

**Annual Report for 2003**

**Tryg Forsikring A/S**  
(CVR No. 24260666)

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# Company details

## Supervisory Board

Mr Mikael O Olufsen (Chairman), Managing Director  
Mr Mogens Jacobsen (Deputy Chairman), Farmer  
Mr Per Skov (Deputy Chairman), Managing Director  
Mr Wendel Andersen, Managing Director  
Mr John R. Frederiksen, Managing Director  
Mr Jørn Hesselholt, Managing Director, Fish Exporter  
Mr Håkon J Huseklepp, Industrial Consultant  
Mr Jens Lyngbo, Managing Director, BEng, BCom  
Mr Peter Wagner Mollerup, Commercial Insurance Agent  
Ms Birthe Petersen, Senior Clerk  
Mr Niels Erik Schultz-Petersen, Proprietor, Master of Agronomics

## Executive Management

Ms Stine Bosse  
Mr Stig Ellkier-Pedersen  
Mr Erik Gjellestad  
Mr Morten Hübbe  
Mr Bjørn Thømt  
Mr Peter Falkenham

## Internal Audit

Mr Gert Stubkjær

## Independent Auditors

Deloitte, Statsautoriseret Revisionsaktieselskab  
Grant Thornton, Statsautoriseret Revisionsaktieselskab

## Address

Tryg Forsikring A/S  
Klausdalsbrovej 601  
DK-2750 Ballerup

Phone: +45 70 11 20 20

Fax: +45 44 20 66 00

[www.tryg.dk](http://www.tryg.dk)

# Management's Review

## General

The annual report relates to that part of the Danish general insurance activity that is carried on in the legal entity Tryg Forsikring A/S. Moreover, the general insurance activities carried on in separate subsidiary undertakings in Denmark, Norway, Poland, Estonia and the UK are briefly described.

The transfer of Vesta Forsikring AS, Norway, and Nordicum Kindlustuse Eesti A/S to Tryg Forsikring A/S from Tryg Vesta Group A/S, which was planned in 2002, has been carried through effective 1 January 2003. The transfer took place by way of a non-cash contribution against a capital increase in Tryg Forsikring A/S.

At 31 December 2003, Tryg Forsikring A/S took over Chevanstell Ltd., the UK, from Tryg-Baltica Forsikring, internationalt forsikringsselskab A/S, which is a wholly owned subsidiary undertaking of Tryg Forsikring A/S. Chevanstell Ltd. was placed in run-off at 4 September 2003 and acquired at its carrying amount at 31 December 2003.

At 1 July 2003, Tryg Ejendomme I A/S was spun off and part of the company was transferred to a newly formed company, Tryg Ejendomme II/DKE A/S. Effective 31 December 2003, Tryg Ejendomme I A/S was sold to Nordea Pension Danmark, livsforsikringsselskab A/S at its carrying amount at 31 December 2003. Tryg Ejendomme II/DKE A/S is a wholly owned subsidiary undertaking of Tryg Forsikring A/S.

## Financial highlights

DKK m	2003	2002	2001	2000	1999
<b>Income statement</b>					
Gross premiums	7,809	6,826	5,846	5,737	5,640
Earned premiums, net of reinsurance	7,142	5,874	5,296	5,315	5,235
Claims incurred, net of reinsurance	-5,606	-5,037	-4,489	-4,581	-3,897
Insurance operating expenses, net of	-1,490	-1,339	-1,243	-1,400	-1,426
Technical result	171	-286	-204	-324	226
Profit/loss on investments after					
transfer to insurance activities	684	-386	-73	1,025	1,494
Profit/loss for the year	795	-1,059	-244	677	1,550
Run-off gains/losses, net of reinsurance	-115	-51	-328	-530	256
<b>Balance sheet</b>					
Insurance provisions, net of reinsurance	11,051	9,621	8,067	7,544	7,236
Shareholders' equity	5,929	2,037	5,701	5,904	6,477
Total assets	18,460	13,574	14,740	15,738	18,109

- The comparative figures from the period before 2002 have not been restated as regards the spin-off of "Livsforsikring" (Life insurance).
- The capital reduction on the distribution of Tryg Forsikring, livsforsikringsselskab A/S in 2002 has reduced shareholders' equity by DKK 2.9bn.
- Comparative figures as regards discounting of Workers' Compensation insurance (cf. 'Accounting policies') have been restated for 2001.

## Profit for the year

The Company reported a net profit for the year of DKK 795m, against a net loss of DKK 1,059m in 2002, representing an increase of DKK 1,854m. The pre-tax increase is DKK 1,986m. However, the Company's results of operations in 2002 were affected by extraordinary expenses, DKK 459m, of which DKK 300m relates to the disposal of some of the Group's activities. The excellent performance is reflected in a combined ratio, net of reinsurance, of 100 per cent compared to 109.4 per cent last year, or an improvement of

9.4 percentage points.

The technical result came at DKK 171m, against a loss of DKK 286m in 2002, representing a rise of DKK 457m. The improved performance was partly due to a drop in the claims ratio and partly to decreasing expenses. The technical rate in 2003 is 2.62 per cent, against 3.9 per cent in 2002, affecting the technical result adversely by DKK 97m.

The profit on investments after transfer to insurance activities was DKK 684m compared to a loss of DKK 386m last year, representing an improvement of DKK 1,070m. The increase was primarily due to the improved performance shown by group enterprises, DKK 463m, as well as higher capital gains, DKK 597m.

The Supervisory Board proposes that the Annual General Meeting of shareholders distribute the net profit for the year, DKK 795m, as follows:

### **Distribution of profit**

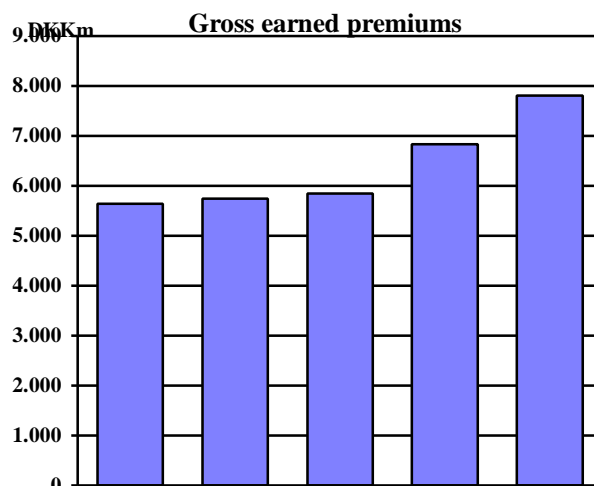
Profit for the year	795
Transferred from contingency fund	<u>35</u>
	<u>830</u>
distributed as follows:	
Dividend	50
Transferred to revaluation reserves	22
Transferred to net revaluation reserve according to the equity method	3
Transferred to Retained profits	<u>755</u>
	<u>830</u>

## Premiums

In 2003, gross earned premiums came at DKK 7,809m, against DKK 6,826m in 2002, representing an increase of 14.4 per cent.

The primary reason is that the effect of recent years' premium increases materialised in 2003. Another reason is the initiatives taken to improve the Company's profitability. In addition, legislative changes concerning the Danish Act on Liability for Damages have implied premium increases. Furthermore, premiums related to Zurich were included on a full-year basis in 2003, against seven months in 2002.

In connection with the premium increases, Tryg saw that most of its customers chose to remain being insured by Tryg. The reason for this was partly that the premium increases were mainly directed towards the commercial customers in relation to whom the insurance agents have a close relationship, and partly that the insurers in the Danish market in general increased premiums on commercial policies in 2003. Premiums on personal policies were increased as well.



## Key ratios

According to the executive order on the financial presentation of general insurance companies, a number of key ratios are shown below for comparative purposes.

	2003	2002	2001	2000	1999
<b>Key ratios</b>					
Claims ratio, net of reinsurance	79.0	86.4	86.2	86.7	75,5
Expense ratio, net of reinsurance	21.0	23.0	23.7	26.5	27,5
Combined ratio, net of reinsurance	100.0	109.4	109.9	113.2	103,0
Return on equity	20.8	-27.5	-4.2	10.9	17,0
Solvency ratio	3.9	1.7	2.0	3.6	4,3

## Claims

The claims ratio, net of reinsurance, of 79.0 represented an improvement relative to 2002, where the ratio was 86.4. The marked improvement is mainly due to the premium increases on commercial policies as well as loss-limiting initiatives, which typically comprise an increase in the customers' deductibles and safeguarding requirements.

In addition, the mild weather – no heavy storms and mild winters – and only one actual large claim had a favourable effect on the results. The loss resulting in the large claim occurred in December 2003, where parts of the aquarium and oceanarium Nordsømusset burned down. The loss has been assessed at DKK 115m. The results of operations are affected by DKK 10m after income recognition of equalisation provisions and the reinsurers' share of the total claims incurred.

As the development in claims under Workers' Compensation insurance policies has not been satisfactory, the Company has had to strengthen its reserves considerably. The adverse development has resulted in a run-off loss of DKK 147m within this area. To restore profitability, premiums have been increased in selected customer segments. Effective 1 January 2004, a new act on industrial injuries came into force. The act extends the insurance cover considerably. This will, among other things, lead to compensation being payable for many back injuries which were not previously covered under the Workers' compensation insurance. The amendment leads to premium increases of 55 per cent on average.

## **Costs**

The development of acquisition costs and administrative expenses was satisfactory, expressed by an expense ratio, net of reinsurance, of 21.0, which is 2.0 percentage points up on 2002. The improved expense ratio can partly be ascribed to the premium increases and partly to the Company's continued focus on streamlining internal processes. In addition to this, the expense ratio was affected positively by the fact that the acquired Zurich business has been made an integral part of Tryg, resulting in the anticipated synergies. Administrative expenses have dropped from DKK 1,030m in 2002 to DKK 879m in 2003.

## **Investment activities**

The Company's profit on investment activities came at DKK 684m after transfer of technical interest. Of this amount, DKK 425m relates to income from subsidiary undertakings. The return on investments was affected by positive returns on bonds, shares and real property.

The share portfolio yielded a return of 20.9 per cent, whereas properties yielded 9.3 per cent. The return on bonds, excl. cash and cash equivalents, was 5.7 per cent, and the duration of the bond portfolio was 3.2 at the end of the year.

## **Subsidiary undertakings in Tryg Forsikring A/S**

The aggregate income from subsidiary undertakings in 2003 was DKK 425m, against a loss of DKK 38m in 2002. The profit is recognised in the income statement under 'Income from subsidiary undertakings'. Investments in subsidiary undertakings are measured in the parent company's financial statements at the parent's share of the net asset value of such undertakings, which totalled DKK 4,557m at the end of 2003.

### **Vesta Forsikring AS**

By way of a non-cash contribution, Tryg Forsikring A/S took over Vesta Forsikring AS from Tryg Vesta Group A/S effective 1 January 2003. The company, which is a wholly owned subsidiary undertaking, is included in the financial statements of Tryg Forsikring A/S as at that date.

Vesta Forsikring AS is the third largest insurance company in Norway and has a nationwide coverage in the general insurance area.

During 2003, the NOK exchange rate fell by 14 per cent relative to DKK. At the end of 2003, the NOK/DKK ratio was 88.41. This means that the earnings in Norway, translated into DKK, will - all things being equal - show a declining trend due to the drop in the exchange rate. Investments in subsidiary shares in Norway were, in all essentials, hedged in 2003.

The company reported a net profit of DKK 365m, against a loss of DKK 186m in 2002. The profit includes a technical result of DKK 42m, compared to a loss of DKK 276m reported last year, and a profit from investment activities of DKK 316m, against a loss of DKK 55m in 2002.

The company's satisfactory financial performance in 2003 is primary the result of the profitability measures taken and the fact that 2003 did not see any large losses. The equalisation provisions were increased by DKK 76m in 2003, primarily relating to transfers to the Norwegian Pool of Natural Perils, which is primarily employed to equalise expenses in connection with windstorms and flood.

Further, the positive development was expressed in a combined ratio, net of reinsurance, of 103.9, which was a significant improvement relative to the combined ratio, net of reinsurance, reported in 2003, which was 110.6.

### **Dansk Kautionsforsikrings-Aktieselskab**

Dansk Kaution is in charge of the Group's guarantee insurance activities. The company has a unique position in the Danish market, being a market leader in its segment.

The company reported a net profit of DKK 87.3m, against DKK 97m the year before. The results of operations were affected by the recognition of a special reserve of DKK 7m and a DKK 11m reduction of the expenses relative to 2002.

At the end of 2003, shareholders' equity was DKK 491m. As part of the adaptation of the balance sheet structure, plans are to spin off significant parts of the company's property portfolio to Tryg Ejendomme II/DKE A/S as at 1 January 2004. Doing so will reduce shareholders' equity by approx. DKK 165m. Tryg Forsikring A/S has contributed subordinate loan capital in the amount of DKK 30m.

#### **Tryg Forsikring II A/S**

Tryg Forsikring II A/S manages a portfolio written in Nordea Bank in Denmark. New business is written in Tryg Forsikring A/S. Moreover, the company sells insurance products in Finland through the network of branch offices of Nordea Bank Finland as well as the Internet.

The company reported a net profit of DKK 41m, against a profit of 27m the year before. The technical profit was DKK 15m incl. a run-off gain, net of reinsurance, of DKK 30m. The branch in Finland affects the technical result adversely by DKK 49m, as the establishment has continued to call for considerable investments.

The company is expected to be merged with Tryg Forsikring A/S effective 1 January 2004.

#### **Tryg Forsikring, Rejse og Sundhed A/S**

As a company in the Tryg Vesta Group, Tryg Rejse og Sundhed is a niche company specialising in travel, health, accident and contents insurance abroad, as well as health care insurance. In addition, the company operates an alarm centre (Tryg Alarm), which is manned day and night.

The company reported a net profit of DKK 10m, against a profit of DKK 9m in 2002. The technical profit was DKK 7m compared to DKK 3m last year.

The company is expected to be merged with Tryg Forsikring A/S effective 1 January 2004.

#### **Tryg Ejendomme II/DKE A/S**

Tryg Ejendomme II/DKE A/S was established as at 1 July 2003 after a demerger of Tryg Ejendomme I A/S.

The results of operations for the second half of 2003 are recognised at DKK 0.

#### **Tryg Ejendomme I A/S**

Effective 31 December 2003, Tryg Ejendomme I A/S was sold to Nordea Pension Danmark, livsforsikringsselskab A/S at its carrying amount at 31 December 2003.

The company reported a net profit of DKK 87m in 2003, against DKK 127m in 2002.

#### **Tryg-Baltica Forsikring, internationalt forsikringsselskab A/S**

Tryg-Baltica international (TBi) is in charge of the Group's assumed and ceded reinsurance business.

As at 31 December 2003, TBi sold its wholly owned subsidiary undertaking Chevanstell Ltd. to Tryg Forsikring A/S. The full-year results of operations of Chevanstell Ltd. for 2003, a loss of DKK 246m, are included in the aggregate results of TBi.

In 2003, the company recorded a net loss of DKK 258m, incl. Chevanstell Ltd., against a loss of DKK 236m last year. Leaving out the loss in the divested subsidiary Chevanstell Ltd., the net loss for the year was DKK 12m, against a net loss of DKK 95m in 2002. The performance in 2003 was affected heavily by non-recurring income concerning the expenses.

#### **Tryg Polska Towarzystwo Ubezpieczen S.A.**

The company carries on insurance activities in Poland, primarily within the motor insurance segment.

The company reported a loss before minority interests of DKK 43m, against a loss of DKK 5m in 2002. The loss comprises a technical loss of DKK 49m and a profit on investment activities of DKK 4m and tax of DKK 2m.

#### **Nordicum Kindlustuse Eesti AS**

By way of a non-cash contribution, Tryg Forsikring A/S took over Nordicum Kindlustuse Eesti AS from Tryg Vesta Group A/S effective 1 January 2003. The company, which is a wholly owned subsidiary undertaking, is included in the financial statements of Tryg Forsikring as at that date.

The company is domiciled in Estonia and carries on insurance activities mainly within the motor insurance segment.

The company reported a net loss of DKK 1m, representing a marked improvement relative to 2002 in which reporting period the company realised a loss of DKK 30m. However, the results of operations in 2002 were affected by an extraordinary expenditure of DKK 17m.

In January 2004, the company changed its name from Nordea Kindlustuse Eesti AS to Nordicum Kindlustuse Eesti AS.

#### **Chevanstell Ltd.**

Effective 31 December 2003, Tryg Forsikring A/S acquired Chevanstell Ltd, the UK, from Tryg-Baltica Forsikring, internationalt forsikringselskab A/S, which is a wholly owned subsidiary undertaking of Tryg Forsikring A/S.

The company has been loss-making for a number of years, for which reason the Tryg Vesta Group chose to place the company in run-off in September 2003.

The company reported a net loss of DKK 257m, against a loss of DKK 219m in 2002. The company's performance was strongly affected by expenses incurred in connection with the run-off business.

However, Tryg Forsikring A/S' financial statements in 2003 were affected only by the part that relates to ordinary operations, as a provision was made already in 2002 for the discontinuance and restructuring of the Group's subsidiary undertakings. In 2003, DKK 121m of the provision was used to cover run-off expenses in Chevanstell Ltd.

## **Capital and ownership**

Tryg Forsikring A/S is part of the Tryg Vesta Group, and Tryg Vesta Group A/S, Ballerup, is the owner of the entire share capital of DKK 1.1bn.

As previously mentioned, the Company has acquired the companies Vesta Forsikring AS and Nordicum Kindlustuse Eesti AS by way of non-cash contributions of these companies' equity of DKK 2,539m and DKK 8m, respectively.

The parent company, Tryg Vesta Group A/S, has injected another DKK 600m in the Company. In addition, the share capital has been increased by a total of DKK 100m in connection with the non-cash contribution of the two companies mentioned above.

The annual report is incorporated in the consolidated financial statements of Tryg i Danmark smba and Tryg Vesta Group A/S, Ballerup ([www.trygidanmark.dk](http://www.trygidanmark.dk) and [www.trygvesta.com](http://www.trygvesta.com)).

#### **Changes in the Supervisory Board and the Executive Management**

The following persons joined the Executive Management in 2003:

Mr Morten Hübbe joined the Executive Management as at 1 June 2003.

Mr Erik Gjellestad joined the Executive Management as at 21 March 2003.

Mr Bjørn Thømt joined the Executive Management as at 21 March 2003.

The following persons left their office in 2003:

Mr Antony Mærsk retired as member of the Supervisory Board as at 21 March 2003.

Mr Erik Gjellestad retired as member of the Supervisory Board as at 21 March 2003.

The following persons joined the Supervisory Board in 2003 and 2004:

Mr Jørn Hesselholt joined the Supervisory Board as at 30 January 2004.

Mr Jens Lyngbo joined the Supervisory Board as at 30 January 2004.

Mr Mogens Jakobsen assumed the office of Deputy Chairman of the Supervisory Board as at 30 January 2004.

Mr Mikael O Olufsen assumed the office of Chairman of the Supervisory Board as at 21 March 2003.

Mr Per Skov retired from his position as Chairman of the Supervisory Board and assumed the office of Deputy Chairman as at 21 March 2003.

Mr Jørn Wendel Andersen joined the Supervisory Board as at 21 March 2003.

Mr John R Frederiksen joined the Supervisory Board as at 21 March 2003.

Mr Håkon J Huseklepp joined the Supervisory Board as at 21 March 2003.

Mr Niels Erik Schultz-Petersen joined the Supervisory Board as at 21 March 2003.

Mr Peter Wagner Mollerup joined the Supervisory Board as at 21 March 2003.

Ms Birthe Petersen joined the Supervisory Board as at 21 March 2003.

#### **Post balance sheet events**

No events have occurred after the balance sheet date which, in the opinion of the management, could have a material effect on the assessment of the Company's financial position.

Tryg Forsikring II A/S and Tryg Forsikring, Rejse & Sundhed A/S are expected to merge with Tryg Forsikring A/S at 1 January 2004, Tryg Forsikring A/S being the continuing company.

#### **Outlook**

The technical result for 2004 is expected to be satisfactory. The aggregate results of earnings will otherwise depend on the financial markets.

# Management's signatures

Today, the Supervisory Board and the Executive Management presented the annual report of Tryg Forsikring A/S for the financial year ended 31 December 2003.

The annual report has been prepared in accordance with the Danish Consolidated Insurance Business Act and the Danish Financial Supervisory Authority's executive orders. We consider the accounting policies adopted appropriate to the effect that the annual report gives a true and fair view of the assets and liabilities, financial position and results of the Company.

We propose to the Annual General Meeting that the annual report be adopted.

Ballerup, 17 March 2004

## Executive Management

*Stine Bosse*

*Stig Ellkier-Pedersen*

*Erik Gjellestad*

*Morten Hübbe*

*Bjørn Thømt*

*Peter Falkenham*

*/Fatiha Benali*

## Supervisory Board

*Mikael O Olufsen*  
Chairman

*Mogens Jacobsen*  
Deputy Chairman

*Per Skov*  
Deputy Chairman

*Jørn Wendel Andersen*

*John R Frederiksen*

*Jørn Hesselholt*

*Håkon J Huseklepp*

*Jens Lyngbo*

*Peter Wagner Mollerup*

*Birthe Petersen*

*Niels Erik Schultz-Petersen*

**Adopted at the Annual General Meeting of shareholders on 23 April 2004**  
**Chairman of the meeting:**

# Internal auditors' report

## **Endorsement by the Internal Auditors**

We have audited the annual report of Tryg Forsikring A/S for the financial year 2003.

The annual report is the responsibility of the Company's management. Our responsibility is to express an opinion on the annual report based on our audit.

## **Basis of opinion**

We conducted our audit on the basis of the Danish Financial Supervisory Authority's executive order on the performance of audits in financial enterprises and financial groups and in accordance with Danish Auditing Standards. Based on materiality and risk we have evaluated the business procedures, the accounting policies used and the estimates made and verified the basis for amounts and disclosures in the annual report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualifications.

## **Opinion**

In our opinion, the annual report gives a true and fair view of the Company's assets, liabilities and financial position at 31 December 2003 and of the Company's activities for the year then ended in accordance with the accounting provisions of Danish legislation.

Ballerup, 17 March 2004

Gert Stubkjær  
Chief Internal Auditor

# Auditors' report

## To the shareholder of Tryg Forsikring A/S

We have audited the annual report of Tryg Forsikring A/S for the financial year 2003.

The annual report is the responsibility of the Company's management. Our responsibility is to express an opinion on the annual report based on our audit.

### Basis of opinion

We conducted our audit in accordance with Danish Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit included examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also included assessing the accounting policies used and significant estimates made by the management, as well as evaluating the overall annual report representation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualifications.

### Opinion

In our opinion, the annual report gives a true and fair view of the Company's assets, liabilities and financial position at 31 December 2003 and of the results of Company's activities for the year then ended in accordance with the Danish Insurance Business Act and related executive orders.

Copenhagen, 17 March 2004

### Deloitte

Statsautoriseret Revisionsaktieselskab

### Grant Thornton

Statsautoriseret Revisionsaktieselskab

Lone Møller Olsen  
State-authorized  
Public Accountant

Thomas Elsborg Jensen  
State-authorized  
Public Accountant

Christian Fløistrup  
State-authorized  
Public Accountant

# Accounting policies

## Basis of preparation

The annual report has been prepared in accordance with the Danish Consolidated Insurance Business Act and the Danish Financial Supervisory Authority's executive orders on the presentation of consolidated financial statements by insurance companies and financial statements by general insurance companies.

Consolidated financial statements are not prepared as the company is a wholly owned subsidiary undertaking of Tryg Vesta Group A/S, Ballerup, which prepares consolidated financial statements.

Apart from the changes described below, the accounting policies are unchanged from last year.

The rules for accounting for goodwill, development costs and software were changed effective 1 January 2003. Goodwill, development costs and software acquired after 1 January 2003 are recognised and measured as follows:

Any difference (goodwill) at the time of acquisition between the cost and the proportionate share of the acquired undertakings' shareholders' equity made up in accordance with the accounting policies applied by Tryg Vesta Group A/S is recognised in the item 'Intangible assets'. Goodwill is amortised on a straight-line basis over the expected useful life.

With reference to the transitional provisions of section 83(3) of the executive order on general insurance companies relating to recognition and measurement of goodwill, development costs and software in future periods, comparative figures have not been restated.

The above changes in the accounting policies do not affect the results for the year and shareholders' equity.

Goodwill arising on acquisitions represents the difference at the time of acquisition between the acquisition price and the proportionate share of the shareholders' equity of the acquired undertaking made up in accordance with the accounting policies applied by Tryg Vesta Group A/S. The full amount of goodwill was previously amortised through the income statement in the year of acquisition. As from and including the 2003 financial year, goodwill is capitalised. See 'Basis of preparation' above.

Newly acquired or divested subsidiary undertakings are consolidated at the results for the period subsequent to acquisition or prior to divestment, respectively.

Any gains or losses arising on divestment of subsidiary undertakings are included in the income statement under 'Investment gains or losses'.

The results of foreign subsidiary undertakings are based on translation of the items in the income statement at quarterly average exchange rates. Income and expenses in domestic undertakings denominated in foreign currency are translated at the exchange rate ruling on the date of the transaction. Assets and liabilities denominated in foreign currency are translated at the exchange rate at year-end.

All currency translation gains and losses are included in the income statement under the item 'Exchange rate adjustments'.

## Intra-group transactions

Intra-group services are settled on a cost-covering basis or on market terms.

Intra-group transactions in securities and other investment assets are settled at market value.

## Income statement

### Premiums

Earned premiums represent gross premiums during the year, net of outward reinsurance premiums and changes in unearned premium provisions, corresponding to an accrual of premiums to the risk period of

the policies.

### **Technical interest**

Technical interest represents a calculated return on the average technical provisions. The interest rate applied is the year's average pre-tax yield to maturity on all bonds with a term to maturity of less than three years, this yield is published by the Copenhagen Stock Exchange.

### **Claims incurred**

Claims incurred represent claims paid during the year adjusted for changes in provisions for claims less reinsurers' share. Amounts to cover expenses incurred to combat and contain losses and to survey and assess claims are included in the item. In addition, the item includes run-off results regarding previous years. The part of the increase in technical provisions that can be ascribed to discounting is transferred to technical interest.

### **Bonus and premium rebates**

Bonus and premium rebates represent anticipated and reimbursed premiums where the amount reimbursed depends on the claims record, and for which the criteria for payment have been laid down prior to the financial year or when the business was written.

### **Insurance operating expenses**

Insurance operating expenses represent acquisition costs and administrative expenses less reinsurance commissions received. Expenses relating to acquiring and renewing the insurance portfolio are recognised at the time of writing the business. Administrative expenses are accrued to match the financial year.

Depreciation is charged on a straight-line basis over three to five years. Minor acquisitions costing less than DKK 100,000 are recognised as an expense in the year of acquisition, except for assets acquired as part of a specific project. Computer equipment held under finance leases is recognised and depreciated as if purchased by the company.

Costs are based on estimated time consumed or the estimated cost charge and are distributed in the statement by line of insurance and between acquisition and administrative expenses.

### **Investment activities**

Profit from subsidiary undertakings includes the parent company's share of the profit on ordinary activities of the subsidiary undertakings. Exchange differences arising on the translation of the net asset value of foreign subsidiary undertakings at the beginning of the year are included under the item 'Exchange rate adjustments'.

Income from land and buildings before value adjustment represents the profit from property operations less property management expenses.

Interest, dividends etc. represent interest earned, dividends received etc. during the financial year. In addition, the item includes gains and losses on bonds drawn for redemption.

Realised and unrealised investment gains and losses, including value adjustment of land and buildings, are recognised in the income statement.

Realised and unrealised gains and losses on derivative financial instruments are also recognised in the income statement.

Investment management charges represent expenses relating to the management of investments. Brokerage and commission have been included in the purchase and sales price of the investment assets.

### **Extraordinary items**

Extraordinary items include amounts which, by their nature, are unusual for the Company and which are clearly different from the ordinary operations.

## **Tax**

The item 'Tax' represents estimated Danish and foreign corporation taxes for the year and movements in deferred tax or tax asset. Tax on the profit for the year is calculated based on the pre-tax profit for the year adjusted for non-taxable income and expenses.

Tryg Forsikring A/S is jointly taxed with Tryg i Danmark smba and the majority of the company's subsidiary undertakings. Tax relating to the jointly taxed income is recognised in the jointly taxed Danish companies in proportion to their profit. Changes in deferred taxes or deferred tax assets are recognised in the companies having the liability or the claim.

## **Balance sheet**

### **Intangible assets**

Goodwill acquired after 1 January 2003 is measured as the difference at the time of acquisition between the cost and the proportionate share of the acquired undertaking's shareholders' equity made up in accordance with the accounting policies applied by Tryg Vesta Group A/S. Goodwill is amortised on a straight-line basis over the expected useful life.

### **Investments**

#### **Land and buildings**

Land and buildings are measured at market value in accordance with the guidelines issued by the Danish Financial Supervisory Authority. The guidelines provide for the market value of the Group's land and buildings to be determined based on a systematic annual assessment of each individual property taking into account expected future operating return and a return requirement for each property.

New developments and property under construction are measured at cost.

#### **Capital participation in subsidiary undertakings**

Capital participation in subsidiary undertakings is measured at the parent company's proportionate share of the subsidiary undertakings' shareholders' equity as at 31 December made up in accordance with the Group's accounting policies.

Net revaluation of investments in subsidiary undertakings is transferred to equity under the item 'Net revaluation reserve according to the equity method' to the extent the net asset value exceeds the cost.

#### **Listed shares, unit trust units, bonds, etc.**

Listed shares, unit trust units, bonds, etc. are measured at the most recent prices quoted at the end of the year. Unquoted shares, fixed-interest loans, etc. are measured at a conservatively estimated market value at the end of the year based on the companies' most recent financial statements available.

#### **Derivative financial instruments**

Derivative financial instruments are measured at the market value at the end of the year. Derivative financial instruments are used to the extent they enable the Group to manage its assets and liabilities more efficiently, thereby reducing risk or causing only a small increase in risk.

#### **Deposits with ceding undertaking, receivable**

Deposits comprise amounts owed to the Company in respect of reinsurance business accepted, and retained by the ceding undertaking pursuant to the reinsurance contract.

#### **Amounts owing**

Amounts owing are measured at nominal value less a provision for any losses.

#### **Other assets**

##### **Operating equipment**

Operating equipment is measured at cost less accumulated depreciation. Operating equipment is depreciated on a straight-line basis over the estimated useful economic lives of the assets, which are three to five years.

Computer equipment held under finance leases is treated as if purchased by the Company. The lease liabilities are included in 'Other debt'.

#### **Tax asset**

The tax asset comprises deferred net tax assets calculated as 30 per cent of the present value of net positive timing differences between accounting and taxable values, plus tax losses to the extent they are expected to be offset against future taxable income.

#### **Accruals and deferred income**

Other accruals and deferred income comprise mainly prepaid expenses.

#### **Dividend**

Proposed dividends are recognised as a liability when adopted by the shareholders at the general meeting. Dividends expected to be declared for the year are shown in the profit allocation.

#### **Technical provisions**

Unearned premium provisions represent the proportion of premiums and reinsurance premiums collected which relates to subsequent financial years.

Provisions for claims represent amounts to cover claims incurred before the balance sheet date, whether reported or not. Provisions for claims are calculated on the basis of information available concerning the extent of the losses plus an amount based on past experience to cover claims incurred but not reported. The provisions include direct costs of combating, containing, inspecting and assessing claims. Long-tail provisions calculated using statistical methods are discounted.

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

Provisions for annuities relate to compulsory Workers' Compensation insurance in Denmark, which is settled by payment of annuities. The provisions are calculated using actuarial principles at the present value by discounting expected future payments.

Equalisation provisions represent amounts included to equalise future claims, net of reinsurance, in areas where experience has shown that claims vary.

For Workers' Compensation insurance in Denmark, equalisation provisions are calculated as the difference between the technical provisions made up at basic interest rates of 2.0 per cent and 2.75 per cent, respectively. The rules for establishing and employing equalisation provision have been laid down by the supervising authorities.

Other technical provisions represent provisions for risk not yet run off. The provisions represent the amounts deemed necessary, in addition to unearned premiums provisions and future premium rates, to cover future, anticipated expenses and settlement of claims not yet incurred within the period of coverage of the policies.

#### **Provisions for other risks and charges**

Provisions for other risks and charges comprise amounts intended to cover liabilities or expenses attributable to the past financial year or prior financial years, and which on the balance sheet date are likely or certain, but uncertain in respect of size or time of payment.

Deferred tax is not provided on untaxed contingency reserves. It is not expected that future movements in technical provisions will result in a crystallisation of tax on the contingency reserve. The untaxed contingency reserves are disclosed in the notes to the financial statements under shareholders' equity.

#### **Deposits with ceding companies, payable**

Deposits comprise amounts due in respect of reinsurance business accepted and retained pursuant to the reinsurance contracts.

**Debt**

Debt is generally measured at nominal value.

# Income Statement

DKKm	2003	2002
Note		
<b>General insurance</b>		
<i>Earned premiums</i>		
Gross premiums written	8,028	7,056
Ceded reinsurance premiums	-666	-922
Change in the gross provisions for unearned premiums	-220	-230
Change in the reinsurers' share of the provisions for unearned premiums	-1	-30
<b>1 Earned premiums, net of reinsurance</b>	<b>7,142</b>	<b>5,874</b>
<b>2 Technical interest, net of reinsurance</b>	<b>207</b>	<b>304</b>
<i>Claims incurred</i>		
Gross claims paid	-4,992	-5,026
Reinsurance recoveries	499	588
Change in the gross provisions for claims	-753	-802
Change in the reinsurers' share of the provisions for claims	-360	202
<b>3 Claims incurred, net of reinsurance</b>	<b>-5,606</b>	<b>-5,037</b>
<b>Change in other insurance provisions, net of reinsurance</b>	<b>8</b>	<b>11</b>
<b>Bonus and premium rebates</b>	<b>-55</b>	<b>-59</b>
<i>Insurance operating expenses</i>		
Acquisition costs	-855	-743
Administrative expenses	-875	-1,030
Refunding from subsidiary undertakings	181	307
Commission and profit commission from the reinsurers	59	127
<b>4 Total insurance operating expenses, net of reinsurance</b>	<b>-1,490</b>	<b>-1,339</b>
<b>Change in the equalisation provisions</b>	<b>-34</b>	<b>-40</b>
<b>5 Technical result</b>	<b>171</b>	<b>-286</b>

# Income Statement

DKKm	2003	2002	
Note			
	<b>Investment activities</b>		
	<i>Income from investment assets</i>		
6	Income from subsidiary undertakings	425	-38
	Income from land and buildings	45	48
7	Interest and dividends etc.	377	313
8	Realised gains on investment assets	68	0
	<b>Total income from investment assets</b>	<b>916</b>	<b>323</b>
8	<b>Unrealised gains on investment assets</b>	<b>261</b>	<b>0</b>
	<i>Charges relating to investment assets</i>		
	Investment management charges	-26	-9
	Interest expenses	-49	-23
8	Realised losses on investment assets	0	-13
	<b>Total charges relating to investment assets</b>	<b>-75</b>	<b>-45</b>
8	Unrealised losses on investment assets	0	-255
	Exchange rate adjustments	-125	-34
	<b>Return on investment activities before transfer to insurance activities</b>	<b>977</b>	<b>-12</b>
2	Technical interest transferred to insurance activities	-293	-374
	<b>Total return on investment activities</b>	<b>684</b>	<b>-386</b>
	<b>Profit/loss from ordinary activities before tax</b>	<b>855</b>	<b>-672</b>
9	Extraordinary expenses	0	-459
	<b>Profit/loss before tax</b>	<b>855</b>	<b>-1,131</b>
10	Tax	-60	72
	<b>Profit/loss for the year</b>	<b>795</b>	<b>-1,059</b>



# Balance Sheet as at 31 December

DKKm	2003	2002
Note		
<i>Amounts owing</i>		
From policyholders	127	181
From insurance brokers	186	190
Total amounts owing in relation to direct insurance business	313	371
Amounts owing from insurance companies	630	703
Amounts owing from subsidiary undertakings	135	692
15 Other amounts owing	1,740	168
<b>Total amounts owing</b>	<b>2,817</b>	<b>1,934</b>
<i>Other assets</i>		
Furniture, equipment, computer hardware, motor vehicles, etc.	178	192
Cash in hand and at bank	196	91
16 Tax asset	186	227
Other	5	3
<b>Total other assets</b>	<b>564</b>	<b>513</b>
<i>Prepayments and accrued income</i>		
Accrued interest and rent earned	109	96
Other prepayments and accrued income	62	296
<b>Total prepayments and accrued income</b>	<b>171</b>	<b>392</b>
<b>Total assets</b>	<b>18,460</b>	<b>13,574</b>
Total assets to cover the company's insurance provisions	15,353	-

# Balance Sheet as at 31 December

DKKm	2003	2002
Note		
<b>Liabilities</b>		
17 <i>Shareholders' equity</i>		
Share capital	1,100	400
Share premium	2,447	0
Revaluation reserve	141	119
<i>Reserves</i>		
Contingency fund	670	706
Net revaluation reserve as per the equity method	113	110
<b>Total reserves</b>	<b>784</b>	<b>816</b>
Retained profits	1,458	703
<b>Total shareholders' equity</b>	<b>5,929</b>	<b>2,037</b>
<b>Subordinate loan capital</b>	<b>600</b>	<b>600</b>
<i>Insurance provisions</i>		
<i>Provisions for unearned premiums</i>		
Gross provisions	2,513	2,294
The reinsurers' share	-30	-31
Provisions for unearned premiums, net of reinsurance	2,483	2,263
<i>Provisions for claims</i>		
18 Gross provisions	7,275	6,490
The reinsurers' share	-238	-604
Provisions for claims, net of reinsurance	7,038	5,886
<i>Provisions for annuities by Workers' Compensation</i>		
Gross provisions	1,159	1,139
19 Provisions for annuities, net of reinsurance	1,159	1,139
Provisions for bonuses and premium rebates, net of reinsurance	76	63
20 Equalisation provisions	279	245
21 Other insurance provisions, net of reinsurance	17	25
<b>Total insurance provisions, net of reinsurance</b>	<b>11,051</b>	<b>9,621</b>

# Balance Sheet as at 31 December

DKKm	2003	2002
Note		
<i>Provisions for other risks and charges</i>		
Provisions for pensions and similar obligations	6	23
22 Other provisions	179	334
<b>Total provisions for other risks and charges</b>	<b>185</b>	<b>357</b>
<i>Debt</i>		
Debt related to direct insurance	31	57
Debt related to reinsurance	35	37
Debt to credit institutions	15	148
Debt to subsidiary undertakings	125	94
Corporation tax	7	3
Other debt	420	613
Dividend for the financial year	50	0
23 <b>Total debt</b>	<b>683</b>	<b>951</b>
<b>Accruals and deferred income</b>	<b>13</b>	<b>7</b>
<b>Total liabilities</b>	<b>18,460</b>	<b>13,574</b>
24 <b>Solvency margin and basic capital</b>		
25 <b>Forward transactions, etc.</b>		
26 <b>Contingent liabilities</b>		
27 <b>Intra-group transactions</b>		

# Notes

DKKm	2003	2002
<b>1 Earned premiums, net of reinsurance</b>		
Direct insurance	7,760	6,807
Indirect insurance	49	19
	<b>7,809</b>	<b>6,826</b>
Ceded reinsurance premiums	-667	-952
	<b>7,142</b>	<b>5,874</b>
<b>Direct insurance, by location of the risks</b>		
Denmark	7,637	6,745
Other EU countries	47	24
Other countries	76	38
	<b>7,760</b>	<b>6,807</b>
<b>2 Technical interest, net of reinsurance</b>		
Transferred from investment activities	293	374
Discounting	-86	-70
	<b>207</b>	<b>304</b>
<b>3 Claims incurred, net of reinsurance</b>		
Direct business	-5,584	-5,774
Indirect business	-161	-54
	-5,745	-5,828
Reinsurance recoveries	139	791
	<b>-5,606</b>	<b>-5,037</b>
<b>Run-off gains/losses previous year, net of reinsurance</b>		
Run-off previous year, gross	-88	-99
Run-off previous year, reinsurers' share	-26	49
	-115	-51

# Notes

DKKm	2003	2002
<b>4 Insurance operating expenses, net of reinsurance</b>		
Commission regarding direct business	-147	-145
Other acquisition costs	-708	-597
<b>Total acquisition costs</b>	<b>-855</b>	<b>-743</b>
<b>Total administrative expenses</b>	<b>-875</b>	<b>-1,030</b>
<b>Total insurance operating expenses, gross</b>	<b>-1,730</b>	<b>-1,773</b>
Refunding from subsidiary undertakings	181	307
	-1,549	-1,466
Commissions etc. from reinsurers	59	127
	<b>-1,490</b>	<b>-1,339</b>
<i>Insurance operating expenses, gross, include the following staff expenditure</i>		
Salaries and wages	-978	-1,046
Commission	-8	-7
Pensions	-166	-194
Other expenses to social security	-4	-11
Payroll tax, etc.	-95	-105
	<b>-1,252</b>	<b>-1,362</b>
<i>Wages, salaries and remuneration etc.</i>		
Supervisory Board	0	-2
Executive Management	-5	-29
	<b>-5</b>	<b>-31</b>
<b>Number of full-time employees at year-end</b>	<b>2,225</b>	<b>2,336</b>
<b>Average number of full-time employees during the year</b>	<b>2,253</b>	<b>2,429</b>
<i>Administrative expenses include fee to the auditors appointed by the Annual General Meeting</i>		
Deloitte	-3.3	-2.9
Grant Thornton	-0.3	0.0
KPMG	0.0	-0.8
	<b>-3.6</b>	<b>-3.7</b>
<i>Of which other services than audit</i>		
Deloitte	-1.6	-1.0
	<b>-1.6</b>	<b>-1.0</b>

Beyond this, other expenses are defrayed to the Group's internal Audit Department.

## Notes

DKKm

### 5 Technical result, net of reinsurance, distributed on business lines

	Accident and health insurance		Workers' Compensation Insurance		Motor TPL		Motor comprehensive		Marine Aviation and Cargo	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
<b>Gross premiums</b>	<b>532</b>	<b>446</b>	<b>443</b>	<b>355</b>	<b>1,158</b>	<b>1,073</b>	<b>1,652</b>	<b>1,576</b>	<b>321</b>	<b>241</b>
Gross earned premiums	512	421	399	353	1,183	971	1,612	1,571	314	234
Gross claims incurred	-565	-443	-531	-384	-1,314	-1,036	-828	-1,007	-185	-113
Change in other technical provisions	-2	4	0	0	10	7	0	0	0	0
Bonuses and premium rebates	-2	-1	0	0	-2	-1	-38	-42	-3	-6
Gross operating expenses	-127	-106	-40	-44	-125	-170	-245	-267	-68	-56
Profit/loss on ceded business	-2	2	2	2	-13	12	-3	-2	-46	-48
Change in equalisation provisions	0	-1	-15	-5	-1	-13	-1	3	-1	19
Technical interest, net of reinsurance	28	36	-21	8	72	80	21	36	6	8
<b>Technical result</b>	<b>-158</b>	<b>-87</b>	<b>-206</b>	<b>-69</b>	<b>-191</b>	<b>-150</b>	<b>519</b>	<b>292</b>	<b>17</b>	<b>38</b>
Gross claims ratio	111.2	104.2	133.1	108.6	110.5	106.1	52.6	65.9	59.2	49.7
Gross expense ratio	24.9	25.1	10.0	12.6	10.6	17.5	15.5	17.4	22.0	24.5

	Fire and contents (personal)		Fire and contents (commercial)		Liability		Other insurance		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
<b>Gross premiums</b>	<b>1,664</b>	<b>1,496</b>	<b>1,718</b>	<b>1,406</b>	<b>473</b>	<b>424</b>	<b>67</b>	<b>39</b>	<b>8,028</b>	<b>7,056</b>
Gross earned premiums	1,588	1,416	1,646	1,409	489	413	67	38	7,809	6,826
Gross claims incurred	-1,059	-1,142	-889	-1,435	-218	-197	-157	-72	-5,745	-5,828
Change in other technical provisions	0	0	0	0	0	0	0	0	8	11
Bonuses and premium rebates	-8	-3	-2	-6	0	0	-1	0	-55	-59
Gross operating expenses	-363	-294	-446	-393	-117	-120	-19	-16	-1,549	-1,465
Profit/loss on ceded business	-61	-60	-259	128	-74	-69	-12	1	-469	-34
Change in equalisation provisions	8	49	-3	-89	-20	-4	0	0	-34	-40
Technical interest, net of reinsurance	34	45	37	51	25	35	5	5	207	304
<b>Technical result</b>	<b>139</b>	<b>11</b>	<b>83</b>	<b>-334</b>	<b>85</b>	<b>58</b>	<b>-117</b>	<b>-44</b>	<b>171</b>	<b>-286</b>
Gross claims ratio	67.0	80.8	54.1	102.2	44.5	47.6	239.2	189.4	74.0	86.0
Gross expense ratio	22.9	20.8	27.1	28.0	23.8	29.0	29.2	43.2	20.1	21.7

# Notes

DKKm	2003	2002
<b>6 Income from subsidiary undertakings</b>		
Vesta Forsikring AS	380	-
Dansk Kautionsforsikrings-Aktieselskab	87	97
Tryg-Baltica Forsikring, internationalt forsikringselskab A/S	-258	-294
Consumption of provisions for restructuring and run-off	121	-
Tryg Forsikring II A/S	41	27
Tryg Forsikring, Rejse og Sundhed A/S	10	9
Tryg Polska Towarzystwo Ubezpieczen S.A.	-41	-5
Nordicum Kindlustuse Eesti AS	-1	-
ApS KBIL 9 nr. 2032	0	0
Tryg Ejendomme I A/S	87	127
Tryg Ejendomme II / DKE A/S	0	-
	<b>425</b>	<b>-38</b>
<b>7 Interest and dividends, etc</b>		
Dividends on capital participation	37	27
Interest on securities, etc.	406	299
Capital gains by drawing and servicing of securities, etc.	-66	-12
	<b>377</b>	<b>313</b>
<b>8 Realised and unrealised gains/losses on investment assets</b>		
Land and buildings	34	53
Other capital participation	232	-469
Bonds listed on the stock exchange excl. index-linked bonds	56	149
Secured loans	7	0
Other loans	0	-1
	<b>329</b>	<b>-268</b>
<i>Allocated to the following items</i>		
Net realised gains/losses on investment assets	68	-13
Net unrealised gains/losses on investment assets	261	-255
	<b>329</b>	<b>-268</b>
<b>9 Extraordinary expenses</b>		
Goodwill	0	-44
Restructuring and run-off expenses	0	-332
Expenses by spin-off from Nordea AB	0	-84
	<b>0</b>	<b>-459</b>
<b>10 Taxation</b>		
Taxation regarding previous years	8	14
Current tax	-7	0
Dividend tax foreign equities	-3	-1
Change in deferred tax assets	-58	59
	<b>-60</b>	<b>72</b>
Tax prepaid	250	0

# Notes

DKKm	2003	2002
<b>11 Land and buildings</b>		
<i>Acquisition sum</i>		
Balance at 1 January	823	807
Investments during the year	2	18
Sale during the year	-69	-2
<b>Balance at 31 December</b>	<b>756</b>	<b>823</b>
<i>Write-ups</i>		
Balance at 1 January	119	74
Write-ups during the year	43	45
Reversal of prior revaluations	-3	0
Reversal of revaluations, real property disposed of	-19	0
<b>Balance at 31 December</b>	<b>141</b>	<b>119</b>
<i>Depreciation and write-downs</i>		
Balance at 1 January	-2	-10
Write-downs during the year	-2	-1
Reversal of prior revaluations	1	9
<b>Balance at 31 December</b>	<b>-3</b>	<b>-2</b>
<b>Book value 31 December</b>	<b>894</b>	<b>940</b>
<i>Book value by type of property</i>		
Business property	69	64
Office property	633	700
Residential property	192	176
	<b>894</b>	<b>940</b>
<b>Of which property used by the company for its operation</b>	<b>81</b>	<b>85</b>
Public land assessment	781	781
Non-assessed property	6	94

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

	Lowest %	Average %	Highest %
	<u>2003 / 2002</u>	<u>2003 / 2002</u>	<u>2003 / 2002</u>
Business property	8.0 / 8.0	8.0 / 8.0	8.0 / 8.0
Office property	6.5 / 6.5	7.3 / 7.3	8.0 / 8.0
Residential property	5.5 / 5.5	6.1 / 6.1	6.5 / 6.5
<b>All properties</b>	<b>5.5 / 5.5</b>	<b>7.0 / 7.1</b>	<b>8.0 / 8.0</b>

# Notes

DKKm	2003	2002
<b>12 Capital participation in subsidiary undertakings</b>		
<i>Acquisition sum</i>		
Balance at 1 January	3,851	5,834
Investments during the year	3,094	535
Divestments during the year	-1,405	-2,518
<b>Balance at 31 December</b>	<b>5,541</b>	<b>3,851</b>
<i>Revaluations to equity value</i>		
Balance at 1 January	110	808
Write-ups during the year	85	157
Distribution of dividend	0	-468
Reversal of revaluations made in previous years	-81	-387
<b>Balance at 31 December</b>	<b>113</b>	<b>110</b>
<i>Write-downs</i>		
Balance at 1 January	-856	-510
Exchange rate adjustments	-363	-29
Write-downs during the year	34	-322
Distribution of dividend	0	-97
Reversal of write-downs made in previous years	87	103
<b>Balance at 31 December</b>	<b>-1,097</b>	<b>-856</b>
<b>Book value 31 December</b>	<b>4,557</b>	<b>3,106</b>

<i>Name and registered office</i>	<u>Ownership share in %</u>	<u>Profit/loss for the year</u>	<u>Shareholders' equity</u>
Vesta Forsikring AS, Bergen	100	381	2,573
Dansk Kautionsforsikrings-Aktieselskab, Ballerup	100	87	491
Tryg-Baltica Forsikring, internationalt forsikringsselskab A/S, Ballerup	100	-258	458
Tryg Forsikring II A/S, Ballerup	100	41	278
Tryg Forsikring, Rejse og Sundhed A/S, Ballerup	100	10	69
Tryg Polska Towarzystwo Ubezpieczen S.A., Poland	98	-41	139
Chevanstell Ltd., England	100	0	158
Nordicum Kindlustuse Eesti AS, Estonia	100	-1	9
ApS KBIL 9 nr. 2032, Ballerup	100	0	0
Tryg Ejendomme II / DKE A/S, Ballerup	100	0	381

# Notes

DKKm	2003	2002
<b>13 Capital participation</b>		
<b>Book value</b>	<b>1,863</b>	<b>1,250</b>
Acquisition value	1,722	1,316
<i>Shareholding of more than 5% of the company share capital according to the latest annual reports</i>	<i>The company shareholders' equity</i>	<i>Ownership share in %</i>
	<b>2003</b>	<b>2003</b>
Account Data A/S, Frederiksberg	1	14
A/S Forsikringens hus, Copenhagen	43	12
Forsikringsakademiet A/S, Hørsholm	31	12
Privathospitalet Hamlet af 1994 A/S, Frederiksberg	11	6
<b>14 Other financial investment assets</b>		
<i>Book value</i>		
Capital participation	1,863	1,250
Unit trust units	18	14
Ordinary bonds	7,135	4,542
Foreign bonds	242	608
Secured loans	0	194
Other loans	70	73
	<b>9,328</b>	<b>6,682</b>
<i>Acquisition value</i>		
Capital participation	1,722	1,316
Unit trust units	25	27
Bonds	7,293	5,029
Secured loans	0	193
Other loans	70	73
	<b>9,111</b>	<b>6,637</b>
<b>15 Other amounts owing</b>		
The sale of Tryg Ejendom I A/S to Nordea Pension Denmark, livsforsikringselskab A/S forms part of amounts owing by DKK 1.2bn. The amount was received on 2 January 2004.		
<b>16 Tax assets</b>		
Land and buildings	7	8
Bonds and secured loans	-24	-38
Operating equipment and provisions, etc.	203	230
Tax to be carried forward	0	27
	<b>186</b>	<b>227</b>

The amounts have been calculated allowing for discounting.

# Notes

DKKm	2003	2002
<b>17 Shareholders' equity</b>		
<i>Share capital</i>		
Balance at 1 January	400	1,000
Capital reduction by distribution of Tryg Forsikring, livsforsikringselskab A/S	0	-900
Capital increase during the year	600	300
Non-cash contribution Vesta Forsikring AS and Nordicum Kindlustuse Eesti AS	100	0
<b>Balance at 31 December</b>	<b>1,100</b>	<b>400</b>
The share capital is distributed in shares of DKK 20.		
<i>Share premium</i>		
Balance at 1 January	0	0
Non-cash contribution Vesta Forsikring AS and Nordicum Kindlustuse Eesti AS	2,447	0
<b>Balance at 31 December</b>	<b>2,447</b>	<b>0</b>
<i>Revaluation reserve</i>		
Balance at 1 January	119	74
Transferred cf. distribution of profit/loss for the year	22	45
<b>Balance at 31 December</b>	<b>141</b>	<b>119</b>
<i>Contingency fund</i>		
Balance at 1 January	706	1,296
Transferred cf. distribution of profit/loss for the year	-35	-590
<b>Balance at 31 December</b>	<b>670</b>	<b>706</b>
According to the articles of association, the contingency fund may be used to cover losses by settlement of insurance provisions or otherwise to benefit the insureds. The contingency fund is liable to taxation.		
<i>Net revaluation reserve as per the equity method</i>		
Balance at 1 January	110	808
Transferred cf. distribution of profit/loss for the year	3	-312
Reversal of net revaluation by distribution of Tryg Forsikring, livsforsikringselskab A/S	0	-387
<b>Balance at 31 December</b>	<b>113</b>	<b>110</b>
<i>Retained profits</i>		
Balance at 1 January before change of accounting policies	703	2,477
Change of accounting policies	0	46
Adjusted balance 1 January	703	2,523
Transferred from share capital by capital reduction	0	900
Transferred from net revaluation reserve as per the equity method by distribution of Tryg Forsikring, livsforsikringselskab A/S	0	387
Write-down by distribution of Tryg Forsikring, livsforsikringselskab A/S	0	-2,905
Transferred cf. distribution of profit/loss for the year	755	-202
<b>Balance at 31 December</b>	<b>1,458</b>	<b>703</b>
<b>Total shareholders' equity</b>	<b>5,929</b>	<b>2,037</b>

# Notes

DKKm	2003	2002
<b>18 Gross Provisions (provisions for claims)</b>	<b>7,275</b>	<b>6,490</b>
Of which provisions calculated by discounting		
Workers' Compensation	793	575
Reduction from discounting	54	46
Settlement period	4,3 år	4,3 år
Discounting interest rate	3.2%	3.5%
Inflation	3.2%	3.5%
<b>19 Provisions for annuities</b>		
Workers' Compensation	1,159	1,139
Settlement period	11,5 år	11,5 år
Discounting interest rate	2,75%	2,75%
Inflation	0%	0%
<b>20 Equalisation provisions</b>		
Workers' Compensation	94	79
Large losses	114	100
Storm	71	66
	<b>279</b>	<b>245</b>
<b>21 Other insurance provisions, net of reinsurance</b>		
Provision for unexpired risk	17	25
<b>22 Other provisions</b>	<b>179</b>	<b>334</b>
During the year, DKK 155m has been spent of which DKK 121 was spent on Chevanstell Ltd.		
<b>23 Debt</b>	<b>683</b>	<b>951</b>
Of which debt falling due after more than 5 years	0	67
<b>24 Solvency margin and basic capital</b>		
Solvency margin	1,190	1,148
Basic capital (shareholder's equity) according to the balance sheet	5,929	2,037
Subordinate loan capital	595	574
Tax asset	-186	-227
Capital adequacy subsidiary undertakings	-1,420	-278
Deduction	-281	-166
Total basic capital	4,637	1,940
Total distributable basic capital	3,447	792

# Notes

DKKm	2003	2002
<b>25 Forward Transactions, etc.</b>		
<i>Forward transactions, etc</i>		
<i>Market value</i>		
Forward sale of foreign exchange	-4,159	1,108
Unsettled deals	297	78
<i>Acquisition value</i>		
Forward sale of foreign exchange	-4,262	1,114
Unsettled deals	297	78
<b>26 Contingent Liabilities</b>		
Surety-, guaranty- and lease agreements, etc. beyond insurance obligations do not exceed	350	280

## Additional circumstances

Tryg Forsikring A/S has concluded a collaboration agreement with CSC according to which CSC will handle the IT operations of Tryg Forsikring A/S, amounting to DKK 513m. The agreement is for a period of five years.

Tryg Forsikring A/S has an annual obligation towards Danica regarding lease of head office in Ballerup. The annual rent and tax, etc. currently amount to DKK 74m. Remaining contract period is 22 years.

Tryg Forsikring A/S committed itself towards Nordea Pension Danmark, livsforsikrings-selskab A/S to repurchase one property in connection with spin-off of the subsidiary Tryg Ejendomme I A/S.

The company is jointly taxed with Tryg i Danmark smba and most of its subsidiary undertakings and jointly and severally liable with these companies for corporation tax imposed.

The company is commonly registered for VAT and payroll tax with Tryg i Danmark smba and most of its subsidiary undertakings, and jointly and severally liable for payment of direct and indirect taxes.

The company is part of some disputes the outcome of which is not estimated to affect the financial position of the company.

## 27 Intra-group transactions

The management fee is fixed on a cost-covering basis.

The companies of the Tryg Vesta Group have concluded reinsurance treaties and agreements about interest payment on current accounts based on market terms.

Securities have been traded between the Group undertakings. All transactions were made at market value.

Under the item "Gross claims paid", DKK 50m has been recognised as revenue, which can be related to the fact that Tryg i Danmark smba (Owner of Tryg Vesta Group A/S, which is the parent company of Tryg Forsikring A/S) has guaranteed and consequently will pay Tryg Forsikring A/S an amount corresponding to the loss which Tryg Forsikring may incur in connection with the case: AON 77. The guarantee came into existence on 30 June when Tryg i Danmark smba acquired the Tryg Vesta Group, which Tryg Forsikring A/S is part of.

The amount has been charged to the income statement under the item "Change in the gross provisions for claims" because Tryg Forsikring A/S shall pay Chevanstell Ltd. (Subsidiary of Tryg Forsikring A/S) a corresponding amount, cf. a stop loss agreement between the two parties.