

# TOPDANMARK ANNOUNCEMENT OF 2018 ANNUAL RESULTS

24 January 2019, Announcement No. 02/2019

## Key features 2018

- Post-tax profit of DKK 1,331m (2017: DKK 1,733m)
- The profit of DKK 1,331m was better than assumed in the interim report for Q1-Q3 2018 where the profit forecast model was DKK 1,200-1,300m
- Combined ratio: 83.6 (2017: 82.0)
- Combined ratio excluding run-off profits: 87.5 (2017: 85.8)
- Premiums increased 1.7% in non-life insurance and 18.6% in life insurance
- Profit on life insurance was DKK 228m (2017: DKK 249m)
- After return and revaluation of non-life insurance provisions, the investment return was DKK 16m (2017: DKK 396m).

## Q4 2018

- Post-tax profit of DKK 259m (Q4 2017: DKK 379m)
- Combined ratio: 81.7 (Q4 2017: 82.1)
- Combined ratio excluding run-off profits: 88.1 (Q4 2017: 86.3)
- Premiums increased 0.2% in non-life insurance and 31.2% in life insurance
- Profit on life insurance was DKK 45m (Q4 2017: DKK 42m)
- After return and revaluation of non-life insurance provisions, the investment return was DKK 116m (loss) (Q4 2017: DKK 65m).

## Earnings distribution for 2018

The Board of Directors will recommend to the AGM that a dividend of DKK 1,350m be distributed for 2018 representing DKK 15 per share issued. This represents a payout ratio of 101.5 and a dividend yield of 5.2.

## Profit forecast model for 2019

- As compared with the profit forecast model for 2019 in the interim report for Q1-Q3 2018, the assumed combined ratio for 2019 remains unchanged at 89-90 excl. run-off and incl. additional expenses of 0.5 to 1pp due to the investment in increased digitisation and automation
- Despite the termination of the distribution agreement with Danske Bank, a higher premium growth is expected in 2019 compared to actual growth in 2018
- The post-tax profit forecast model for 2019 amounts to DKK 1,000-1,100m, excluding run-off.

## Webcast

In a [webcast](#), Steffen Heegaard, Group Communications and IR Director, will present the financial highlights and comment on the forecast.

## Conference call

A conference call will be held today at 15:30 (CET) where Peter Hermann, CEO and Lars Thykier, CFO will be available for questions based on the annual report and the webcast. The call will be held in English.

In order to participate in the conference call, please call 10-15 minutes before the conference on one of the telephone numbers:

DK dial-in-number: +45 3544 5583

UK dial-in-number: +44 203 194 0544

US dial-in-number: +1 855 269 2604

and ask the operator to connect you to the Topdanmark conference call – or listen to the [live transmission](#) of the call.

## Please direct any queries to:

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# Financial highlights

						Q4	Q4
(DKKm)	2014	2015	2016	2017	2018	2017	2018
<b>Premiums earned:</b>							
Non-life insurance	9,116	8,967	8,858	8,985	9,135	2,245	2,249
Life insurance*)	4,448	6,320	7,430	8,525	10,111	2,259	2,964
	13,563	15,287	16,288	17,510	19,247	4,504	5,213
<b>Results:</b>							
Non-life insurance	1,803	1,325	1,712	1,909	1,420	416	256
Life insurance	200	174	189	249	228	42	45
Parent company etc.	7	31	41	77	54	34	30
Pre-tax profit	2,010	1,530	1,942	2,235	1,702	492	331
Tax	(452)	(360)	(407)	(502)	(371)	(112)	(71)
<b>Profit</b>	<b>1,558</b>	<b>1,170</b>	<b>1,536</b>	<b>1,733</b>	<b>1,331</b>	<b>379</b>	<b>259</b>
Run-off profits, net of reinsurance	351	381	470	344	353	94	143
Shareholders' equity of parent company at 1 January	5,490	5,371	4,948	5,009	6,497	6,082	6,048
Profit	1,558	1,170	1,536	1,733	1,331	379	259
Dividend paid	0	0	0	0	(1,710)	0	0
Dividend own shares	0	0	0	0	73	0	0
Share buy-back	(1,716)	(1,667)	(1,524)	(410)	0	0	0
Share-based payments	110	76	50	166	131	36	14
Other movements in shareholders' equity	(1)	(3)	(1)	0	1	(1)	0
<b>Shareholders' equity of parent company end of period</b>	<b>5,442</b>	<b>4,946</b>	<b>5,009</b>	<b>6,497</b>	<b>6,322</b>	<b>6,497</b>	<b>6,322</b>
Deferred tax on security funds	(306)	(306)	(306)	(306)	(306)	(306)	(306)
<b>Shareholders' equity of Group end of period</b>	<b>5,135</b>	<b>4,640</b>	<b>4,702</b>	<b>6,191</b>	<b>6,016</b>	<b>6,191</b>	<b>6,016</b>
Total assets, parent company	6,143	5,653	5,779	7,114	6,873		
Total assets, Group	64,516	67,654	73,476	80,958	83,224		
Provisions for insurance and investment contracts:							
Non-life insurance	16,485	16,286	16,264	16,091	16,056		
Life insurance	36,375	40,537	47,351	54,198	56,519		
<b>Financial ratios (parent company)</b>							
Post-tax profit as a % of shareholders' equity	28.1	22.3	30.2	30.5	21.8	6.0	4.2
Post-tax EPS (DKK)	14.4	11.7	16.8	20.2	15.4	4.4	3.0
Post-tax EPS, diluted (DKK)	14.3	11.6	16.7	20.2	15.4	4.4	3.0
Share buy-back per share, diluted (DKK)	15.8	16.6	16.6	4.8			
Dividend per share issued, proposed (DKK)				19.0	15.0		
Net asset value per share, diluted (DKK)	52.2	51.5	57.3	75.6	72.9		
Listed share price end of period	200.2	196.0	179.3	268.1	303.0		
Number of shares end of period ('000)	103,623	95,672	87,216	85,876	86,432		
Average number of shares ('000)	107,908	99,971	91,465	85,700	86,242	85,713	86,410
Average number of shares, diluted ('000)	108,805	100,461	91,721	85,873	86,637	86,025	86,807
<b>Ratios non-life insurance (%)</b>							
Gross loss ratio	69.3	69.0	67.2	61.5	66.2	60.4	63.9
Net reinsurance ratio	1.0	1.9	1.4	4.3	1.2	5.3	1.2
Claims trend	70.3	70.9	68.7	65.8	67.5	65.6	65.0
Gross expense ratio	15.7	15.9	16.4	16.1	16.1	16.5	16.7
Combined ratio	86.0	86.8	85.1	82.0	83.6	82.1	81.7
Combined ratio excl. run-off profits	89.8	91.1	90.4	85.8	87.5	86.3	88.1

\*) In 2018, the classification of insurance and investment contracts in life insurance has been subject to reassessment by Topdanmark Group. Comparative figures have been adjusted. Please refer to the comments made under "Accounting policies".

## Results for 2018

Topdanmark's post-tax profit for 2018 was DKK 1,331m (2017: DKK 1,733m).

Pre-tax profit was DKK 1,702m (2017: DKK 2,235m).

The technical result decreased by DKK 123m to DKK 1,499m. The decline is primarily caused by the fact that the very low level of fire claims in 2017 did not recur in 2018.

After return and revaluation of non-life insurance provisions, the investment return in non-life insurance decreased by DKK 367m to DKK 79m (loss). The lower

investment return is primarily due to a lower investment return on equities and Danish mortgage bonds.

The profit on life insurance declined by DKK 21m to DKK 228m which is primarily due to a deteriorated risk result on disability and premiums waived.

The profit of DKK 1,331m is better than assumed in the latest profit forecast model in the interim report for Q1-Q3 2018, showing a post-tax profit of DKK 1,200 – 1,300m. The profit improvement is mainly due to run-off profits in Q4 2018 and a lower level of weather-related claims than assumed.

Results and profit forecast model		Forecast 2018			Results
(DKKm)	Results	as in Q1-Q3 2018			Results
	2017	interim report			2018
Non-life insurance					
- Technical result	1,622	1,200	–	1,250	1,499
- Investment return after return and revaluations of non-life insurance provisions etc.	288	80	–	130	(79)
Profit on non-life insurance	1,909	1,280	–	1,380	1,420
Life insurance	249	220	–	250	228
Parent company etc.	77	40	–	50	54
Pre-tax profit	2,235	1,540	–	1,680	1,702
Taxation	(502)	(340)	–	(380)	(371)
<b>Profit for the year</b>	<b>1,733</b>	<b>1,200</b>	–	<b>1,300</b>	<b>1,331</b>

## Results for Q4 2018

The profit for Q4 2018 was DKK 259m (Q4 2017: DKK 379m).

Pre-tax profit declined by DKK 161m to DKK 331m.

The technical result increased by DKK 10m to DKK 411m. The increase is due to the fact that higher run-off profits in Q4 2018 as compared with Q4 2017 more than compensated for a less favourable trend before run-off.

After return and revaluation of non-life insurance provisions, the investment return in non-life insurance decreased by DKK 170m to DKK 155m (loss). The lower investment return is primarily due to a lower investment return on equities and Danish mortgage bonds.

The profit on life insurance increased by DKK 3m to DKK 45m.

Trend in profit	Q4	Q4
(DKKm)	2017	2018
Non-life insurance		
- Technical result	401	411
- Investment return after return and revaluations of non-life insurance provisions etc.	15	(155)
Profit on non-life insurance	416	256
Life insurance	42	45
Parent company etc.	34	30
Pre-tax profit	492	331
Tax	(112)	(71)
<b>Profit</b>	<b>379</b>	<b>259</b>

## Non-life insurance in 2018 Premiums earned

Premiums earned in 2018 increased by 1.7% to DKK 9,135m. The personal segment accounted for a 1.5% increase, and the SME segment accounted for a 1.8% increase.

In 2018, Topdanmark experienced a continuously growing number of customers in the personal, agricultural and SME markets. The increase in the number of

customers is primarily due to improved customer retention.

In 2018, the distribution agreements with Nykredit and Sydbank within life insurance were terminated resulting in an adverse growth within non-life insurance premiums of 0.6pp. This is due to the fact that distribution agreements with Nykredit and Sydbank within life insurance comprised sale of illness/accident insurance policies related to pension schemes but registered as non-life insurance in the accounts.

Also, premiums earned are adversely impacted by accounting adjustments regarding unexpired risk etc. (adjustments related to onerous contracts) corresponding to 0.7%.

## Claims trend

The claims trend was 67.5 in 2018 (2017: 65.8).

The run-off profits, net of reinsurance, were DKK 353m (2017: DKK 344m), representing a 0.1pp favourable impact on the claims trend. Run-off profits were primarily generated in motor liability, illness/accident and workers' compensation. A provisional estimate of DKK 50m is included in the run-off in connection with the bankruptcy of Alpha Insurance A/S. The amount represents Topdanmark's expected share of the industry's statutory liability related to workers' compensation claims not being covered by Alpha Insurance A/S as a result of the bankruptcy of the company.

In 2018, weather-related claims amounted to DKK 9m (2017: DKK 33m), representing a 0.3pp improvement of the claims trend. The level of weather-related claims was DKK 161m below normal level of DKK 170m.

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) increased by DKK 110m to DKK 128m in 2018, representing a 1.2pp deterioration of the claims trend. The large-scale claims were DKK 28m above the normal level of DKK 100m.

In 2018, other conditions of a non-recurring nature which have had a substantial impact on the claims trend include a reduction of the risk margin regarding claims provisions of DKK 31m equivalent to a positive impact of the claims trend of 0.3%. This is included in the table "Claims trend", "Other". Risk margin is calculated as the amount which would be demanded by a purchaser of the company's insurance portfolio for taking on the risk that actual expenses deviate from the carrying amount relating to settlement of the insurance provisions.

The claims trend excl. run-off, weather-related claims, large-scale claims and other positions including change of risk margin deteriorated by 1.1pp to 70.2 in 2018.

The deterioration of the adjusted claims trend of 1.1pp is a consequence of an increased number of damages caused by fire primarily in Q2 2018. Consequently, the level of damages caused by fire (fire claims of less than DKK 5m by event) increased in line with a 0.8pp deterioration of the claims trend. Furthermore, the claims trend on burst pipes was higher when comparing to 2017. Conversely, 2018 showed an improved claims trend on theft.

Claims trend	Q4	Q4	2017	2018
	2017	2018		
Claims trend	65.6	65.0	65.8	67.5
Run-off	4.2	6.4	3.8	3.9
Weather-related claims	(0.6)	(0.4)	(0.4)	(0.1)
Large-scale claims	(0.2)	(1.1)	(0.2)	(1.4)
Other	(0.2)	0.6	0.0	0.3
<b>Claims before run-off, weather, large-scale claims and other</b>	<b>68.8</b>	<b>70.5</b>	<b>69.1</b>	<b>70.2</b>

## Expense ratio

The expense ratio was unchanged at 16.1 in 2018 despite the general trend of wages and salaries together with an increased payroll tax rate from 14.1% to 14.5%. This resulted in a total impact on the expense ratio of 0.3pp.

## Combined ratio

The combined ratio was 83.6 in 2018 (2017: 82.0). Excluding run-off profits, the combined ratio was 87.5 (2017: 85.8).

## Non-life insurance in Q4 2018

Premiums earned increased by 0.2% to DKK 2,249m. The personal segment accounted for a 0.5% increase and the SME segment accounted for a 0.2% decline.

The relatively weak premium trend in Q4 is a result of the termination of the distribution agreements with Nykredit and Sydbank, which impacted premiums earned by DKK 18m (loss), equivalent to 0.8% and accounting adjustments primarily concerning unexpired risk of DKK 53m (loss) equivalent to 2.4%.

The claims trend was 65.0 in Q4 2018 (Q4 2017: 65.6), representing a 0.6pp improvement of the claims trend.

The large-scale claims (fire claims) were DKK 25m in Q4 2018, which was an increase of DKK 20m compared with Q4 2017, representing a deterioration of the claims trend of 0.9pp. Weather-related claims in Q4 2018 amounted to DKK 9m. In Q4 2017, the weather-related claims accounted for DKK 13m and as such the claims trend improved by 0.2pp in Q4 2018.

The claims trend was impacted by run-off profits of DKK 143m, which was an increase of DKK 49m compared to Q4 2017. The run-off profits come from illness/accident, motor liability and workers' compensation. It represents a 2.2pp improvement of the claims trend. In Q4 2018, DKK 50m was allocated in connection with the bankruptcy of Alpha Insurance A/S.

A change of the risk margin had a positive impact on the claims trend by DKK 13m, representing an impact of 0.6pp.

The claims trend adjusted for run-off, weather-related claims, large-scale claims and change of risk margin deteriorated by 1.7pp to 70.5 in Q4 2018. The adjusted claims trend was extraordinarily low in Q4 2017, whereas the claims trend was slightly better than normal level in Q4 2018.

The increase of the adjusted claims trend of 1.7pp can mainly be explained by a higher level of fire claims and burst pipes compared with Q4 2017.

The expense ratio was 16.7 in Q4 2018 (Q4 2017: 16.5).

The combined ratio was 81.7 in Q4 2018 (Q4 2017: 82.1). Excluding run-off profits, the combined ratio was 88.1 (Q4 2017: 86.3).

Financial highlights – Non-life insurance (DKKm)	Q4		Q4	
	2017	2018	2017	2018
Gross premiums earned	2,245	2,249	8,985	9,135
Claims incurred	(1,355)	(1,436)	(5,523)	(6,051)
Expenses	(371)	(376)	(1,450)	(1,475)
Net reinsurance	(118)	(26)	(389)	(111)
Technical result	401	411	1,622	1,499
Investment return after return and revaluations of non-life insurance provisions	13	(157)	277	(85)
Other items	2	2	11	6
<b>Profit on non-life insurance</b>	<b>416</b>	<b>256</b>	<b>1,909</b>	<b>1,420</b>
Run-off profits, net of reinsurance	94	143	344	353
Gross loss ratio (%)	60.4	63.9	61.5	66.2
Net reinsurance ratio (%)	5.3	1.2	4.3	1.2
Claims trend (%)	65.6	65.0	65.8	67.5
Gross expense ratio (%)	16.5	16.7	16.1	16.1
Combined ratio (%)	82.1	81.7	82.0	83.6
Combined ratio excl. run-off profits (%)	86.3	88.1	85.8	87.5

## Segment reporting

### Personal

The Personal segment offers insurance policies to individual households in Denmark.

Premiums earned increased by 1.5% to DKK 5,056m in 2018. In Q4 2018, premiums earned increased by 0.5% to DKK 1,230m. In 2018, the increase in premiums was impacted by a decline in premiums in illness/accident (I/A) following the termination of the life insurance distribution agreements with Sydbank and Nykredit. In addition to this, the increase in premiums was adversely impacted by accounting adjustments related to unexpired risk. Adjusting for these two conditions, the increase in premiums in Personal was 3.4% in 2018.

The technical result was DKK 843m in 2018, representing a decline of DKK 39m as compared with 2017.

The claims trend increased by 1.3pp to 67.4. Compared with 2017, the claims trend was favourably impacted by an improved development in theft damages and personal injuries in motor insurance. However, increased expenses for fire and burst pipes and claims for comprehensive motor insurance more than compensated for this. Weather-related claims accounted for DKK 4m (2017: DKK 15m).

The expense ratio declined to 15.9 (2017: 16.2). The combined ratio was 83.3 (2017: 82.3).

Excluding run-off profits, the combined ratio was 88.0 in 2018 (2017: 87.0).

<b>Personal</b> (DKKm)	<b>Q4</b> <b>2017</b>	<b>Q4</b> <b>2018</b>	<b>2017</b>	<b>2018</b>
Gross premiums earned	1,224	1,230	4,980	5,056
Claims incurred	(767)	(829)	(3,208)	(3,327)
Expenses	(207)	(205)	(805)	(806)
Net reinsurance	(32)	(26)	(85)	(79)
<b>Technical result</b>	<b>218</b>	<b>170</b>	<b>882</b>	<b>843</b>
Run-off profits, net of reinsurance	57	80	236	235
Gross loss ratio (%)	62.6	67.4	64.4	65.8
Net reinsurance ratio (%)	2.6	2.1	1.7	1.6
Claims trend (%)	65.3	69.5	66.1	67.4
Gross expense ratio (%)	17.0	16.7	16.2	15.9
Combined ratio (%)	82.2	86.2	82.3	83.3
Combined ratio excl. run-off profits (%)	86.9	92.7	87.0	88.0

## SME

The SME segment offers policies to Danish-based SME and agricultural businesses.

Premiums earned increased by 1.8% to DKK 4,097m in 2018. In Q4 2018, premiums earned declined by 0.2% to DKK 1,023m. Premiums earned from 2017 to 2018 are impacted by accounting adjustments of DKK 29m (loss) related to unexpired risk. This is equivalent to an adverse impact of 0.7pp.

The technical result declined by DKK 88m to DKK 656m in 2018.

The claims trend deteriorated by 2.1pp to 67.6. The increase of gross claims is mainly due to more fire claims in the SME segment in Q2 2018 and more fire claims in agriculture in Q3 2018. In Q4 2018, there has been an

average number of fire claims. Attention is drawn to the fact that 2017 was an exceptionally favourable year with only a few fire claims. Weather-related claims represented DKK 5m in 2018 (2017: DKK 18m).

Furthermore, workers' compensation in 2018 was adversely impacted by a change in the mortality rate assumptions (longer lifetimes), higher expenses for AES/ "Arbejdsmarkedets Erhvervssikring" (Labour Market Insurance) and higher wage and salary assumptions.

The expense ratio increased by 0.4pp to 16.4 due to increased expenses in connection with a preliminary analysis ahead of a new IT-system.

The combined ratio increased to 84.0 in 2018 (2017: 81.5). Excluding run-off profits, the combined ratio increased to 86.9 in 2018 (2017: 84.2).

<b>SME</b> (DKKm)	<b>Q4</b> <b>2017</b>	<b>Q4</b> <b>2018</b>	<b>2017</b>	<b>2018</b>
Gross premiums earned	1,026	1,023	4,024	4,097
Claims incurred	(592)	(611)	(2,332)	(2,739)
Expenses	(160)	(171)	(643)	(671)
Net reinsurance	(86)	0	(304)	(32)
<b>Technical result</b>	<b>188</b>	<b>241</b>	<b>744</b>	<b>656</b>
Run-off profits, net of reinsurance	38	64	108	118
Gross loss ratio (%)	57.7	59.7	58.0	66.9
Net reinsurance ratio (%)	8.4	(0.0)	7.6	0.8
Claims trend (%)	66.1	59.7	65.5	67.6
Gross expense ratio (%)	15.6	16.7	16.0	16.4
Combined ratio (%)	81.7	76.4	81.5	84.0
Combined ratio excl. run-off profits (%)	85.4	82.6	84.2	86.9

## Termination of distribution agreement with Danske Bank

Last autumn, Danske Bank terminated the distribution agreement with Topdanmark. Please refer to company announcement no. 15/2018.

In 2000, Topdanmark took over Danske Bank's non-life insurance portfolio and since then Topdanmark has sold non-life insurance policies via the Danske Forsikring brand. At the end of 2018, the Danske Forsikring portfolio represented DKK 2.1bn.

The distribution agreement with Danske Bank represented less than 10% of Topdanmark's new sales in 2018.

On its own, the termination of the distribution agreement with Danske Bank is expected to have an adverse impact of just under 0.5pp on Topdanmark's total trend in premiums in 2019. However, Topdanmark has a good sales momentum through its own sales channels and other distribution partners. Despite the termination of the

Danske Bank agreement, Topdanmark expects a higher premium growth in 2019 than actual growth in 2018.

Topdanmark wants to further strengthen its cooperation with existing distribution partners. In addition to this, Topdanmark is active on the market for new distribution partners.

## Life insurance in 2018

The result from life insurance was a profit of DKK 228m in 2018 (2017: profit of DKK 249m) representing a decrease of DKK 21m.

The profit on life insurance activities comprises the profit on life insurance plus the investment return of Liv Holding (Life Holding). This profit is calculated in accordance with the stated policy for the calculation of profit for the life insurance company: see [www.topdanmark.com](http://www.topdanmark.com) → About Topdanmark → Business → Life insurance → [Policy for the calculation of profit in life insurance](#)

Result of life insurance (DKKm)	Q4	Q4	2017	2018
	2017	2018		
Investment return on shareholders' equity	10	21	109	110
Sales and administration	(5)	(9)	(25)	(20)
Insurance risk	0	3	17	(2)
Risk return on shareholders' equity	36	30	147	140
<b>Profit on life insurance</b>	<b>42</b>	<b>45</b>	<b>249</b>	<b>228</b>

The decline in profit of DKK 21m is mainly due to a drop in the risk result on disability and premiums waived. These results may fluctuate between years as a consequence of new claims for disability and recovery. In addition to this, the results for 2018 were impacted by the weak financial markets leading to the fact that the risk return from with profit products cannot be fully recognised. As a consequence, a risk return of DKK 5m is lost in 2018 against full risk return in 2017.

## Trend in premiums

Gross premiums amounted to DKK 10,111m in 2018 representing a 18.6% increase from DKK 8,525m in 2017 of which gross premiums on unit-linked contracts were DKK 8,765m, representing a 24.1% increase compared with 2017. 94% of the gross premiums in 2018 can be assigned to the unit-linked contracts.

Regular premiums increased by 1.3% to DKK 2,855m in 2018. Single premiums increased by 27.1% to DKK 7,257m in 2018. The low premium growth within regular premiums is a consequence of the termination of the distribution agreements with Nykredit and Sydbank.

Premiums on investment contracts which are not included in the gross premiums in the income statement but are recognised in the balance sheet represent DKK 1,415m (2017: DKK 926m), which is an increase of 52.8%.

The total gross premiums within life insurance including premiums on investment contracts represent DKK 11,526m (2017: DKK 9,451m), which is an increase of 22%.

## Developments in Q4 2018

The profit in Q4 2018 increased by DKK 3m to DKK 45m.

Gross premiums increased by 31.2% to DKK 2,964m in Q4 2018 of which gross premiums on unit-linked contracts were DKK 2,601m, representing a 32.9% increase compared with Q4 2017.

Regular premiums increased by 0.3% to DKK 721m in Q4 2018 whereas single premiums increased by 45.6% to DKK 2,243m in Q4 2018.



## Investment activities Topdanmark Group excl. life insurance

The investment return in the Topdanmark Group excluding life insurance was DKK 102m in 2018 (2017: DKK 539m). Return and revaluation of non-life insurance provisions were DKK 86m (loss) in 2018 (2017: DKK 143m (loss)).

The investment return after return and revaluation of non-life insurance provisions was DKK 16m (2017: DKK 396m). The lower investment return is due to the declining financial markets mainly in Q4 2018, where equities and to some extent CDOs generated a lower investment return compared with 2017.

Topdanmark's policy is to accept a certain level of financial risk, given its strong liquidity position and stable, high earnings from insurance operations. Topdanmark has invested in equities, properties and CDOs, among other things, in order to improve the average investment return.

The investment return in Q4 2018 and full year 2018 on the most significant classes of assets is disclosed in the following table.

Investment return	Portfolio 31 Dec									
	2017	2018	Return Q4 2017		Return Q4 2018		Return 2017		Return 2018	
	(DKKbn)	(DKKbn)	(DKKm)	%	(DKKm)	%	(DKKm)	%	(DKKm)	%
Danish equities	0.3	0.2	(4)	(1.5)	(33)	(12.8)	55	18.7	(34)	(13.1)
Foreign equities	0.7	0.6	30	4.5	(105)	(15.0)	102	17.1	(73)	(10.8)
Unlisted equities and hedge funds	0.3	0.3	3	0.8	(0)	(0.1)	30	9.7	15	4.7
Government and mortgage bonds	16.4	14.4	58	0.4	43	0.3	157	1.0	71	0.4
Credit bonds	0.0	0.0	0	(0.1)	(2)	(5.0)	9	7.1	(3)	(6.1)
Index linked bonds	0.3	0.3	3	0.5	4	1.3	24	6.0	9	3.3
CDOs	0.6	0.6	14	2.3	(14)	(2.6)	70	12.5	29	4.7
Properties	1.1	1.2	7	0.6	12	1.0	30	2.9	47	4.2
Money market etc.	1.7	3.2	(2)	(0.1)	(11)	(0.4)	(23)	(0.7)	(15)	(0.6)
Subordinated loan capital	(1.7)	(1.7)	(10)	(0.7)	(12)	(0.7)	(43)	(2.8)	(47)	(2.6)
Interest-bearing debt	0.0	(0.2)	0	0.0	0	0.0	0	0.1	0	0.0
	19.5	18.9	98	0.5	(118)	(0.6)	409	2.1	(2)	0.0
Asset management			49		39		130		104	
Investment return			147		(79)		539		102	
Return and revaluations of non-life insurance provisions			(81)		(37)		(143)		(86)	
Investment return after return and revaluations of non-life insurance provisions			65		(116)		396		16	

The exposure in foreign equities and credit bonds has been adjusted by the use of derivatives. The return percentages are calculated as the ratio between the return on financial instruments and the size of the exposure of the underlying asset. The return on properties includes revaluation of owner-occupied property, which has been included in other comprehensive income.

The equity exposure was DKK 909m excluding associated companies but including the impact of derivatives. The equity portfolios are well diversified with no large individual positions.

The composition of the portfolios is based on OMXCCAP for Danish equities, representing around 30% of the portfolio at 31 December 2018, and the foreign portfolios are based on MSCI World DC in the original currency for foreign equities.

The class "Unlisted equities and hedge funds" includes private equity positions (DKK 28m) and positions in hedge funds where the investment mandates aim at positioning on the credit market (DKK 209m).

The Group's investments have no significant concentration of credit risk except for investments in AAA-rated Danish mortgage bonds. The class of "Government

and mortgage bonds" comprises primarily Danish government and mortgage bonds. The assets of this class are interest-rate sensitive, which to a significant extent is equivalent to the total interest-rate sensitivity of the technical provisions in Topdanmark Forsikring and the I/A provisions in Topdanmark Livsforsikring (the life insurance company). Consequently, the return on "Government and mortgage bonds" should be assessed in connection with return and revaluation of the insurance provisions.

The class "Credit bonds" is composed of a minor share of a well-diversified portfolio of credit bonds, primarily issued by businesses in Europe.

The class "Index linked bonds" comprises bonds – primarily Danish mortgage bonds – for which the coupon and principal are index linked.

The class "CDOs" primarily comprises positions in CDO equity tranches. The underlying assets of CDOs are mostly senior secured bank loans, while the remainder are primarily investment grade investments.

The property portfolio mainly comprises owner-occupied property (DKK 853m). The properties are valued in accordance with the rules of the DFSA (Danish Financial Supervisory Authority) i.e. at market value taking into account the level of rent and the terms of the tenancy agreements. 97% of the property portfolio is currently let when adjusting for properties under construction or being converted for other purposes.

"Money market etc." comprises money market deposits, intra-group balances, the result of currency positions and other returns not included in the other classes.

"Subordinated loan capital" comprises subordinated loans issued by the parent company and by Topdanmark Forsikring.

"Interest-bearing debt" comprises other debt.

Topdanmark uses the Solvency II discount curve with volatility adjustment (VA) for an assessment of the technical provisions. The VA component comprises a corrective element for the development in pricing of Danish mortgage bonds, as well as a corrective element for the development in pricing of European business credits. The VA component was 45bp at the end of 2018 and 30bp at the beginning of the year.

## Solvency calculation and capital requirements

Solvency II gives the companies the opportunity to fully or partially develop their own internal risk model for solvency calculation. Topdanmark uses a partial internal model it has developed in-house to calculate the non-life risk.

This model, approved by the DFSA, provides the basis for including non-life risks in Topdanmark's solvency calculations.

The DFSA has granted Topdanmark approval to use the volatility-adjusted Solvency II interest rate curve (see above).

### Own funds

Principal elements of own funds:

Shareholders' equity

- Proposed dividend

+ Deferred tax on security funds

+ Profit margin

- Intangible assets

+ Tax effect

+ Usable share, subordinated loan tier 1  
(max. 20% of tier 1-capital)

+ Usable share, subordinated notes (max. 50% of SCR)

Own funds

Topdanmark has an outstanding subordinated tier 1 loan (restricted tier 1 capital notes) of DKK 400m. This loan is perpetual but includes an option enabling Topdanmark to redeem the loan as of 23 November 2022.

Topdanmark Forsikring has outstanding subordinated tier 2 notes in two tranches:

- DKK 500m, call in 2020, expiry in 2025
- DKK 850m, call in 2021, expiry in 2026.

Solvency cover (DKKm)	2016	2017	2018
Own funds	6,348	6,370	6,509
Solvency requirement	3,643	3,116	3,322
<b>Solvency cover</b>	<b>174</b>	<b>204</b>	<b>196</b>

## Parent company etc.

The parent company, Topdanmark, does not perform any independent activities. The profits of the parent company etc. include the profits of subsidiaries, excluding the insurance business (primarily Topdanmark Asset Management) and finance costs.

The profits of the parent company etc. decreased by DKK 23m to DKK 54m in 2018. The reduced profit mainly derives from lower performance-related investment management fees in Topdanmark Kapitalforvaltning (Topdanmark Asset Management).

## Taxation

The tax charge was DKK 371m of the pre-tax profit of DKK 1.702m, corresponding to an effective tax rate of 21.8% (2017: 22.5%).

## Profit forecast model

Traditionally, Topdanmark does not publish actual profit forecasts, but instead the expected level of results if a number of assumptions about the return in the financial markets are met. The return in the financial markets changes on a daily basis, and Topdanmark's profit forecast model will already deviate from actual expectations by the time it is published. Therefore, additional information on how changes in the assumptions underlying the profit forecast model will affect the results is available at [www.topdanmark.com](http://www.topdanmark.com) → Investor → [Risk management](#).

As can be seen, the investment return forecast model is not based on a specific estimate of the expected

investment return for the rest of the year, but solely on a long-term standard assumption of the return.

## Non-life insurance

In the interim report for Q1-Q3 2018 it was disclosed that Topdanmark assumed a positive premium growth for 2019. This was based upon the following assumptions:

- In 2018, the termination of the distribution agreements with Nykredit and Sydbank within life insurance had an adverse impact on the premium growth in non-life insurance of approx. 0.5pp. This is due to the fact that the distribution agreements with Nykredit and Sydbank within life insurance comprised sale of illness/accident insurance related to pension schemes but registered as non-life insurance with Topdanmark. In 2019, the effect of the terminated distribution agreements is expected to have an adverse impact on premiums earned by 0.2pp when compared with 2018
- The automatic premium indexing in the personal segment will be 2.0% in 2019. Approximately 70% of Topdanmark's premiums earned are comprised of automatic premium indexing. Thus, the premium effect of the automatic premium indexing on non-life insurance is approximately 1.4%.

Since the announcement of the interim report for Q1-Q3 2018, Topdanmark's distribution agreement with Danske Bank has been terminated, cf. the section "Termination of distribution agreement with Danske Bank".

On its own, the termination of the distribution agreement with Danske Bank is expected to have an adverse impact of just below 0.5pp on Topdanmark's total trend in premiums in 2019. However, Topdanmark has good sales momentum through its own sales channels and other distribution partners. Despite the termination of the Danske Bank agreement, Topdanmark assumes a higher premium growth in 2019 compared with 2018.

In the interim report for Q1-Q3 2018, Topdanmark also assumed a combined ratio for 2019 of 89-90, excluding run-off.

This was based on the following assumptions:

- A normal year as regards weather-related claims including expenses of DKK 170m. The weather-related claims, broken down by quarter are assumed to be as follows:
  - Q1: DKK 50m
  - Q2: DKK 25m
  - Q3: DKK 45m
  - Q4: DKK 50m
- Large-scale claims (claims of a gross value exceeding DKK 5m) of DKK 100m
- An expense ratio of around 16

- On the one hand, additional expenses of 0.5 to 1pp in connection with investments in increased digitisation and automation are still assumed to have an impact on the combined ratio. On the other hand, investments from previous years will result in improved efficiency in 2019. Together with a slightly improved insurance risk in general, this will contribute to an improvement of the assumed combined ratio of approx. 1pp when comparing with 2018
- Interest rates remain unchanged and do not impact the combined ratio.

The assumed combined ratio for 2019 remains unchanged at 89-90, excluding run-off.

The volatility adjustment (VA) is a component in the national interest rate curve that EU based insurance companies use for the discounting of technical provisions. EIOPA had previously stated that the method for calculation of the VA for the Danish discounting curve would be changed in 2018. However, this has not yet taken place. The method for calculation of the VA-component will be changed as of Q1 2019. The calculation of the VA-component for Q1 2019 will take place at the end of Q1 2019. The total net impact of the trend in Q1 and the new method for calculation are unknown until the end of Q1 2019. Consequently, the change of the VA-component is not included in the profit forecast model for 2019. A change in the assumptions for the calculation of the VA-component will impact the accounting value of the technical provisions while the value of the assets will remain unchanged. Everything else equal, by every basis point the VA-component is reduced, Topdanmark's post-tax profit for 2019 will be reduced by around DKK 5m.

Overall, Topdanmark assumes a pre-tax result for non-life insurance of DKK 1,040-1,140m.

## Life insurance

Topdanmark assumes an increase in regular premiums of 10% in 2019. At this time of the year, it makes no sense to make assumptions on the level of single premiums.

The profit forecast model for life insurance is based on the following assumptions:

- Full recognition as income of risk return for shareholders' equity from all interest rate groups
- No recognition as income from the shadow account
- The profit will be adversely impacted by expenses in connection with the launch of a new IT-system.

Overall, Topdanmark assumes a pre-tax result for life insurance of DKK 200-230m.

The result is sensitive to fluctuations particularly in the investment return.

The risk return and shadow account will not be finally calculated until the preparation of the Annual Report for 2019.

## Parent company

The profit forecast model for the parent company plus subsidiaries outside of the insurance group still assumes a pre-tax profit of DKK 40-50m.

## Taxation

Given a corporation tax rate of 22.0%, the tax charge is expected to be DKK 280-320m.

## Total Group profit

Overall, the assumed post-tax profit forecast model for 2019 is DKK 1,000-1,100m. The assumed profit for 2019 is exclusive of run-off.

The profit forecast model is based on the assumption of an annual 7.0% return on equities and foreign exchange rates – both unchanged from the level of 28 December 2018.

Furthermore, it is assumed that the return on interest-bearing assets hedging the discounted provisions is only sufficient to cover discounting and revaluation of the provisions, while the return on the remaining interest-bearing assets is assumed to be 1.72% (risk-free interest rate plus 2.0pp).

Profit forecast 2019 (DKKm)	Results		Forecast 2019	
	2018		28 December 2018	
Non-life insurance				
- Technical result	1,499	950	-	1,000
- Investment return after return and revaluations of non-life insurance provisions etc.	(79)	90	-	140
Profit on non-life insurance	1,420	1,040	-	1,140
Life insurance	228	200	-	230
Parent company etc.	54	40	-	50
Pre-tax profit	1,702	1,280	-	1,420
Taxation	(371)	(280)	-	(320)
<b>Profit for the year</b>	<b>1,331</b>	<b>1,000</b>	<b>-</b>	<b>1,100</b>

## Distribution of dividend for 2018

Given Topdanmark's solid own funds, the Board of Directors will recommend to the AGM that distribution of dividend for DKK 1,350m from this year's profit of DKK 1,331m will take place representing a payout ratio of 101.5.

The recommended dividend distribution represents a dividend yield of 5.2 and a dividend of DKK 15 per share.

The distribution of dividend will take place immediately after the AGM on 3 April 2019.

## Financial calendar

2018 Annual Report	21 Feb 2019
AGM	03 Apr 2019
Q1 2019 Interim Report	25 Apr 2019
2019 Half-year Report	18 July 2019
Q1-Q3 2019 Interim Report	24 Oct 2019

## Disclaimer

This interim report includes statements relating to the future. Such statements are uncertain and involve both general and specific risks.

Many factors may cause significant deviation from the forecasts and assumptions set out in the interim report. Such factors could be, for example, cyclical movements, changes in the financial markets, the financial effect of unexpected events like acts of terror or exceptional weather conditions, changes in Danish and EU rules, competitive factors in the insurance industry and trends in the reinsurance market. See also: [www.topdanmark.com](http://www.topdanmark.com) → Investor → [Risk management](#).

The above description of risk factors is not exhaustive. Investors and others, who may base decisions relating to Topdanmark on statements relating to the future, should give their own careful consideration to these and other factors of uncertainty.

Topdanmark's statements relating to the future are solely based on information known at the time of the preparation of this annual report.

This publication is a translation. In case of any divergence, the original Danish text shall prevail.

## Accounting policies

The announcement of the 2018 annual results has been prepared in accordance with IAS 34 on interim reports for listed companies. Furthermore, the announcement has been prepared in accordance with additional Danish disclosure requirements on interim reports for listed financial services companies.

### *Change of accounting policies*

In 2018, the classification of insurance and investment contracts in life insurance has been re-assessed by Topdanmark Group. Thus, classification is now carried out on contract level, not product level as was formerly the case. As such, contracts with related solidary premiums waived or group products are considered insurance contracts in full.

This change has resulted in higher gross premiums in life insurance of DKK 427m for the year and an equivalent effect on the item "Change in life insurance provisions". Profit for the year, comprehensive income and financial position are unaffected. In the cash flow statement, the cash flow from insurance business and payments to investment contracts have been adjusted equivalent to the change in gross premiums. The total cash flow from operations is unaffected.

Comparative figures have been corrected. Gross premiums for 2017 have been increased by DKK 275m.

### *New accounting standards*

#### *IFRS*

IFRS 15 "Revenue from contracts with customers" has taken effect on 1 January 2018. The standard has not affected the Group's presentation of accounts.

IFRS 9 "Financial instruments" also came into force on 1 January 2018. However, under certain circumstances, insurance groups may postpone IFRS 9 to 2022 at the time where IFRS 17 "Insurance Contracts" will come into force. However, IFRS 17 has not yet been adopted by the EU.

The Topdanmark Group meets the conditions for postponement given that the Group has not previously implemented IFRS 9-standards and since provisions for insurance and investment contracts represent more than 90% of the total obligations.

As a consequence, the Topdanmark Group has chosen to postpone the implementation of IFRS 9 to the implementation of IFRS 17, which is expected to take effect on 1 January 2022.

### *The Executive Order on Financial Reports*

The DFSA's Executive Order on Financial Reports for Insurance Companies has been updated effective as of 2019. The update is not expected to affect recognition and measurement. In 2018, a few revised disclosure requirements have been implemented.

Apart from the above, the accounting policies remain unchanged compared to 2017.

## Future accounting standards

### *IFRS*

The IASB has issued a number of new and revised standards and interpretations, which have not yet taken effect and/or been approved by the EU, of which the most significant are:

#### IFRS 16 "Leasing"

This standard implies that lease contracts are recognised in the balance sheet as an asset (right of use asset) and a liability, respectively. Intangible assets may be omitted. IFRS 16 takes effect on 1 January 2019. The standard is not expected to affect the presentation of accounts for the Group.

#### IFRS 9 "Financial instruments"

This standard classifies the financial assets based on the company's business model for holding of assets and the cash flow generated by the asset. The standard is not expected to substantially affect the presentation of accounts for the Group.

IFRS 17 "Insurance Contracts" defines the principles for recognition and measurement of insurance contracts. IFRS 17 comes into force on 1 January 2022. However, the standard has not yet been adopted by the EU. Topdanmark has initiated an analysis of the standard. The financial effect has not yet been clarified.

This announcement has not been audited nor subjected to review.

## Income statement • Group

(DKK)m	Note	Q4 2017	Q4 2018	2017	2018
<b>NON-LIFE INSURANCE</b>					
Gross premiums written		1,566	1,572	9,050	9,205
Ceded reinsurance premiums		(48)	(51)	(617)	(617)
Change in the provisions for unearned premiums		846	858	44	35
Change in profit margin and risk margin		(149)	(164)	(43)	(43)
Change in the reinsurers' share of the provisions for unearned premiums		(107)	(110)	12	10
<b>Premiums earned, net of reinsurance</b>		<b>2,108</b>	<b>2,105</b>	<b>8,446</b>	<b>8,590</b>
Gross claims paid		(1,605)	(1,666)	(5,856)	(6,045)
Reinsurance cover received		68	140	258	362
Change in the provisions for claims		257	220	342	(23)
Change in risk margin		(4)	13	0	31
Change in the reinsurers' share of the provisions for claims		(54)	(28)	(120)	56
<b>Claims incurred, net of reinsurance</b>	1	<b>(1,338)</b>	<b>(1,321)</b>	<b>(5,376)</b>	<b>(5,619)</b>
<b>Bonuses and rebates</b>		<b>(18)</b>	<b>(17)</b>	<b>(66)</b>	<b>(62)</b>
Acquisition costs		(240)	(236)	(950)	(952)
Administrative expenses		(126)	(134)	(485)	(501)
Reinsurance commission and share of profits		23	22	78	78
<b>Total operating expenses, net of reinsurance</b>		<b>(344)</b>	<b>(348)</b>	<b>(1,358)</b>	<b>(1,375)</b>
<b>TECHNICAL PROFIT ON NON-LIFE INSURANCE</b>		<b>408</b>	<b>420</b>	<b>1,646</b>	<b>1,534</b>
<b>LIFE INSURANCE</b>					
Gross premiums written	2	2,259	2,964	8,525	10,111
Ceded reinsurance premiums		(0)	(0)	(0)	(1)
<b>Premiums, net of reinsurance</b>		<b>2,259</b>	<b>2,964</b>	<b>8,525</b>	<b>10,111</b>
<b>Allocated investment return, net of reinsurance</b>		<b>838</b>	<b>(3,776)</b>	<b>3,372</b>	<b>(2,326)</b>
<b>Pension return tax</b>		<b>(151)</b>	<b>234</b>	<b>(522)</b>	<b>28</b>
Claims and benefits paid		(993)	(1,091)	(4,701)	(4,088)
Reinsurance cover received		1	0	4	3
<b>Claims and benefits paid, net of reinsurance</b>		<b>(992)</b>	<b>(1,091)</b>	<b>(4,697)</b>	<b>(4,086)</b>
Change in the life insurance provisions		(1,730)	1,774	(6,091)	(3,318)
Change in the reinsurers' share		(4)	(0)	(7)	(4)
<b>Change in the life insurance provisions, net of reinsurance</b>		<b>(1,734)</b>	<b>1,774</b>	<b>(6,098)</b>	<b>(3,321)</b>
<b>Change in profit margin</b>		<b>(124)</b>	<b>(14)</b>	<b>(141)</b>	<b>(34)</b>
Acquisition costs		(33)	(36)	(148)	(143)
Administrative expenses		(76)	(78)	(285)	(277)
Reinsurance commission and share of profits		1	0	1	0
<b>Total operating expenses, net of reinsurance</b>		<b>(108)</b>	<b>(114)</b>	<b>(433)</b>	<b>(420)</b>
<b>TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE</b>		<b>(13)</b>	<b>(22)</b>	<b>8</b>	<b>(48)</b>

## Income statement • Group

(DKKm)	Q4 2017	Q4 2018	2017	2018
<b>NON-TECHNICAL ACTIVITIES</b>				
Technical profit on non-life insurance	408	420	1,646	1,534
Technical profit / (loss) on life insurance	(13)	(22)	8	(48)
Income from associates	29	97	61	161
Income from investment properties	11	7	54	45
Interest income and dividends etc.	354	411	1,805	1,803
Revaluations	664	(4,285)	2,323	(3,871)
Interest charges	(20)	(19)	(79)	(81)
Expenses on investment business	(10)	(11)	(39)	(47)
<b>Total investment return</b>	<b>1,028</b>	<b>(3,799)</b>	<b>4,124</b>	<b>(1,990)</b>
Return and revaluations of non-life insurance provisions	(81)	(37)	(143)	(86)
Investment return transferred to life insurance business	(838)	3,776	(3,372)	2,326
Other income	7	6	23	23
Other expenses	(19)	(13)	(51)	(58)
<b>PRE-TAX PROFIT</b>	<b>492</b>	<b>331</b>	<b>2,235</b>	<b>1,702</b>
Taxation	(112)	(71)	(502)	(371)
<b>PROFIT FOR THE YEAR</b>	<b>379</b>	<b>259</b>	<b>1,733</b>	<b>1,331</b>
EPS (DKK)	4.4	3.0	20.2	15.4
EPS, diluted (DKK)	4.4	3.0	20.2	15.4

## Statement of comprehensive income • Group

Profit for the year	379	259	1,733	1,331
Items which cannot subsequently be reclassified as profit or loss:				
Revaluation / Reversed revaluation on non-occupied properties	(1)	0	0	1
Other comprehensive income	(1)	0	0	1
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>379</b>	<b>260</b>	<b>1,733</b>	<b>1,332</b>

## Assets • Group

(DKK m)	2017	2018
<b>INTANGIBLE ASSETS</b>	922	1,091
Operating equipment	111	116
Owner-occupied properties	853	853
<b>TOTAL TANGIBLE ASSETS</b>	965	969
Investment properties	3,643	3,830
Equity investments in associates	1,285	1,678
Total investments in associates	1,285	1,678
Equity investments	5,904	5,412
Unit trusts	0	6
Bonds	36,470	35,118
Loans guaranteed by mortgages	6	6
Deposits with credit institutions	3,405	4,380
Derivatives	120	86
Total other financial investment assets	45,906	45,010
<b>TOTAL INVESTMENT ASSETS</b>	50,834	50,518
<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS</b>	25,791	27,890
Reinsurers' share of the provisions for unearned premiums	84	92
Reinsurers' share of the life insurance provisions	20	17
Reinsurers' share of the provisions for claims	470	527
Total reinsurers' share of provisions	574	635
Receivables from policyholders	310	262
Receivables from insurance companies	57	197
Receivables from associates	327	365
Other receivables	170	281
<b>TOTAL RECEIVABLES</b>	1,438	1,740
Current tax assets	0	39
Deferred tax assets	14	17
Liquid funds	537	253
Other	25	199
<b>TOTAL OTHER ASSETS</b>	576	508
Accrued interest and rent	260	310
Other prepayments and accrued income	173	196
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	432	506
<b>TOTAL ASSETS</b>	80,958	83,224



## Shareholders' equity and liabilities • Group

(DKK)m	Note	2017	2018
Share capital		90	90
Revaluation reserve		13	14
Security fund		1,146	1,146
Other reserves		64	67
<b>Total reserves</b>		<b>1,210</b>	<b>1,213</b>
Profit carried forward		3,168	3,349
Proposed dividend		1,710	1,350
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>6,191</b>	<b>6,016</b>
<b>OTHER SUBORDINATED LOAN CAPITAL</b>		<b>1,744</b>	<b>1,746</b>
Provisions for unearned premiums		1,856	1,819
Profit margin, non-life insurance contracts		751	807
Products with guarantees and profitsharing		24,063	23,134
Unit-Linked products		29,891	33,117
<b>Total life insurance provisions</b>		<b>53,954</b>	<b>56,252</b>
Profit margin, life insurance and investment contracts		244	268
Provisions for claims		13,013	13,003
Risk margin, non-life insurance contracts		315	275
Provisions for bonuses and rebates		156	152
<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>		<b>70,289</b>	<b>72,575</b>
Pensions and similar commitments		28	27
Deferred tax liabilities		61	103
Deferred tax on security funds		306	306
<b>TOTAL PROVISIONS</b>		<b>395</b>	<b>436</b>
<b>DEPOSITS RECEIVED FROM REINSURERS</b>		<b>77</b>	<b>81</b>
Debt relating to direct insurance operations		270	373
Debt relating to reinsurance operations		27	18
Amounts due to credit institutions		43	242
Current tax liabilities		35	1
Derivatives		512	703
Other debt		1,293	934
<b>TOTAL DEBT</b>		<b>2,181</b>	<b>2,271</b>
<b>ACCRUALS AND DEFERRED INCOME</b>		<b>81</b>	<b>98</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>80,958</b>	<b>83,224</b>
Financial assets and liabilities	3		
Contingent liabilities	4		
Related parties	5		
Sale of affiliated company	6		

## Cash flow statement • Group

(DKK m)	2017	2018
<b>Cash flow from operations</b>		
Gross premiums	8,965	9,214
Claims paid	(5,838)	(5,992)
Expenses paid	(1,294)	(1,352)
Reinsurance ceded	(238)	(255)
Cash flow from non-life insurance	1,595	1,615
Gross premiums	8,509	10,164
Claims and benefits	(4,699)	(4,094)
Pension return tax	(452)	(486)
Expenses paid	(440)	(425)
Reinsurance ceded	27	1
Cash flow from life insurance	2,946	5,160
Cash flow from insurance business	4,541	6,775
Payments on investment contracts	615	1,008
Dividends from associates	0	11
Interest income and dividends etc.	1,855	1,806
Interest charges etc.	(117)	(124)
Corporation tax	(460)	(402)
Other items	(33)	(135)
<b>Cash flow from operations</b>	<b>6,402</b>	<b>8,940</b>
<b>Investments</b>		
Intangible assets, operating equipment	(168)	(243)
Properties	(180)	(257)
Equity investments in associates	(274)	(243)
Equity investments	27	147
Unit trusts	1	(11)
Bonds	(1,198)	626
Loans	(10)	(5)
Derivatives	(138)	(439)
Investment activities related to unit-linked products	(2,497)	(6,537)
Balances with associates	39	(38)
<b>Investments</b>	<b>(4,397)</b>	<b>(7,001)</b>
<b>Financing</b>		
Dividend paid	0	(1,637)
Sale of affiliated company	0	124
Shares bought back	(417)	0
Exercise of share options	108	79
Redemption of subordinated loan capital	(409)	0
Issue of subordinated loan capital	397	0
Amounts due to credit institutions	(0)	199
<b>Financing</b>	<b>(322)</b>	<b>(1,235)</b>
Change in cash and cash equivalents	1,683	703
Cash and cash equivalents at 1 January	2,282	3,941
Revaluation of cash and cash equivalents	(24)	11
Cash and cash equivalents in sold affiliated company	0	(22)
Cash and cash equivalents at 31 December	3,941	4,634
Cash and cash equivalents comprise:		
Liquid funds	537	253
Deposits with credit institutions	3,405	4,380
	3,941	4,634

The majority of the Group's companies are subject to the relevant legislation on insurance business. Consequently, there are certain restrictions on lending and placement of money.

## Statement of changes in equity • Group

(DKKm)

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Total
<b>2017</b>							
Shareholders' equity at 31 December prior year	95	13	1,146	57	3,392	0	4,702
Profit for the year				7	16	1,710	1,733
Other comprehensive income				0	0		0
Total comprehensive income for the year				7	16	1,710	1,733
Cancellation of own shares	(5)				5		0
Share buy-back					(410)		(410)
Share-based payments					54		54
Exercise of share options					108		108
Taxation					4		4
Other transactions	(5)				(240)		(245)
<b>Shareholders' equity at 31 December 2017</b>	<b>90</b>	<b>13</b>	<b>1,146</b>	<b>64</b>	<b>3,168</b>	<b>1,710</b>	<b>6,191</b>

### 2018

Shareholders' equity at 31 December prior year	90	13	1,146	64	3,168	1,710	6,191
Profit/(loss) for the year				3	(23)	1,350	1,331
Other comprehensive income		1		0	0		1
Total comprehensive income for the year		1		3	(23)	1,350	1,332
Dividend paid					0	(1,710)	(1,710)
Dividend, own shares					73		73
Share-based payments					48		48
Exercise of share options					79		79
Taxation					3		3
Other transactions					203	(1,710)	(1,507)
<b>Shareholders' equity at 31 December 2018</b>	<b>90</b>	<b>14</b>	<b>1,146</b>	<b>67</b>	<b>3,349</b>	<b>1,350</b>	<b>6,016</b>

### Own funds

	2017	2018
Shareholders' equity	6,191	6,016
Deferred tax on security funds	306	306
Profit margin	925	1,005
Intangible assets	(922)	(1,091)
Proposed dividend	(1,710)	(1,350)
Other	(93)	(69)
Correction for tax	(77)	(63)
Available share subordinated loan tier 1	400	400
Available share subordinated notes	1,349	1,355
<b>Own funds</b>	<b>6,370</b>	<b>6,509</b>

## Segment information • Group

### Income statement

(DKKm)	Per- sonal	SME	Elimin- ated	Non-life	Life	Parent etc.	Elimin- ated	Group
<b>2017</b>								
<b>Non-life insurance</b>								
Gross premiums earned	4,980	4,024	(20)	8,985				8,985
Claims incurred	(3,208)	(2,332)	17	(5,523)			10	(5,514)
Expenses	(805)	(643)	(1)	(1,450)			15	(1,435)
Net reinsurance	(85)	(304)	(0)	(389)				(389)
Technical profit on non-life insurance	882	744	(4)	1,622			25	1,646
<b>Life insurance</b>								
Gross premiums written					8,525			8,525
Allocated investment return					3,372			3,372
Pension return tax					(522)			(522)
Benefits and change in provisions					(10,932)			(10,932)
Expenses					(437)		4	(433)
Net reinsurance					(2)			(2)
Technical profit on life insurance					4		4	8
Total investment return				420	3,483	119	102	4,124
Pension return tax non-life insurance				1	(1)			0
Return and revaluations of non-life insurance provisions				(143)				(143)
Transferred to technical result					(3,372)			(3,372)
Other items				11	135	(42)	(131)	(28)
<b>Pre-tax profit</b>				1,909	249	77	0	2,235
Taxation								(502)
<b>Profit</b>								1,733
<b>2018</b>								
<b>Non-life insurance</b>								
Gross premiums earned	5,056	4,097	(19)	9,135				9,135
Claims incurred	(3,327)	(2,739)	16	(6,051)			14	(6,037)
Expenses	(806)	(671)	3	(1,475)			21	(1,453)
Net reinsurance	(79)	(32)	0	(111)				(111)
Technical profit on non-life insurance	843	656	(0)	1,499			35	1,534
<b>Life insurance</b>								
Gross premiums written					10,111			10,111
Allocated investment return					(2,326)			(2,326)
Pension return tax					28			28
Benefits and change in provisions					(7,440)			(7,440)
Expenses					(425)		6	(420)
Net reinsurance					(1)			(1)
Technical loss on life insurance					(54)		6	(48)
Total investment return				5	(2,226)	96	136	(1,990)
Pension return tax non-life insurance				(4)	4			0
Return and revaluations of non-life insurance provisions				(86)				(86)
Transferred to technical result					2,326			2,326
Other items				6	178	(42)	(177)	(35)
<b>Pre-tax profit</b>				1,420	228	54	0	1,702
Taxation								(371)
<b>Profit</b>								1,331

## Notes to the financial statements • Group

(DKK m) 2017 2018

### Note 1. Claims incurred, net of reinsurance - Non-life insurance

Run-off result:		
Gross business	393	319
Reinsurance ceded	(50)	34
Run-off result, net of reinsurance (profit)	344	353

### Note 2. Gross premiums written - Life insurance

Individual policies	335	304
Policies which are part of a tenure	1,973	2,228
Group life	508	322
<b>Regular premiums</b>	<b>2,817</b>	<b>2,855</b>
Individual policies	1,875	1,856
Policies which are part of a tenure	3,833	5,401
<b>Single premiums</b>	<b>5,709</b>	<b>7,257</b>
<b>Gross premiums</b>	<b>8,525</b>	<b>10,111</b>

### Note 3. Financial assets and liabilities

Financial assets recorded at fair value based on non-observable input (level 3), comprises of a bond portfolio:

1 January	582	692
Purchases	239	103
Repayments	(103)	(334)
Foreign exchange adjustment	(26)	9
31 December	692	469

The item consists of construction financing of property projects (DKK 214m) and Vindmøllepark (wind farm) guaranteed by EKF (DKK 79m) and bonds of DKK 177m, for which current return depends on payment on life annuity contracts.

The fair value is equivalent to the cost price in the transaction currency.

The book value of financial assets and financial liabilities recorded at amortised cost corresponds approximately to fair value.

The accounting policies for financial assets and liabilities are stated in the latest Annual Report.

### Note 4. Contingent liabilities

Contract liabilities	611	398
Adjustments to VAT liabilities	80	105
Other liabilities	19	16
Capital commitments made to loan funds and private equity funds etc.	1,072	609

All companies in the Topdanmark Group and other Danish companies and affiliates in the Sampo Group are jointly taxed with Topdanmark A/S being the management company. Pursuant to the specific rules on corporation taxes etc. in the Danish Companies Act, the companies are liable for the jointly taxed companies and for any obligations to withhold tax from interests, royalties and dividend for companies concerned.

In connection with implementation of a new administration system, Topdanmark Livsforsikring A/S has undertaken to give support in fulfilling Topdanmark EDB II ApS' obligations in accordance with the contract with the supplier.

In connection with implementation of a new customer and core system, Topdanmark Forsikring A/S towards specific suppliers has undertaken to give support in fulfilling Topdanmark EDB IV ApS' obligations in accordance with the contracts.

## Notes to the financial statements • Group

(DKKm)

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### Note 5. Related parties

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Topdanmark A/S paid dividend of DKK 798m to Sampo plc.

Topdanmark A/S received dividend of DKK 1,700m (2017: DKK 700m) from Topdanmark Forsikring A/S.

In addition to this, there have been no material transactions with related parties except from ordinary commercial trade between the companies in the Topdanmark Group.

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### Note 6. Sale of affiliated company

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As of 1 April 2018, the Group has disposed of the shares in the subsidiary Nykredit Livsforsikring A/S for DKK 124m cash.

Thus, as per the time of sale, the balance sheet of the company was compounded as follows:

Investment activities related to unit-linked products	1,919
Cash and cash equivalents	22
Other assets	471
Total assets	2,412
Provisions for insurance contracts	(2,138)
Debt	(151)
Shareholders' equity	124

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## Income statement • Parent company

(DKK)m	Q4 2017	Q4 2018	2017	2018
Income from affiliates	393	269	1,771	1,372
Interest charges	(1)	(3)	(7)	(11)
<b>Total investment return</b>	392	266	1,764	1,361
Other expenses	(16)	(9)	(42)	(42)
<b>PRE-TAX PROFIT</b>	376	257	1,722	1,319
Taxation	4	3	11	12
<b>PROFIT FOR THE YEAR</b>	379	259	1,733	1,331

## Statement of comprehensive income • Parent company

Profit for the year	379	259	1,733	1,331
Other comprehensive income from affiliates	(1)	0	0	1
Other comprehensive income	(1)	0	0	1
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	379	260	1,733	1,332

## Balance sheet • Parent company

(DKK)m	2017	2018
<b>Assets</b>		
Operating equipment	3	3
<b>TOTAL TANGIBLE ASSETS</b>	3	3
Equity investments in affiliates	6,624	6,188
Total investment in affiliates	6,624	6,188
<b>TOTAL INVESTMENT ASSETS</b>	6,624	6,188
Receivables from affiliates	484	639
Other receivables	0	2
<b>TOTAL RECEIVABLES</b>	484	641
Current tax assets	0	39
Liquid funds	3	2
<b>TOTAL OTHER ASSETS</b>	3	40
<b>TOTAL ASSETS</b>	7,114	6,873

### Shareholders' equity and liabilities

Share capital	90	90
Other reserves	2,875	2,439
Total reserves	2,875	2,439
Profit carried forward	1,822	2,443
Proposed dividend	1,710	1,350
<b>TOTAL SHAREHOLDERS' EQUITY</b>	6,497	6,322
<b>OTHER SUBORDINATED LOAN CAPITAL</b>	397	398
Amounts due to affiliates	183	147
Current tax liabilities	34	0
Other debt	2	6
<b>TOTAL DEBT</b>	219	153
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	7,114	6,873