	87.6	86.9
Expense ratio, net without adjustment	16.8	17.0	16.9	16.6	15.9
Gross profit ratio	9.7	2.4	7.9	12.3	12.8
Profit ratio, net of reinsurance	10.2	2.6	8.3	13.0	13.6
Gross technical interest ratio	0.8	0.7	0.9	0.3	0.3
Technical interest ratio, net of reinsurance	0.9	0.7	0.9	0.3	0.3
Return on equity before tax on continuing business (%)	30.7	11.1	18.4	30.2	27.1
Return on equity after tax on continuing business (%)	23.6	8.2	13.1	21.8	21.5
Average premium provisions	5,654	6,514	6,876	6,810	6,450
Average claims provisions	21,110	23,677	25,894	27,073	26,665
Average reinsurers' share of provisions for insurance contracts	1,178	1,454	1,828	2,192	2,469
Reserve ratio, premium provisions (%)	35.7	36.1	34.8	32.9	31.8
Reserve ratio, claims provisions (%)	129.2	131.7	134.9	134.1	133.8
Total reserve ratio	164.9	167.8	169.7	167.0	165.6
Number of full-time employess, continued business, at 31 December	4,119	4,101	4,076	3,913	3,703
Number of full-time employess, discontinued and divested business at 31 December	217	191	242	189	0
<b>Share performance</b>					
Earnings per share (DKK)	31.7	9.5	18.9	36.5	39.4
Diluted earnings per share (DKK)	31.7	9.5	18.9	36.4	39.3
Earnings per share (DKK) of continuing business	33.3	11.9	19.0	36.0	39.4
Number of shares, end of period (1,000)	63,228	60,634	60,373	60,695	59,374
Average number of shares (1,000)	63,334	62,362	60,401	60,491	60,155
Diluted average number of shares (1,000)	63,448	62,444	60,401	60,714	60,259
Share price at 31 December (DKK)	342.8	257.5	319.0	426.5	524.5
Net asset value per share (DKK)	152.3	139.5	149.2	180.9	187.1
Market price/net asset value	2.3	1.8	2.1	2.4	2.8
Dividend per share (DKK)	15.50	4.00	6.52	26.00	27.00
Price/Earnings	10.3	21.7	16.8	11.8	13.3

The expense ratio, net without adjustment, is calculated as the ratio of actual insurance operating costs, net of reinsurance to premium income, net of reinsurance. Other key ratios are calculated in accordance with 'Recommendations & Financial Ratios 2010' issued by the Danish Society of Financial Analysts.

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

# Group chart



Group chart at 1 January 2014. 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 & Financial Ratios 2010' issued by the Danish Society of Financial Analysts.

## Capital base

Equity plus share of subordinate loan capital and less intangible assets, tax asset, discounting, equalisation reserve and proposed dividend.

## 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 (excluding the Norwegian and Swedish branches) and Tryg Garantiforsikring A/S (including Finnish branch).

## 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

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

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

## 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.

## Gross profit ratio

$$\frac{\text{Technical result} \times 100}{\text{Gross premium income}}$$

## Gross technical interest ratio

$$\frac{\text{Insurance technical interest net of reinsurance} \times 100}{\text{Gross premium income}}$$

## Individual solvency

New Danish solvency requirements for insurance companies comprising the companies' own determination of their capital requirements calculated using their own methods.

The rules entered into force on 1 January 2008, and the figures must be reported to the Danish Financial Supervisory Authority four times a year.

## Market price/net asset value

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

## Net asset value per share

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

---

**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, and the Norwegian branch of Tryg Garantiforsikring A/S.

**Operating ratio**

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

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

**Percentage return on equity after tax**

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

**Price/Earnings**

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

**Relative run-off gains/losses**

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

**Reserve ratio, claims provisions**

$$\frac{\text{Claims provisions} \times 100}{\text{Gross premium income}}$$

**Reserve ratio, premium provisions**

$$\frac{\text{Premium provisions} \times 100}{\text{Gross premium income}}$$

**Run-off gains/losses**

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

**Tier 1 capital**

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

**Total reserve ratio**

Reserve ratio, claims provisions + premium provisions

**Solvency II**

New solvency requirements for insurance companies issued by the EU Commission. The new rules are expected to come into force in 2016, at the earliest.

**Solvency ratio (Solvency I)**

Ratio between capital base and weighted assets.

**Swedish general insurance**

Comprises Tryg Forsikring A/S, Swedish branch, and the Swedish branch of Tryg Garantiforsikring A/S.

**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 32% of total premium income and comprises mandatory third-party liability insurance providing cover for injuries to a third party or damage to a third party's property, and a voluntary comprehensive insurance policy that provides cover for damage to the customer's own vehicle from collision, fire or theft.

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



### Fire and contents – Private

Fire and contents insurance for private customers represents 24% of total premium income and includes, for example, house and contents insurance.

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



### Personal accident insurance

Personal accident insurance accounts for 9% of total premium income and covers accidental bodily injury and death resulting from accidents.

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



### Fire and contents – Commercial

Commercial fire and contents insurance, which includes building insurance, represents 14% of total premium income and covers the loss of or damage to the buildings, stock or equipment of commercial customers. Moreover, Tryg provides cover for operating losses in connection with covered claims.



### Workers' compensation insurance

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



### General third-party liability insurance

General third-party liability insurance represents 5% of total premium income and covers various types of liability, including claims incurred by a company arising from the conduct of its business or in connection with its products, and third-party liability for professionals.



### Transport insurance

Transport insurance represents 2% of total premium income and covers damage to goods in transit due to the collision, overturning or crashing of the means of transport.



### Health insurance

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

**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](#) in the annual report on page 34, and in [Note 1](#) on page 67, for a description of some of the factors which may affect the Group's performance or the insurance industry.

**Tryg A/S**

Klausdalsbrovej 601

2750 Ballerup

Denmark

+45 70 11 20 20

[tryg.com](https://tryg.com)

CVR-no. 26460212