

Newsletter December 2025

Modelling investment results

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Summary

- Tryg runs a highly profitable insurance business and has decided to keep asset risk at a very low level to reduce earnings volatility and minimize capital consumption.
- A long term approach to the investments decisions is taken, independent from current, specific market conditions.
- The free investments portfolio (Tryg's net asset value) is consequently mainly invested in short-term, highly liquid, low-risk covered and government bonds.

Tryg runs a predictable business

Tryg is the leading property and casualty insurer in the stable and attractive Scandinavian markets with a primary focus on distribution of insurances to the retail segment (private households and SMEs). Tryg's equity story is centred around the insurance business with an ambition to report strong and stable earnings with support from reinsurance to mitigate short-term impacts from large claims and weather events. This also implies that Tryg's investment income shall be predictable and shall support the robust insurance operations while consuming a minimum of capital.

To pursue this trajectory even further, going into

2025 Tryg has de-risked its portfolio of free investment (assets backing the net asset value of the company). This strategic action has enhanced the predictability of the company's results and brought relief on the high capital consumption required for riskier investment assets under Solvency II. It also demonstrates Tryg's strong focus on its core business, being the insurance operations.

The predictable and stable results of the company support a progressive dividend policy with a growing annual dividend. The dividend policy builds on a targeted pay-out ratio (based on operating earnings) of between 60% and 90%, but secondary to the aim of growing the annual dividend. In addition, Tryg has at times launched share buy-backs to further adjust the capital structure to the benefit of the shareholders.

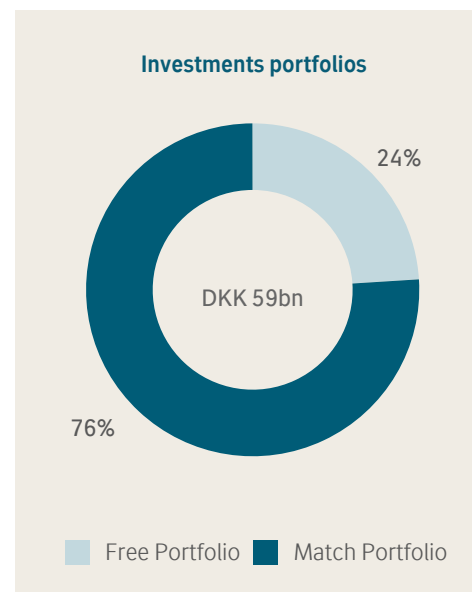
The intent of this newsletter is to give analysts and capital market participants a better understanding of the investment portfolio in Tryg and thus the ability to better model the future investment income.

How investment portfolios are handled in Tryg

In Tryg, the investment income is divided into three brackets in the financial statement.

- Match portfolio
- Free portfolio
- Other financial income and expenses

As per Q3 2025, the total investments equals DKK 59bn with a 76/24 split between the match and free portfolio.



The objectives of the match and free portfolios are rather distinct in nature:

- The match portfolio is designed to minimise interest rates sensitivity and capital consumption by matching the duration of the insurance liabilities.
- The free portfolio is constructed to provide a steady return from assets with a low capital consumption.

Match portfolio

Tryg's match portfolio consists mainly of AAA-rated fixed income assets with the purpose of matching the discounting of the insurance liabilities so that fluctuations resulting from interest rate changes are offset to the greatest possible extent. The match portfolio is

distributed across geographies reflecting our insurance liabilities with ~50% in Sweden, ~30% in Denmark and ~20% in Norway. Tryg has a strong track record in proactively managing market risks supported by a robust and agile risk management framework. This is driven by an investment team with expertise and a strong commitment to safeguard the company's financial stability.

The EIOPA interest rate curve used to discount Danish, Swedish and Norwegian liabilities includes EUR, SEK and NOK swap rates. Therefore, Tryg enters corresponding fixed interest rate swaps and receive the fixed rate. The interest rate swap requires Tryg to pay a variable short rate. An offsetting income is obtained by investing in short-duration Danish, Swedish and Norwegian mortgage bonds. The only material remaining risks are the spread risk between the short-term liabilities and the swap curve as well as the EUR-DKK interest rate spread risk. The average duration of the assets in the match portfolio is approximately 3 years.

Assets corresponding to premium reserves are also invested in short-duration, low-risk covered bonds. As per Q3 2025, the match portfolio equals DKK 45bn and based on current markets in Denmark, Sweden, and Norway the expected return is around DKK 40-60m a quarter - based on premium reserves averaging around DKK 10bn.

Free portfolio

In the past, Tryg's approach to the free portfolio focused on maximising risk-adjusted returns, with investments selected based on expected returns, capital considerations, and liquidity risk. Today, the priority has shifted to maintaining a resilient investment model and optimising return on own funds. This includes investment operations designed to deliver stable, predictable returns for shareholders, with as low capital consumption as possible, through periods of uncertainty and market volatility driven by global economic and political events.

As a result, Tryg has implemented a de-risking and simplification of the free portfolio replacing riskier asset classes, such as equities, high-yield bonds, emerging market bonds and alternative investments with mainly AAA-rated covered and government bonds. These bonds are generally short-term with an average duration of around 2 years. Combined with strong credit ratings, this ensures stable and predictable returns with low capital consumption. The trading volumes in this bond segment are high which minimises the liquidity risk. This de-risking strategy supports Tryg's commercial goal of optimising return on own funds by achieving a more attractive balance between return and capital consumption.

As per Q3 2025, total assets in the free portfolio equal DKK 14bn with DKK 11bn invested in bonds and DKK 3bn invested in real estate assets. The expected return on the bonds can be modelled using the following Bloomberg tickers: 50% NYKRCMB2 and 50% NYKRCMG2. For the real estate portfolio, a normalised annual return of 6.5% is assumed. As real estate exposure is replaced with covered and government bonds, the expected yields and total investment return will reduce while lowering the capital consumption significantly.

As communicated at the CMD in 2024, the company's de-risking of the free portfolio long-term also includes selling off all real estate assets, and this process is ongoing.

Other financial income and expenses

The component "other financial income and expenses" consists primarily of:

- Interest expenses related to some of Tryg's outstanding tier 1 and tier 2 debt
- The cost of the company's currency hedge to protect shareholders equity
- The cost of the company's inflation hedge on long-tailed business
- The cost of running the investment operations.

As announced in the March 2025 newsletter, Tryg has recently updated its inflation hedging strategy and accounting principles, by which effects from changes in inflation assumptions and the inflation hedge will be reported as a part of "other financial income and expenses".

The expected return for "other financial income and expenses" is approximately DKK -75m a quarter.

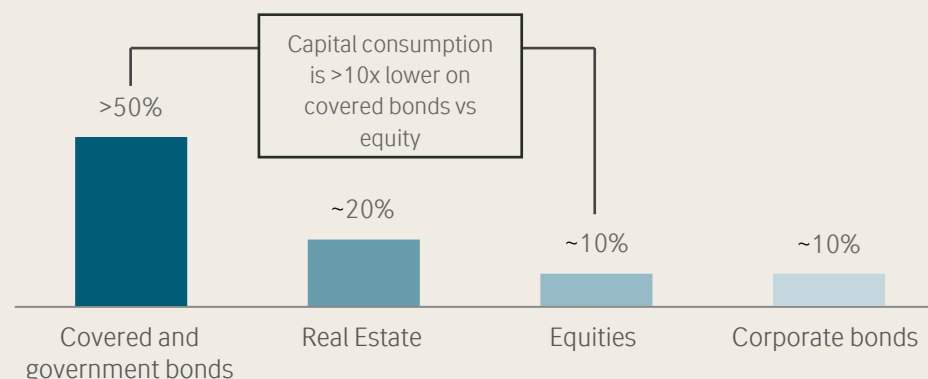
What to expect going forward?

As Tryg has de-risked its free portfolio, a more stable and predictable investment income can be expected going forward while consuming a low level of capital. A stability that fits well with the equity story of Tryg and the 2027 strategy - delivering strong results and driving stable and predictable returns to shareholders.

CMD recap

De-risking of assets in free portfolio reduces volatility and optimises return on own funds due to lower capital consumption

ROOF by assets class, annualised¹



1) ROOF is using standard normalised returns. Assumptions are: Covered and government bonds 2.3%, real estate 6.5%, equities 6.0% and corporate bonds 3.1%

Characteristics of Nordic covered- and government bonds

- Low risk: Vast majority of bonds are AAA-rated
- Safe asset class: High-quality cover pools for covered bonds
- High liquidity: Even under severe stress scenarios
- Capital efficiency: Very limited capital consumption