Q1 2019 results

Investor presentation

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Disclaimer

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A number of different factors may cause the actual performance to deviate significantly from the forward-looking statements in this presentation 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.

We urge you to read our annual report available on tryg.com for a discussion of some of the factors that could affect our future performance and the industry in which we operate.

Should one or more of these risks or uncertainties materialise or should any underlying assumptions prove to be incorrect, our actual financial condition or results of operations could materially differ from that described herein as anticipated, believed, estimated or expected.

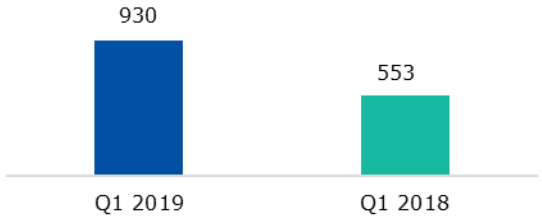
We are not under any duty to update any of the forward-looking statements or to conform such statements to actual results, except as may be required by law.

Financial highlights Q1 2019

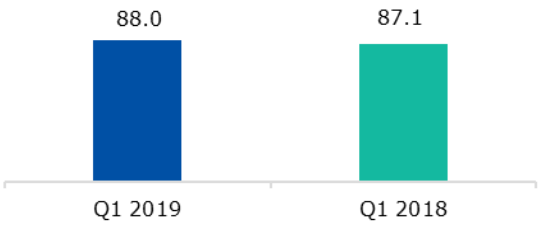
- Technical result of DKK 626m, investment income of DKK 353m driven primarily by strong equity markets
- Q1 dividend of DKK 1.70 per share and solvency ratio of 168

- Pre-tax profit of DKK 930m (DKK 553m) driven by:
  - Technical result of DKK 626m (DKK 563m) driven by good development in core business, inclusion of Alka but also DKK 137m higher large claims vs Q1 2018
  - Investment return of DKK 353m benefitting from strong returns in equities and in general in all assets classes
  - Q1 DPS DKK 1.70 and Solvency ratio of 168
- Technical result of DKK 626m (DKK 563m)
  - Higher level of large claims (3.5% vs 1.0%), run-off result at 7.1% (6.6%)
  - Underlying claims ratio (Private) 50bps better than Q1 2018
  - Underlying claims ratio (Group) 50bps better than Q1 2018
  - Expense ratio of 14.0 (14.0) - guidance for 2020 unchanged
  - Alka synergies of DKK 21m delivered
  - "FY 2019 underlying claims ratio expected to be better than 2018"
- Investment income of DKK 353m (DKK 9m)
  - Positive development characterised by rebound in the equity and fixed-income markets and general "risk on" attitude
  - Tryg equities portfolio returned 11% vs -0.8% in Q1 2018
  - Match portfolio developed positively driven by Nordic covered bonds narrowing
- Tryghedsgruppen approved members' bonus for 2019
  - Tryghedsgruppen Board of Representatives recently approved the member bonus for the fourth consecutive year. The bonus will be paid on June 12 and corresponds to 8% of premiums paid for 2018 as per previous years.

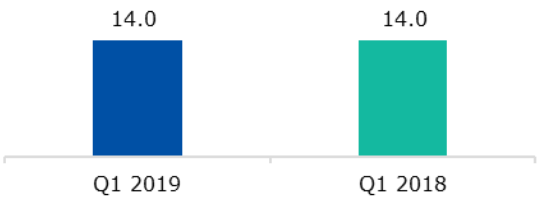
Pre-tax profit (DKKm)



Combined ratio



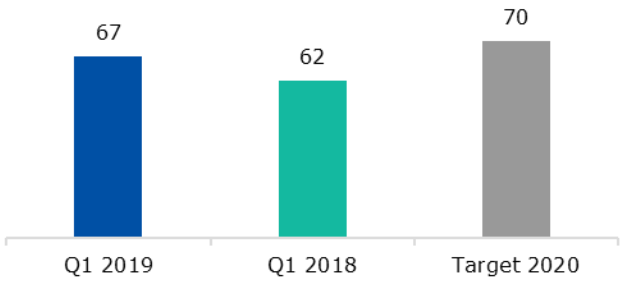
Expense ratio



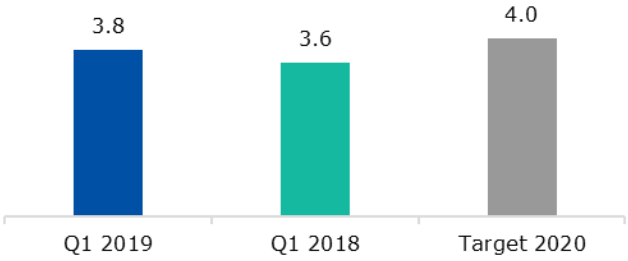
Customer highlights Q1 2019

- Transactional Net Promoter Score (TNPS) of 67 (62)
- Retention improved in all areas
- Number of products per customer increased
- TryghedsGruppen has approved the payment of an 8% member bonus for the fourth year in a row
- Awareness of Customer Bonus improved, especially for existing customers, it was 69% against 66% in Q1 2018

TNPS

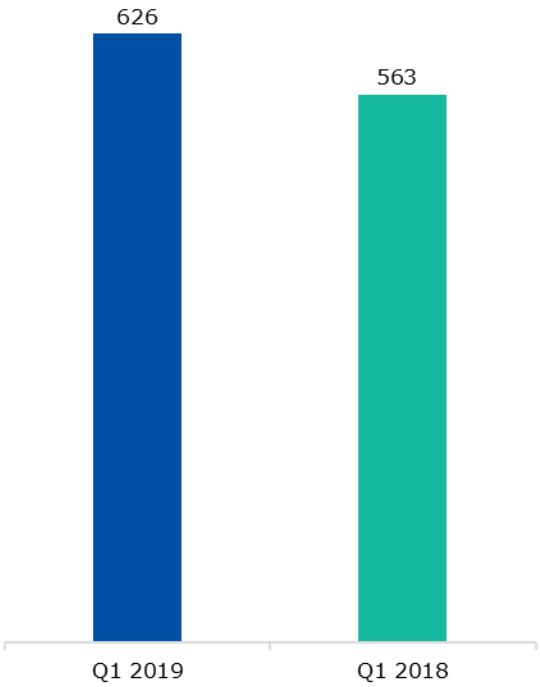


Number of products per customer

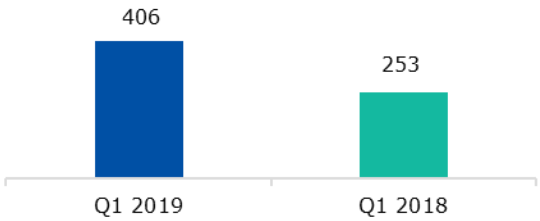


Technical result higher than Q1 2018 despite higher large claims

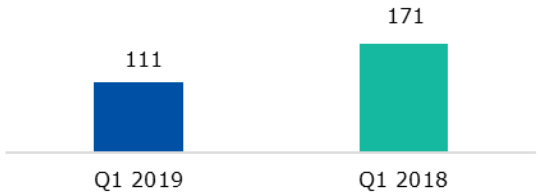
Group (DKKm)



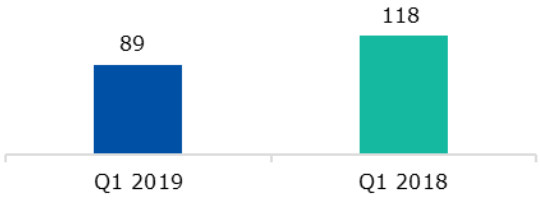
Private, DK & NO (DKKm)



Commercial, DK & NO (DKKm)



Corporate (DKKm)

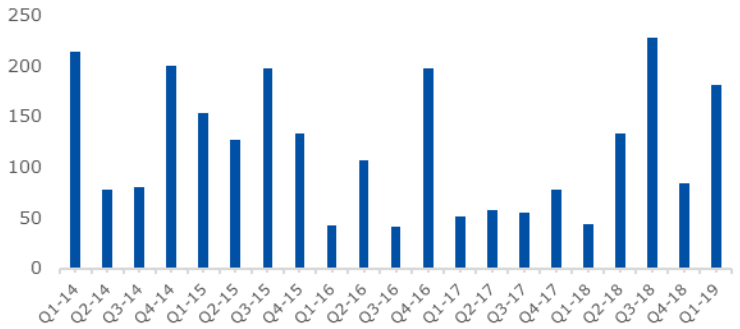


Sweden (DKKm)

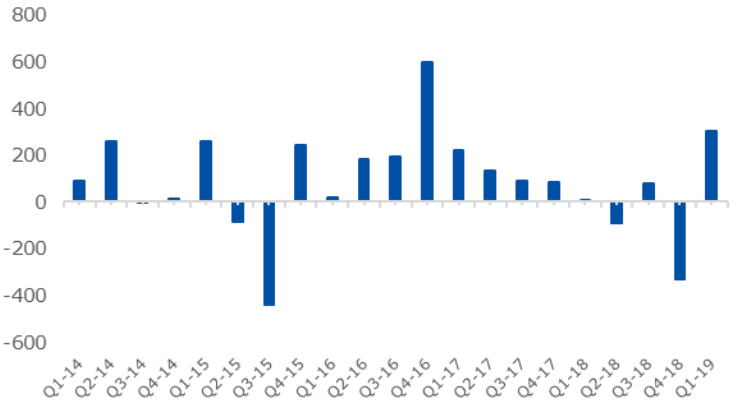
Unusual quarterly developments

- DKK 181m of large claims, 6th worst quarter in the last five years and almost DKK 50m more than normal quarterly run-rate
- A large part of the DKK 181m large claims come from the Norwegian business therefore impacting significantly the country figures. Underlying development remains positive
- Investment income in Q1-19 very high following a loss in Q4-18. Very large difference in equities returns and of general risk appetite
- Virtually all assets classes displayed positive returns in Q1-19 while most of these displayed negative returns at Q4-18
- Asset mix unchanged while Tryg continues to pursue a low risk investment strategy where market risk capital charge (visible in the SFCR) is well below peers

Large claims, quarterly development



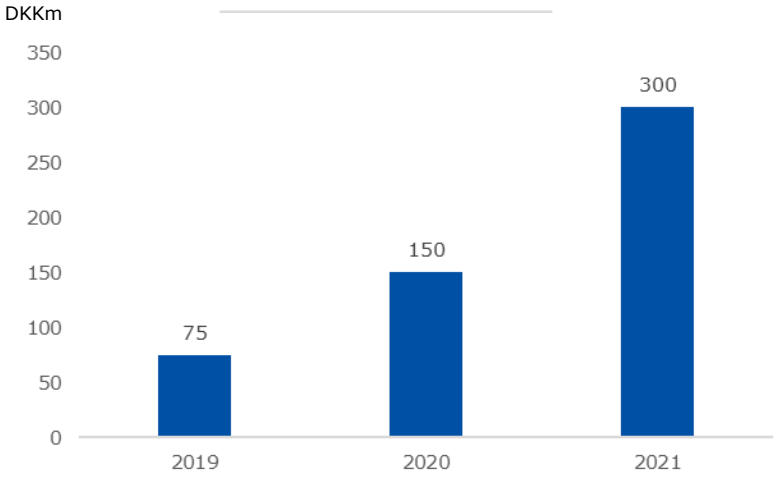
Investment result, quarterly development



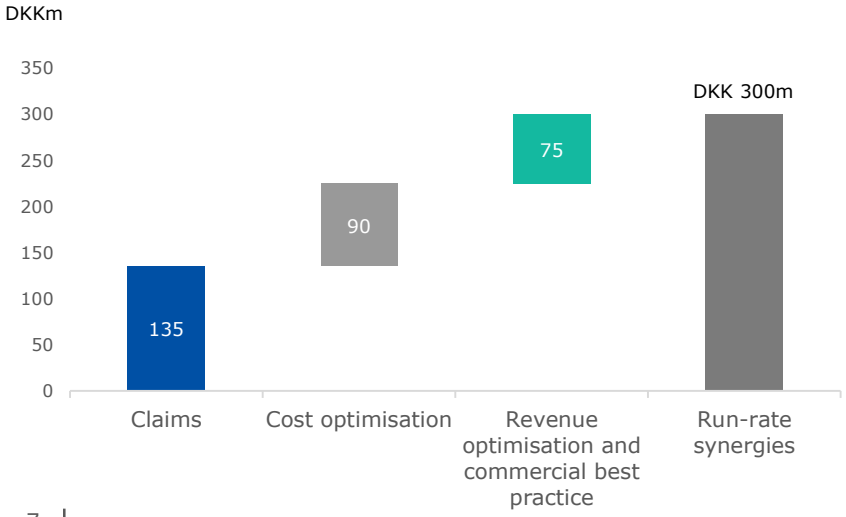
Alka synergies status update

- Full run rate synergies impact in 2021 of DKK 300m
- 25% impact expected in 2019, 50% impact in 2020
- DKK 21m achieved in Q1 2019, half of it is costs
  - General costs reduction (sponsorship, staff etc.)
  - Synergies also coming from improved reinsurance power
  - Claims synergies confirmed through detailed analysis of more than 700 contracts
    - Significant potential in Motor claims procurement (average claims costs 8% lower in Tryg than Alka)
    - Significant savings potential also in property claims

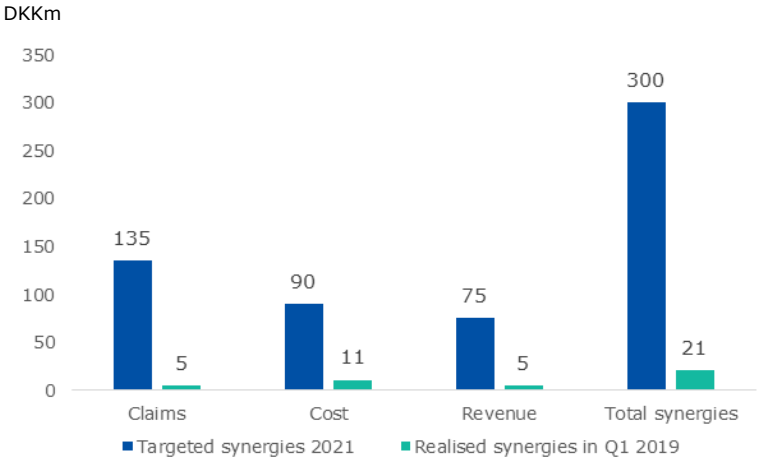
Targeted benefits 2021



Alka merger benefits by category 2021

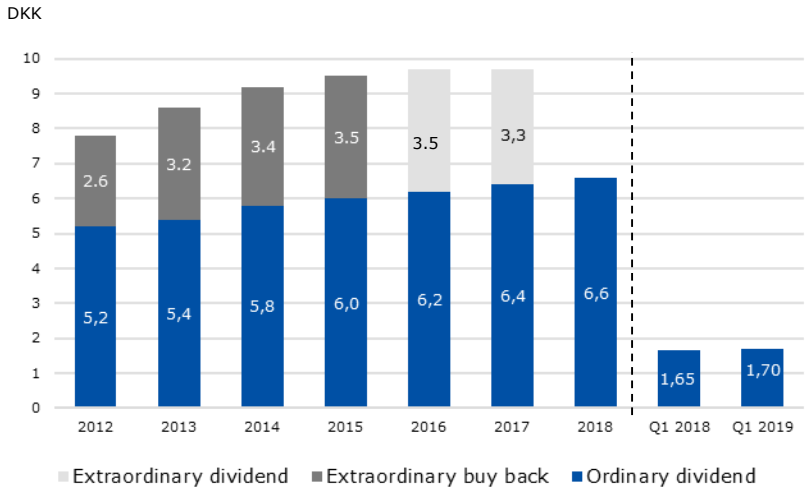


Realised benefits Q1 19 and targeted benefits 2021



Shareholders' remuneration

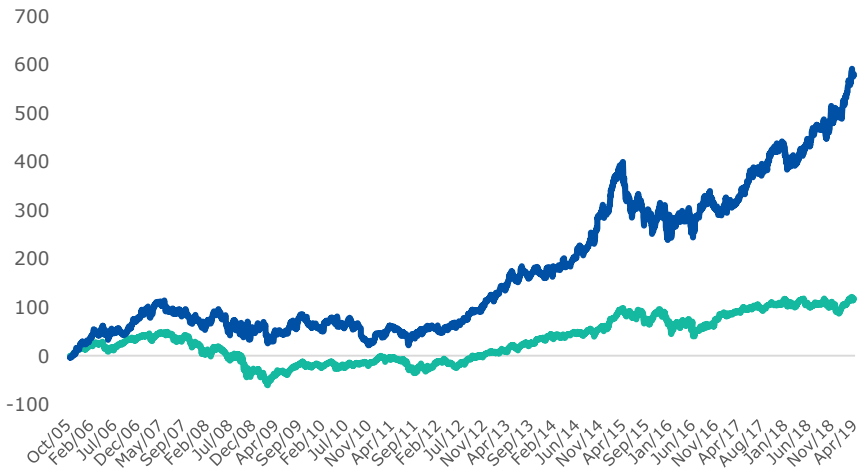
Shareholder remuneration since 2012



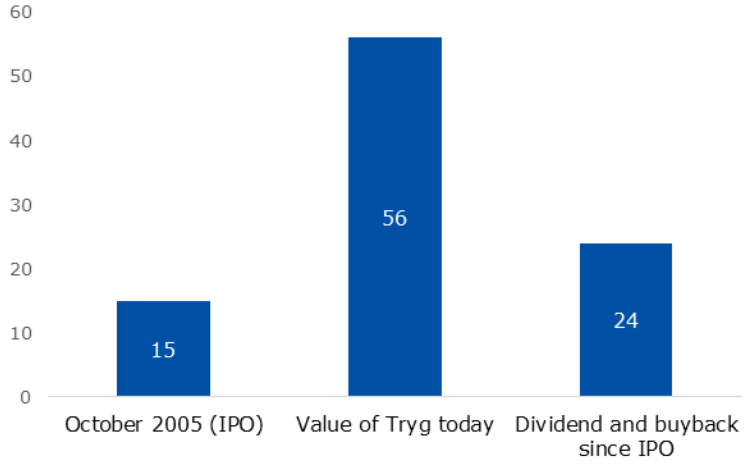
Strong focus on shareholders' remuneration

- Q1 DPS 1.70 (1.65)
- Aim for a nominal stable increasing ordinary dividend (annual)
- Quarterly dividend evenly distributed in different quarters
- High proftibility and low growth implies limited increase in capital requirement

Share price performance since IPO



Value of Tryg since IPO (DKKbn)

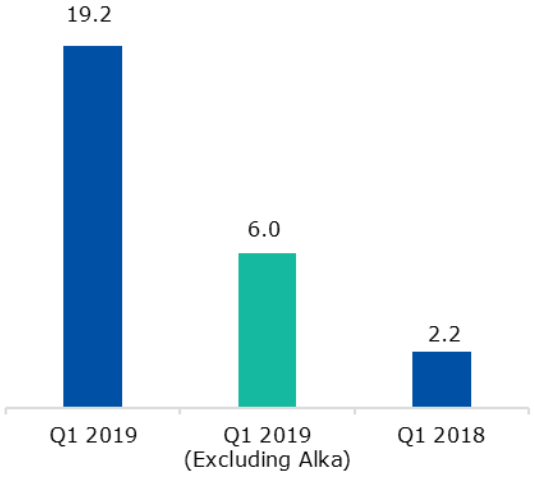


Premiums and portfolio

Group premiums up 19.2% in Q1, 6.0 excl Alka

- Group premiums were up 19.2% in local currencies, or 6.0% excluding Alka
- Private lines reported a 7.1% growth ex. Alka, positive trends in both Denmark and Norway (and inclusion of Troll)
- Commercial growth was 5.1% ex. Alka, helped by high sales and improved retention but also "too low" premiums in Q1 2018
- Corporate segment broadly flat, good renewals in Denmark offset by large price increases in Norway
- Sweden increased by 10.2% primarily driven by a strong growth in pet insurance and motor and accident business

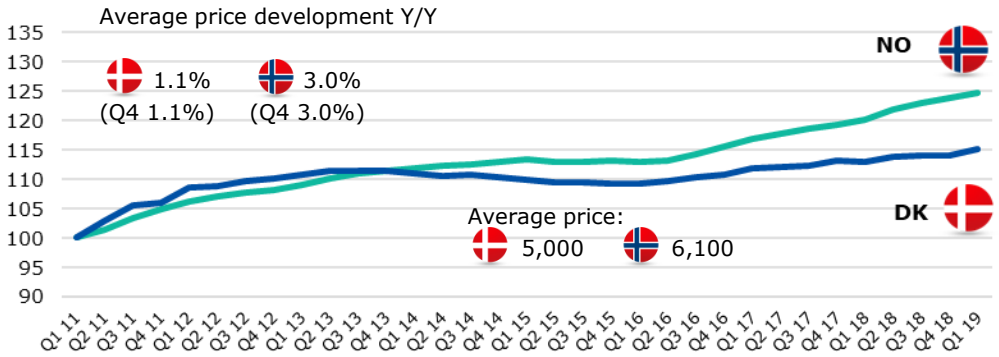
Gross earned premiums development
(Local currencies)



DKKm	Q1 2019	Q1 2018	Local currencies Q1 2019	Local currencies Q1 2018
Private	2,897	2,221	30.9%	3.8%
Commercial	1.050	955	10.3%	1.0%
Corporate	966	942	0.5%	0.8%
Sweden	343	324	10.2%	1.8%
Group	**5,228**	**4,420**	**19.2%**	**2.2%**

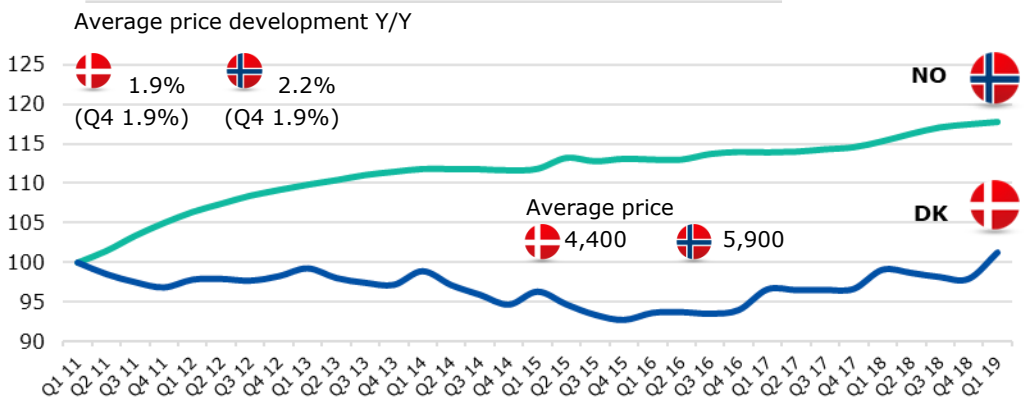
Private - average prices

House insurance – average price (index 2011 = 100)



- DK: 1.1% positive development reflects price increases
- NO: 3.0% positive development reflects primarily price increases

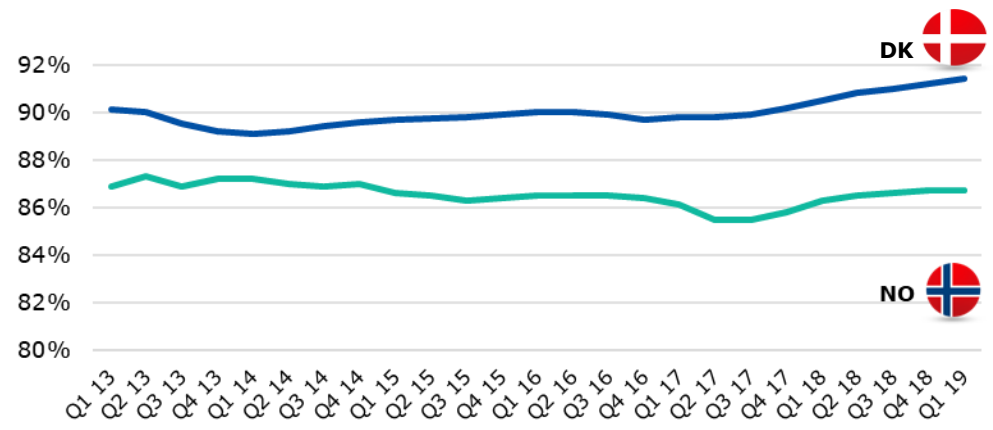
Motor insurance – average price (index 2011 = 100)



- DK: 1.9% positive development reflects price increases
- NO: 2.2% positive development reflects underlying price increases. Avg Motor price is higher in Norway primarily reflecting different type of cars

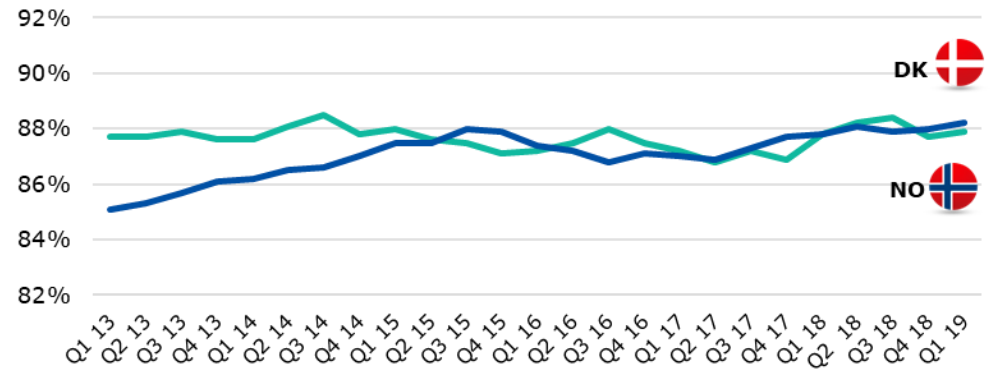
Customer retention remains broadly stable

Private



- DK: customer retention at 91.4% (90.5%) highest level in five years
- NO: customer retention up to 86.7% (86.3%) showing an improved trend

Commercial



- DK: customer retention at 88.2% (87.8%) highest level in last two years
- NO: customer retention at 87.9% (87.8%) showing an improved trend

Claims and expenses

Underlying claims ratio improving

Group underlying claims ratio at 76.0, 50bps better than Q1 2018

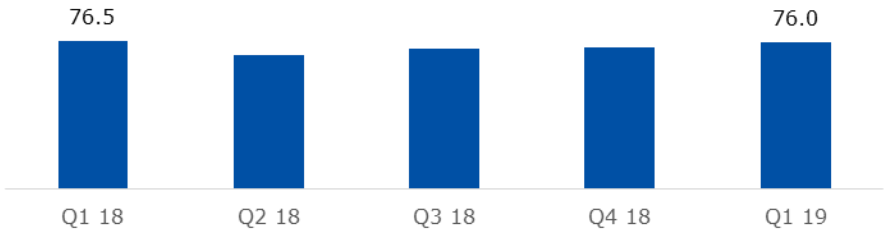
Private underlying claims ratio at 74.3, 50bps better than Q1 2018

Underlying claims ratios in all quarters in 2018 have been adjusted for Alka

"Expected FY 2019 underlying claims ratio better than FY 2018"

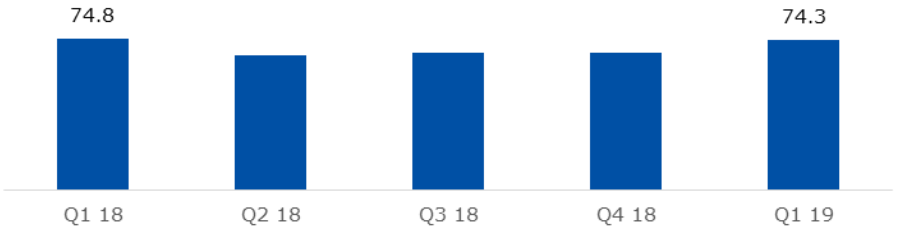
Corporate profitability remains under pressure

Group Underlying Claims ratio



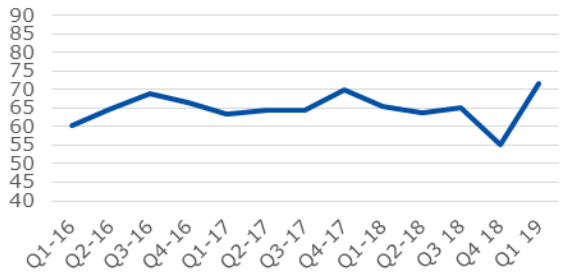
Underlying development is adjusted for run-off, large claims, weather claims and interest.

Private Underlying Claims Ratio

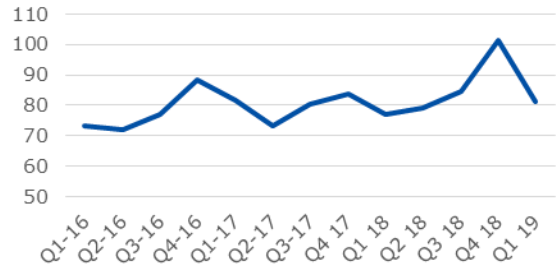


Underlying development is adjusted for large claims, weather claims, run-off and interest.

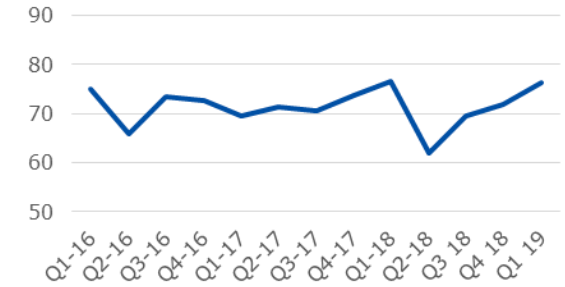
Claims ratio, net (Commercial DK & NO)



Claims ratio, net (Corporate)



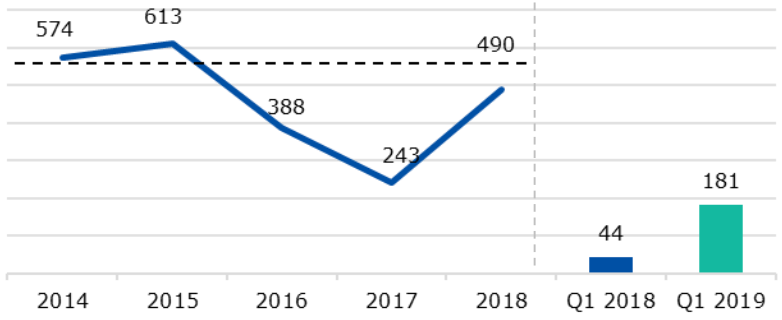
Claims ratio, net (Sweden)



Large claims, weather claims and run-off

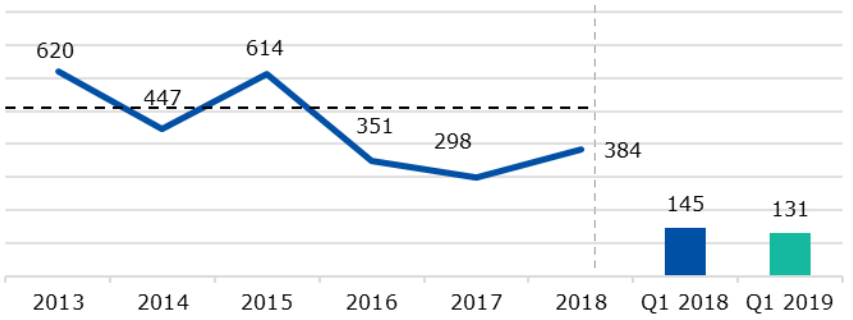
Large claims, net DKKm

Expected annual level 2019: DKK 550m

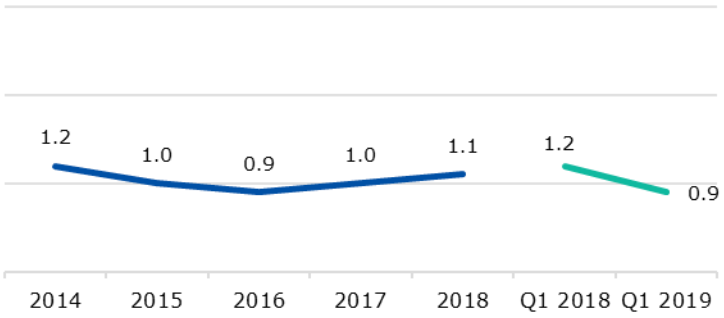


Weather claims, net DKKm

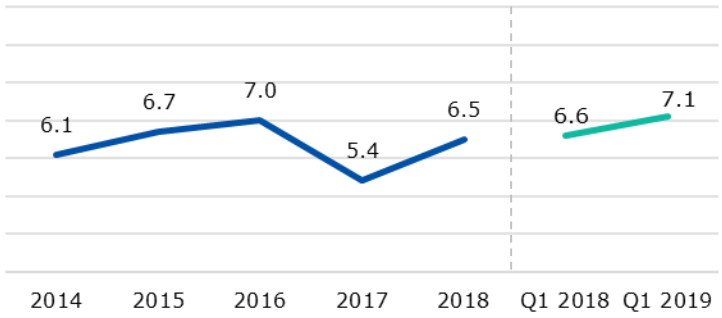
Expected annual level 2019: DKK 600m



Claims reserves discounting rate (%)



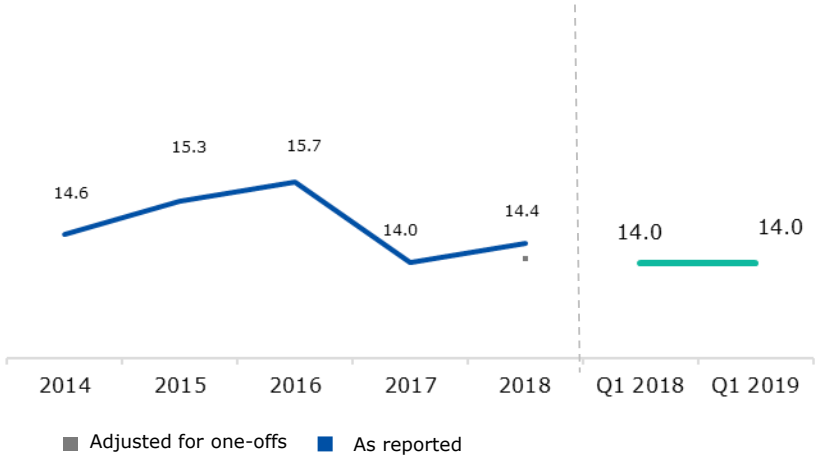
Run-off net, effect on combined ratio (%)



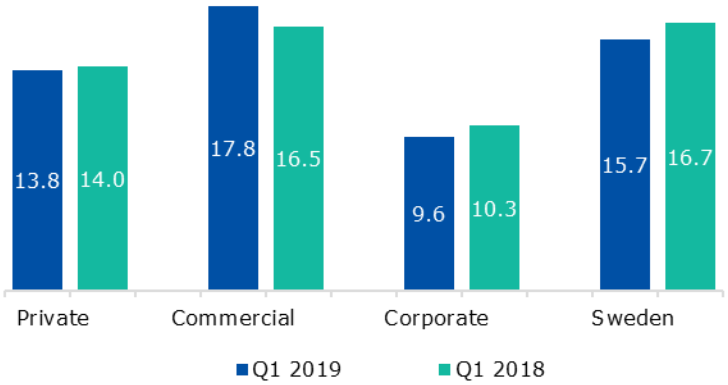
Expense ratio of 14.0 in line with 2020 target

- Efficiency initiatives in 2017 brought down overall costs
- Investments in digitalisation will somewhat offset further efficiency gains
- Expense ratio target for 2020 around 14%
- Alka synergies of DKK11m helped overall costs level
- Number of employees increased
  - IT driven projects e.g. claims system
  - Increasing number of ALKA employees before physical integration and expected higher turnover

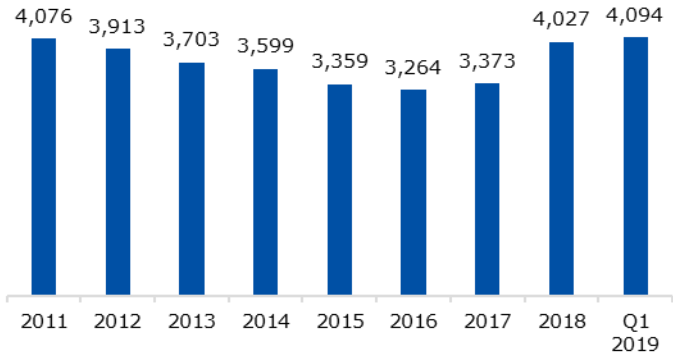
Expense ratio



Expense ratio by business areas

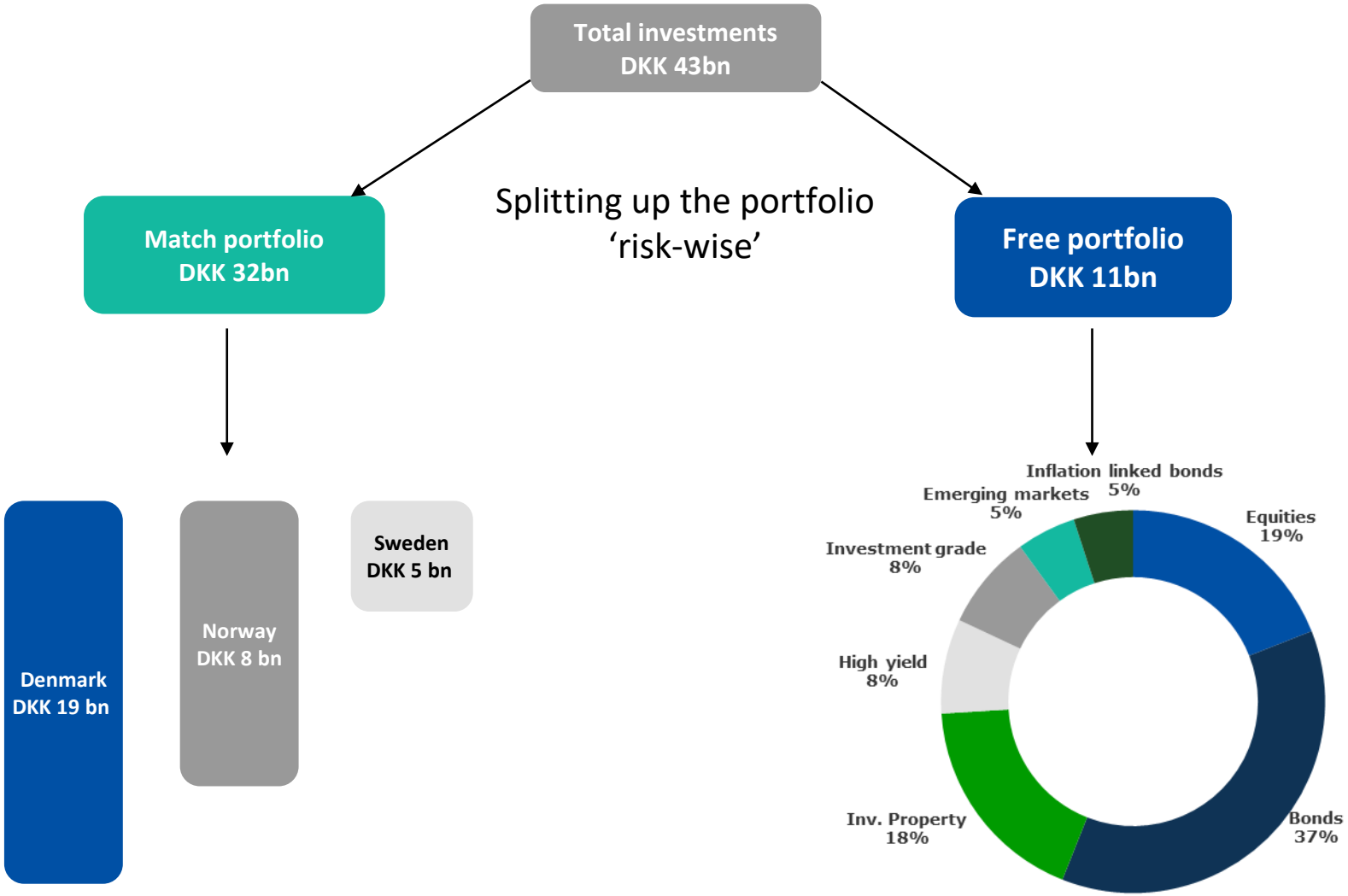


FTE - Development



Investment, capital and targets

Investments – Split in Match & Free portfolio

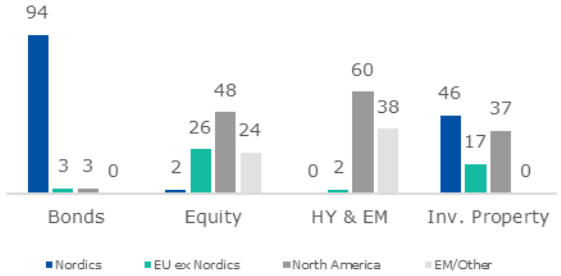


Investment return – low risk remains key

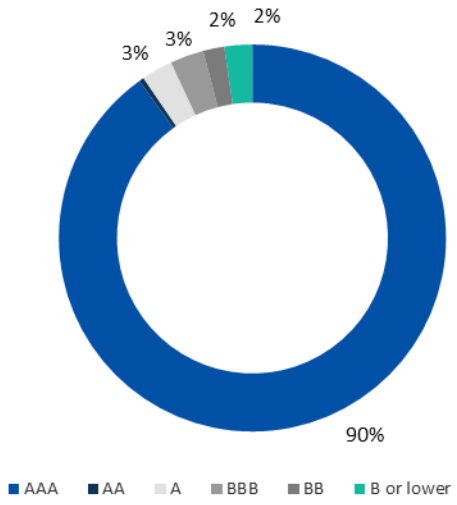
Key figures - Investments

DKKm	Q1 2019	Q1 2018	2018
Free portfolio	373	54	-33
Match portfolio	51	30	-2
Other financial income and expenses	-71	-75	-297
Total investment return	353	9	-332

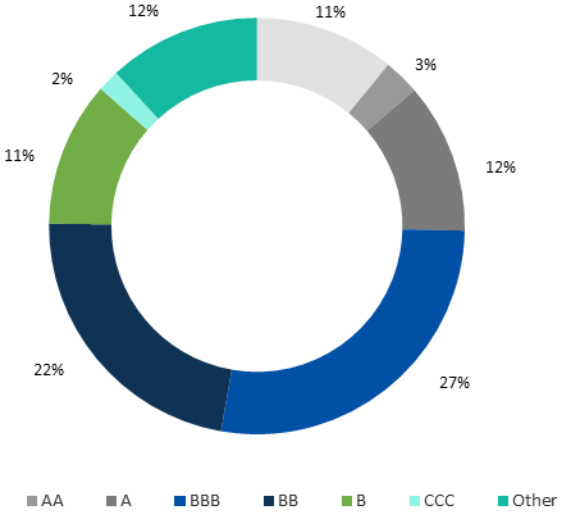
Different asset classes Geographical exposure (%)



Group fixed income portfolio rating split

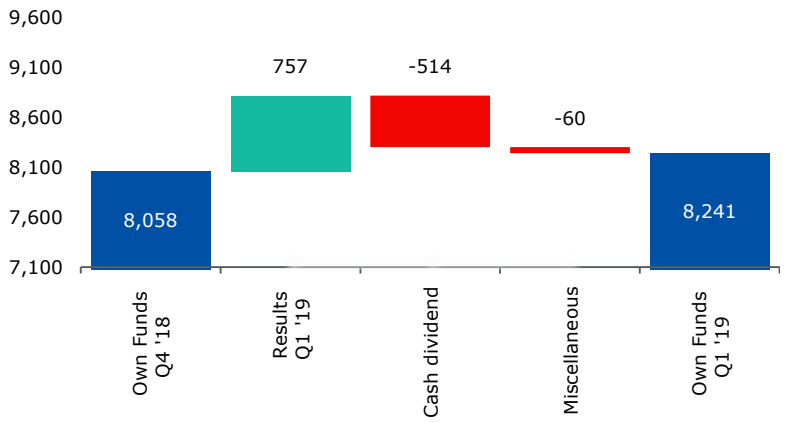


Corporate bonds portfolio (DKK 2.9bn) rating split

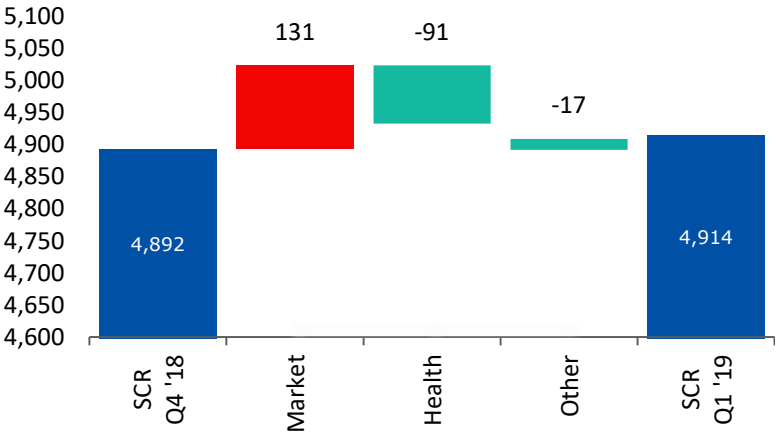


Solvency position Q1 2019

Own funds walk



Solvency capital requirement walk

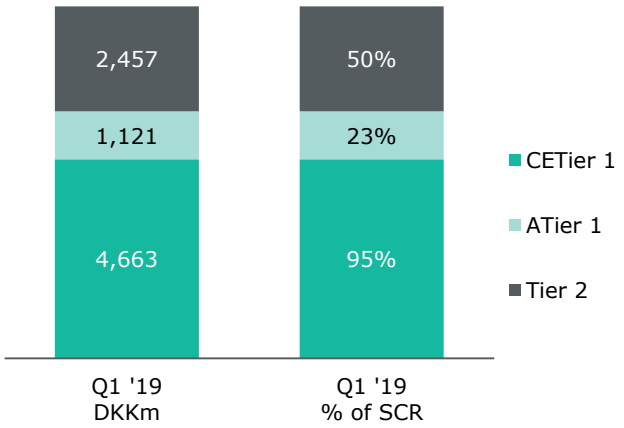


- Solvency ratio based on the Partial Internal Model is 168 (Q4 2018: 165).
  - Own Funds (OF) is primarily impacted by
    - Result Q1 2019 of DKK 757m
    - Dividends of DKK 514m

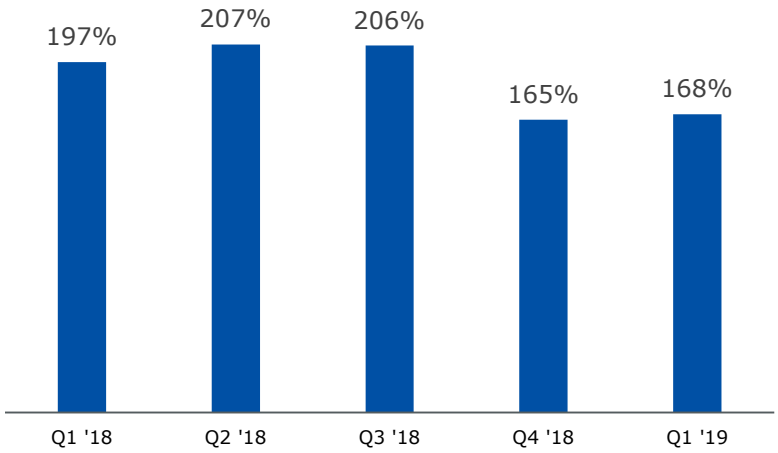
  SCR is primarily impacted by
    - Higher capital charge on equities
    - Annual update of model parameters
- Based on Solvency II Standard Formula the solvency ratio is 139 (Q4 2018: 135).
- Standard Formula SCR 6.069 mDKK

Capital and solvency ratio development

Capital Tiers as % of SCR

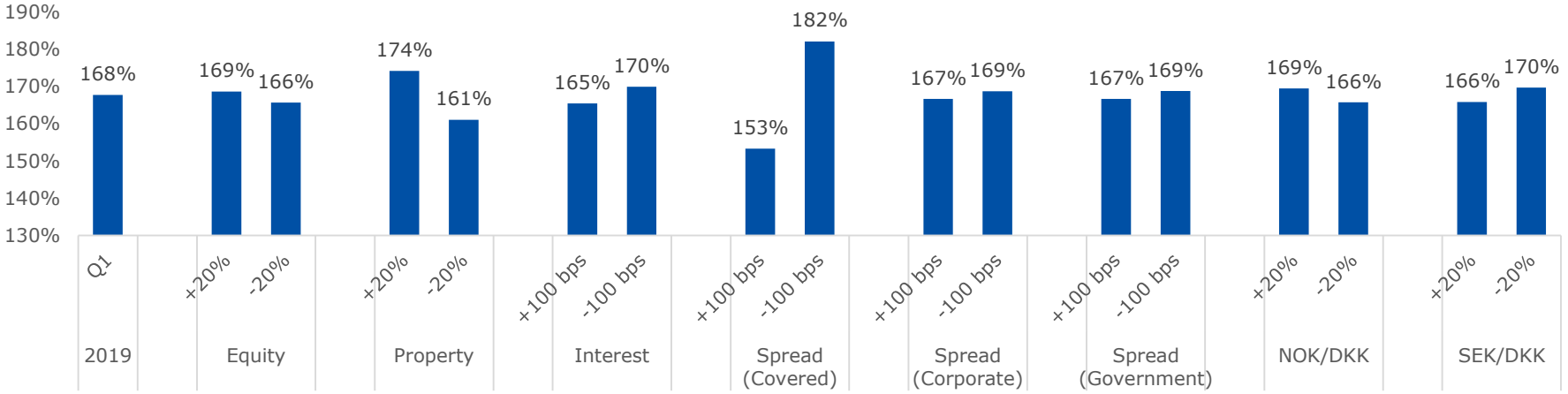


Solvency ratio development



- Tier 2 cap means some DKK 191m of subordinated loan not included in Own funds
- Tier 1 capacity virtually fully utilized, DKK45m left at Q1.
- The Danish FSA has explained that a ratio lower than 125 would result in increased surveillance.
- Solvency ratio development mostly a function of net profits (+) and dividends (-). Underlying development should remain pretty stable.

Solvency ratio sensitivities



- The Solvency II ratio shows the highest sensitivity to spread risk for covered bonds
  - Assumption is for a 100bps widening/narrowing of our entire fixed income book (Danish government bonds, Danish mortgage bonds, Norwegian government bonds, high yield etc.)
  - Biggest spreads sensitivity (by far) in the fixed income area is towards covered bonds. Corporate and Government bonds sensitivities are low as exposure to these assets classes is low

- The Solvency II ratio is not highly sensitive to equity markets movements as most of the 'Own funds' hit from a sharp fall in equity markets would be offset by a lower capital requirement (lower market values combined with the effect of a reduced charge due to equity-dampener)

- Interest rate risk is very low as function of our matching strategy

Targets and outlook

- ✓ New financial targets announced at 2017 CMD
- ✓ Members' bonus of 8% in June 2019.
- ✓ Price increases to offset claims inflation
- ✓ 2019 topline growth above GDP level
- ✓ 2019 normalised tax rate 22-23%
- ✓ Alka acquisition will result in annual depreciation of customer relations of DKK127m within a 5 to 7 years period. Solvency position (hence dividend capacity) not impacted by the P&L charge

Targets post Alka acquisition

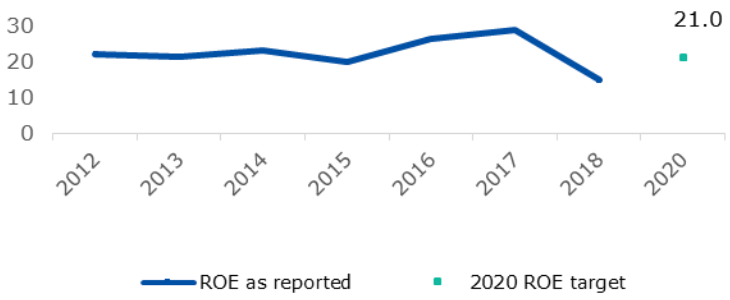
Financial targets, 2020

Technical result	DKK 3.3bn
Combined ratio	≤ 86
Expense ratio	~ 14
ROE after tax	≥ 21%

Customer targets, 2020

TNPS	70
No. of products per customer	+10 %

ROE after tax (%)



It is important to know your investment case

"Do you know the only thing that gives me pleasure?

It's to see my dividends coming in."

John D. Rockefeller