

TOPDANMARK HALF-YEAR REPORT FOR 2019

18 July 2019, Announcement No. 10/2019

Key features

H1 2019

- Post-tax profit of DKK 831m (H1 2018: DKK 613m)
- EPS was DKK 9.5 (H1 2018: DKK 7.1)
- Combined ratio: 80.7 (H1 2018: 85.5)
- Combined ratio excluding run-off: 86.2 (H1 2018: 88.5)
- Premiums increased by 2.6% in both non-life insurance and in life insurance
- Profit on life insurance was DKK 219m (H1 2018: DKK 106m)
- After return on non-life insurance provisions, the investment return was DKK 4m (loss) (H1 2018: DKK 41m)
- As stated in the Q1 Report, the change in the method for calculation of the volatility adjustment (VA) in Q1 2019 had a one-off negative impact on the combined net investment return from assets and liabilities of around DKK 200m pre-tax. In Q2 2019, the VA fell by further 9bp corresponding to a negative impact on the investment return of DKK 60m.

Q2 2019

- Post-tax profit of DKK 391m (Q2 2018: 345m)
- EPS was DKK 4.5 (Q2 2018: 4.0)
- Combined ratio: 81.4 (Q2 2018: 85.9)
- Combined ratio excluding run-off profits: 85.1 (Q2 2018: 89.0)
- Premiums increased 2.5% in non-life insurance and decreased 8.2% in life insurance
- Profit on life insurance was DKK 109m (Q2 2018: DKK 62m)
- After return on non-life insurance provisions, the investment return was DKK 21m (loss) (Q2 2018: DKK 60m).

Profit forecast model for 2019

- The assumed combined ratio for 2019 improved from 86-87 to 85-86, excl. run-off in H2 2019
- The assumed premium growth for non-life insurance continues to be higher than the growth of 1.7% in 2018
- The post-tax profit forecast model for 2019 is unchanged DKK 1,250-1,350m, excl. run-off in H2 2019.

Other events

- For the third consecutive year, Topdanmark has been awarded "The Insurance Company of the Year" prize in Denmark. The prize was awarded by FinansWatch together with EY
- Furthermore, Topdanmark Livsforsikring was awarded the best life insurance company in the category Growth. This prize was also given by FinansWatch and EY.

Webcast

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

Conference call

A conference call will be held today at 14:00 (CET) where Peter Hermann, CEO and Lars Thykier, CFO will be available for questions based on the interim report and the webcast. The call will be conducted in English.

In order to participate in the conference call, please call:

DK dial-in-number: +45 3544 5583

SE dial-in-number: +46 8566 42661

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

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

10-15 minutes before the conference 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

(DKKm)	Full year 2018	Q2 2018	Q2 2019	H1 2018	H1 2019
Premiums earned:					
Non-life insurance	9,135	2,300	2,358	4,574	4,691
Life insurance	10,111	2,362	2,169	4,842	4,966
	19,247	4,662	4,527	9,415	9,657
Results:					
Non-life insurance	1,420	368	384	659	829
Life insurance	228	62	109	106	219
Parent company etc.	54	5	9	15	17
Pre-tax profit	1,702	435	502	779	1,066
Tax	(371)	(90)	(110)	(166)	(235)
Profit	1,331	345	391	613	831
Run-off profits, net of reinsurance	353	73	89	135	257
Shareholders' equity of parent company at 1 January	6,497	6,835	6,827	6,497	6,322
Profit	1,331	345	391	613	831
Dividend paid	(1,710)	(1,710)	(1,350)	(1,710)	(1,350)
Dividend own shares	73	73	50	73	50
Share-based payments	131	34	50	105	116
Other movements in shareholders' equity	1	0	0	1	1
Shareholders' equity of parent company end of period	6,322	5,578	5,969	5,578	5,969
Deferred tax on security funds	(306)	(306)	(306)	(306)	(306)
Shareholders' equity of Group end of period	6,016	5,272	5,663	5,272	5,663
Total assets, parent company	6,873			6,204	6,601
Total assets, Group	83,224			83,268	93,041
Provisions for insurance and investment contracts:					
Non-life insurance	16,056			17,521	17,748
Life insurance	56,519			55,337	64,458
Financial ratios (parent company)					
Post-tax profit as a % of shareholders' equity	21.8	6.1	6.7	9.9	13.4
Post-tax EPS (DKK)	15.4	4.0	4.5	7.1	9.6
Post-tax EPS, diluted (DKK)	15.4	4.0	4.5	7.1	9.5
Dividend per share issued, proposed (DKK)	15.0	-	-	-	-
Net asset value per share, diluted (DKK)	72.9			64.4	68.4
Listed share price end of period	303.0			279.4	370.2
Number of shares end of period ('000)	86,432			86,298	86,860
Average number of shares ('000)	86,242	86,236	86,830	86,131	86,694
Average number of shares, diluted ('000)	86,637	86,609	87,268	86,534	87,143
Ratios non-life insurance (%)					
Gross loss ratio	66.2	70.6	61.6	67.3	61.4
Net reinsurance ratio	1.2	(1.0)	3.7	1.5	2.7
Claims trend	67.5	69.6	65.3	68.8	64.1
Gross expense ratio	16.1	16.2	16.1	16.8	16.6
Combined ratio	83.6	85.9	81.4	85.5	80.7
Combined ratio excl. run-off profits	87.5	89.0	85.1	88.5	86.2

Results for H1 2019

Topdanmark's post-tax profit for H1 2019 was DKK 831m (H1 2018: DKK 613m).

Pre-tax profit was DKK 1,066m (H1 2018: DKK 779m).

The technical result increased by DKK 243m to DKK 904m. The increase is impacted by higher run-off (DKK 122m) and, compared to H1 2018, by an improved claims trend on the SME and agricultural business as well as on theft and motor insurance in the private segment. On the other hand, the result from illness & accident has deteriorated.

The investment return adjusted for return on non-life insurance provisions decreased by DKK 73m to DKK 75m (loss). The investment return was impacted by the change in the method for calculation of the VA at the end of Q1 2019 which had a one-off negative effect of around DKK 200m. In Q2 2019, market conditions reduced the VA by 9bp having a negative effect on the investment return of DKK 60m.

The profit on life insurance increased by DKK 113m to DKK 219m due to a higher investment return and an improved risk result.

Trend in profit (DKKm)	Full year 2018	H1 2018	H1 2019
Non-life insurance			
- Technical result	1,499	661	904
- Investment return after return and revaluations of non-life insurance provisions etc.	(79)	(2)	(75)
Profit on non-life insurance	1,420	659	829
Life insurance	228	106	219
Parent company etc.	54	15	17
Pre-tax profit	1,702	779	1,066
Tax	(371)	(166)	(235)
Profit	1,331	613	831

Results for Q2 2019

The profit for Q2 2019 was DKK 391m (Q2 2018: DKK 345m).

Pre-tax profit increased by DKK 67m to DKK 502m.

The technical result increased by DKK 114m to DKK 439m due to an improved claims trend on particularly the SME business.

After return on non-life insurance provisions, the investment return in non-life insurance decreased by DKK 98m to DKK 55m (loss). The lower investment return was primarily due to the reduction in VA by 9bp having a negative effect on the investment return of DKK 60m.

The profit on life insurance increased by DKK 47m to DKK 109m as a result of a higher investment return.

Trend in profit (DKKm)	Q2 2018	Q2 2019
Non-life insurance		
- Technical result	325	439
- Investment return after return and revaluations of non-life insurance provisions etc.	43	(55)
Profit on non-life insurance	368	384
Life insurance	62	109
Parent company etc.	5	9
Pre-tax profit	435	502
Tax	(90)	(110)
Profit	345	391

Non-life insurance in H1 2019 Premiums earned

Premiums earned increased by 2.6% to DKK 4,691m.

The private segment accounted for a 1.2% increase, while the SME segment accounted for a 4.2% increase.

Claims trend

The claims trend improved to 64.1 in H1 2019 from 68.8 in H1 2018.

The run-off profit, net of reinsurance, was DKK 257m (H1 2018: DKK 135m), representing a 2.6pp favourable effect on the claims trend. Run-off was primarily generated in motor liability and in workers' compensation.

In H1 2019, weather-related claims amounted to DKK 18m (H1 2018: DKK 0m), representing a 0.4pp deterioration of the claims trend. Thereby, the level of weather-related claims was DKK 57m below the normal level, while in H1 2018 it was DKK 75m below the normal level.

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) decreased by DKK 32m to DKK 35m in H1 2019, representing a 0.7pp improvement of the claims trend. The large-scale claims were DKK 15m below the normal half-yearly level of DKK 50m.

Claims trend	Full year 2018	Q2 2018	Q2 2019	H1 2018	H1 2019
Claims trend	67.5	69.6	65.3	68.8	64.1
Run-off	3.9	3.2	3.8	3.0	5.5
Weather-related claims	(0.1)	0.0	(0.2)	0.0	(0.4)
Large-scale claims	(1.4)	(2.5)	(0.0)	(1.5)	(0.7)
Other	0.3	0.2	0.5	(0.2)	0.5
Claims before run-off, weather, large-scale claims and other	70.2	70.5	69.3	70.0	69.0

The claims trend adjusted for run-off, weather-related claims, large-scale claims and other positions including change of risk margin improved by 1.0pp to 69.0 in H1 2019.

The improved claims trend in H1 2019 was due to a lower level of claims in all major products except house (fire and burst waterpipes), illness & accident and workers' compensation (lower real interest rates). Furthermore, the yield curve used for discounting the reserves was lower compared to H1 2018 having a negative effect on the claims trend of 0.5pp.

Expense ratio

The expense ratio was 16.6, down from 16.8 in H1 2018.

The payroll tax imposed on Danish financial businesses increased from 14.5% in 2018 to 15.0% in 2019,

representing a 0.1pp adverse impact on the combined ratio. In addition, the general trend of wages and salaries impacted the combined ratio by 0.3pp.

Combined ratio

The combined ratio was 80.7 in H1 2019 (H1 2018: 85.5). Excluding run-off, the combined ratio was 86.2 (H1 2018: 88.5).

Reinsurance

The storm reinsurance programme has been renewed for one year as per 1 July and still covers claims up to DKK 5.1bn with a retention of DKK 100m.

The renewal was made within the framework of the assumptions made in the profit forecast model for 2019.

Financial highlights – Non-life insurance (DKK m)	Full year 2018	Q2 2018	Q2 2019	H1 2018	H1 2019
Gross premiums earned	9,135	2,300	2,358	4,574	4,691
Claims incurred	(6,051)	(1,624)	(1,453)	(3,076)	(2,881)
Expenses	(1,475)	(373)	(380)	(767)	(778)
Net reinsurance	(111)	22	(86)	(69)	(128)
Technical result	1,499	325	439	661	904
Investment return after return and revaluations of non-life insurance provisions	(85)	43	(57)	(2)	(79)
Other items	6	0	2	(1)	4
Profit on non-life insurance	1,420	368	384	659	829
Run-off profits, net of reinsurance	353	73	89	135	257
Gross loss ratio (%)	66.2	70.6	61.6	67.3	61.4
Net reinsurance ratio (%)	1.2	(1.0)	3.7	1.5	2.7
Claims trend (%)	67.5	69.6	65.3	68.8	64.1
Gross expense ratio (%)	16.1	16.2	16.1	16.8	16.6
Combined ratio (%)	83.6	85.9	81.4	85.5	80.7
Combined ratio excl. run-off profits (%)	87.5	89.0	85.1	88.5	86.2

Non-life insurance in Q2 2019

Premiums earned in Q2 2019 increased by 2.5% to DKK 2,358m. The growth in premiums was 0.7% and 4.7% in the private segment and the SME segment respectively.

The claims trend was 65.3 in Q2 2019 (Q2 2018: 69.6), representing a 4.3pp improvement.

The large-scale claims were DKK 1m in Q2 2019, which was a decrease of DKK 56m compared with Q2 2018, representing an improvement of the claims trend of 2.4pp.

Weather-related claims were DKK 5m in Q2 2019. In Q2 2018, the weather-related claims were DKK 0m, representing a deterioration of the claims trend of 0.2pp.

The claims trend was affected by higher run-off profits of DKK 16m, representing a 0.6pp improvement.

The claims trend adjusted for run-off, weather-related claims, large-scale claims and change of risk margin improved 1.2pp to 69.3 in Q2 2019.

The improvement of the adjusted claims trend of 1.2pp is primarily due to a lower level of claims in the SME and agricultural business as well as in the private segment in motor insurance (personal injury) and on theft claims. However, the claims trend was adversely impacted by a higher level of claims in house insurance (fire and burst waterpipes), illness & accident and on workers' compensation (lower real interest rates). Furthermore, the yield curve used for discounting the reserves was lower compared to Q2 2018 having a negative impact on the claims trend of 0.9pp.

The expense ratio was 16.1 in Q2 2019 (Q2 2018: 16.2).

The combined ratio was 81.4 in Q2 2019 (Q2 2018: 85.9). Excluding run-off profits, the combined ratio was 85.1 (Q2 2018: 89.0).

Segment reporting

Private

The private segment offers policies to individual households in Denmark.

Premiums earned increased by 1.2% to DKK 2,572m. The technical result was DKK 441m in H1 2019, representing an increase of DKK 51m compared to H1 2018.

The claims trend improved 1.3pp to 66.7. However, adjusted for run-off profits, the claims trend deteriorated by 0.1pp. Compared to H1 2018, the claims trend was favourably influenced by a positive development in personal injuries within motor insurance and on theft. On the other hand, a higher level of claims on fire and burst waterpipes as well as a higher level of weather-related claims had a negative impact on the claims trend in H1 2019.

Run-off profits of DKK 124m were DKK 38m higher than in H1 2018 corresponding to an improvement in the claims trend of 1.4pp.

The expense ratio improved to 16.2 from 16.6 in H1 2018.

The combined ratio was 82.8 (H1 2018: 84.6).

Excluding run-off, the combined ratio improved to 87.7 in H1 2019 (H1 2018: 88.0).

Private (DKKm)	Full year 2018	Q2 2018	Q2 2019	H1 2018	H1 2019
Gross premiums earned	5,056	1,279	1,288	2,541	2,572
Claims incurred	(3,327)	(835)	(870)	(1,695)	(1,669)
Expenses	(806)	(207)	(207)	(422)	(415)
Net reinsurance	(79)	(17)	(10)	(34)	(46)
Technical result	843	219	202	391	441
Run-off profits, net of reinsurance	235	61	43	86	124
Gross loss ratio (%)	65.8	65.3	67.5	66.7	64.9
Net reinsurance ratio (%)	1.6	1.4	0.7	1.4	1.8
Claims trend (%)	67.4	66.6	68.3	68.0	66.7
Gross expense ratio (%)	15.9	16.2	16.1	16.6	16.2
Combined ratio (%)	83.3	82.9	84.3	84.6	82.8
Combined ratio excl. run-off profits (%)	88.0	87.6	87.7	88.0	87.7

SME

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

Premiums earned increased by 4.2% to DKK 2,128m. The growth in premiums was favourably impacted by an indexation of premiums in workers' compensation of approximately 9%. Topdanmark continues to have positive momentum in new sales to SME and agricultural businesses.

The technical result increased by DKK 191m to DKK 463m in H1 2019.

The claims trend improved 8.5pp to 61.2. The improvement mainly derives from larger run-off profits (3.9pp). The claims trend in the agricultural business returned to a more normal level following H1 2018 which was negatively impacted by an unusually high level of fire claims due to dry weather. Furthermore, the claims trend

in H1 2019 was favourable impacted by Topdanmark's efforts to reduce exposure towards unprofitable customers and by a lower level of large-scale claims. However, the claims trend was adversely impacted by a higher claims level on workers' compensation due to lower real interest rates.

Run-off profits were DKK 133m in H1 2019 (H1 2018: DKK 49m).

The expense ratio was 17.1 compared to 16.9 in H1 2018. The expense ratio in H1 2019 was impacted by costs related to a feasibility study of a new IT-system and sales cost.

The combined ratio improved to 78.3 in H1 2019 (H1 2018: 86.7).

Excluding run-off, the combined ratio improved to 84.5 in H1 2019 (H1 2018: 89.1).

SME (DKKm)	Full year 2018	Q2 2018	Q2 2019	H1 2018	H1 2019
Gross premiums earned	4,097	1,026	1,075	2,042	2,128
Claims incurred	(2,739)	(793)	(587)	(1,390)	(1,220)
Expenses	(671)	(165)	(173)	(346)	(364)
Net reinsurance	(32)	40	(77)	(34)	(82)
Technical result	656	107	238	272	463
Run-off profits, net of reinsurance	118	12	46	49	133
Gross loss ratio (%)	66.9	77.3	54.6	68.1	57.3
Net reinsurance ratio (%)	0.8	(3.9)	7.1	1.7	3.8
Claims trend (%)	67.6	73.4	61.8	69.7	61.2
Gross expense ratio (%)	16.4	16.1	16.1	16.9	17.1
Combined ratio (%)	84.0	89.5	77.9	86.7	78.3
Combined ratio excl. run-off profits (%)	86.9	90.7	82.2	89.1	84.5

Termination of distribution agreement with Danske Bank

As stated in the company announcement no. 15/2018 and in the Q4 Report, Danske Bank has terminated the distribution agreement with Topdanmark.

In 2000, Topdanmark acquired Danske Bank's non-life insurance portfolio and since then Topdanmark has sold non-life insurance policies via the brand Danske Forsikring. At the end of Q4 2018, the Danske Forsikring portfolio represented DKK 2.1bn in yearly premium.

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

The referral of customers from Danske Bank to Danske Forsikring has ceased by the end of Q2 2019.

In itself, the termination of the distribution agreement with Danske Bank is expected to have an adverse effect of just under 0.5pp on Topdanmark's total non-life premiums

in 2019. However, Topdanmark has strong 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 the 1.7% growth in 2018.

For 2020, the termination of the Danske Bank agreement is expected to have a negative impact of approximately 1pp on Topdanmark's total non-life premium growth.

Life insurance in H1 2019

The result from life insurance was a profit of DKK 219m in H1 2019 (H1 2018: profit of DKK 106m).

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

Result of life insurance (DKKm)	Full year 2018	Q2 2018	Q2 2019	H1 2018	H1 2019
Investment return on shareholders' equity	110	33	92	57	147
Sales and administration	(20)	(5)	(17)	(16)	(16)
Insurance risk	(2)	(2)	(1)	(9)	17
Risk return on shareholders' equity	140	36	35	73	71
Profit on life insurance	228	62	109	106	219

Developments in H1 2019

The profit improvement of DKK 113m arises primarily from investment return on shareholders' equity and insurance risk. The investment return improved as a result of general developments in the financial markets, while the result of insurance risk was impacted by gains on annuities.

Trend in premiums

Gross premiums increased by 2.6% to DKK 4,966m in H1 2019, of which premiums on unit-linked pension schemes were DKK 4,337m, representing a 5.3% increase compared to H1 2018.

Regular premiums increased by 9.1% to DKK 1,640m in H1 2019. Single premiums were DKK 3,226m in H1 2019, representing a 0.4% decrease.

Adjusted for the loss of the distribution agreement with Nykredit, gross premiums increased by 5.1% and regular premiums by 13.8%.

Premiums on investment contracts are not included in the gross premiums in the income statement but recognised in the balance sheet, representing DKK 522m (H1 2018: DKK 715m), which is a decrease of 27.0%.

The total gross premiums within life insurance, including premiums on investment contracts, represent DKK 5,488m (H1 2018: DKK 5,556m), which is a decrease of 1.2%.

Life Insurance in Q2 2019

As compared with the profit in Q2 2018, the profit for life insurance increased DKK 47m to DKK 109m.

Gross premiums decreased by 8.2% to DKK 2,169m in Q2 2019 of which premiums on unit-linked pension schemes were DKK 1,951m, an 8.8% decrease compared to Q2 2018.

The premium growth was impacted by the implementation of a new IT-platform which, as planned, caused a substantial but temporary reduction in the inflow of new single premiums.

Investment activities Topdanmark Group excl. life insurance

The investment return of the Topdanmark Group excluding life insurance was DKK 693m in H1 2019 (H1 2018: DKK 107m) while return on non-life insurance provisions represented a loss of DKK 697m in H1 2019 (H1 2018: loss of DKK 66m).

The investment return adjusted for return on non-life insurance provisions was DKK 4m (loss) and thus DKK 80m lower than the assumed return for H1, when calculated using Topdanmark's forecast model at Q1 2019. The lower return was primarily due to the regulatory change to the discount curve's VA-component and large prepayments on Danish mortgage bonds, which were only partly offset by high returns on equities, index linked bonds and properties.

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

The investment return in H1 2019 on the most significant classes of assets is disclosed in the table below:

Investment return	Portfolio 30 June									
	2018	2019	Return Q2 2018		Return Q2 2019		Return H1 2018		Return H1 2019	
	(DKKbn)	(DKKbn)	(DKKkm)	%	(DKKkm)	%	(DKKkm)	%	(DKKkm)	%
Danish equities	0.3	0.3	(5)	(1.8)	5	2.1	(6)	(2.1)	31	13.7
Foreign equities	0.7	0.7	24	3.6	33	4.8	(0)	(0.1)	114	18.8
Unlisted equities and hedge funds	0.3	0.3	4	1.5	11	3.2	7	2.2	11	3.3
Government and mortgage bonds	16.2	17.8	56	0.3	146	0.8	36	0.2	412	2.4
Credit bonds	0.0	0.0	0	0.9	0	0.6	(0)	(0.3)	2	5.3
Index linked bonds	0.3	0.3	5	1.9	13	4.5	6	2.0	21	7.7
CDOs	0.6	0.6	9	1.6	19	3.3	23	4.0	21	3.8
Properties	1.1	1.3	11	1.0	26	2.1	24	2.2	64	5.4
Money market etc.	2.1	0.7	(1)	(0.0)	(5)	(0.3)	(4)	(0.1)	(3)	(0.1)
Subordinated loan capital	(1.7)	(1.7)	(12)	(0.7)	(12)	(0.7)	(23)	(1.3)	(23)	(1.3)
	19.9	20.2	92	0.4	236	1.1	63	0.3	651	3.2
Asset management			17		22		44		42	
Investment return			108		258		107		693	
Return and revaluations of non-life insurance provisions			(48)		(280)		(66)		(697)	
Investment return after return on non-life insurance provisions			60		(21)		41		(4)	

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 1,038m excluding associated companies, but including the impact of derivatives. The equity portfolios are well diversified with no large individual positions.

The composition of the Danish equity portfolio, representing around 30% of the total equity portfolio as of 30 June 2019, is based on OMXCCAP, while the portfolio of foreign equities is based on MSCI World DC in the original currency.

The class "Unlisted equities and hedge funds" includes private equity positions (DKK 33m) and positions in hedge funds where the investment mandates aim at positioning in the credit market (DKK 219m).

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 interest rate sensitivity of this asset class is to a significant extent 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 non-life insurance provisions.

The class "Credit bonds" is composed of a minor share of a well-diversified portfolio of credit bonds, primarily issued from 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 properties (DKK 853m). The properties are valued in accordance with the rules of the Danish FSA (Danish Financial Supervisory Authority) i.e. at market value taking the level of rent and the terms of the tenancy agreements into consideration. 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 from 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.

Topdanmark uses the Solvency II discount curve with volatility adjustment (VA) for assessing insurance 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. EIOPA revised the methodology for the calculation of the Danish VA commencing at the end of Q1 2019.

At the end of Q1 2019, the changed methodology reduced the Danish VA by approximately 30bp compared to a VA calculated with the former methodology. The VA was 45bp at the beginning of the year and 15bp at the end of Q1 2019.

The Danish VA fell further throughout Q2 2019 and was 6bp by the end of H1. The revised methodology in assessing the Danish VA makes it positively correlated to changes in the yield curve. The substantial yield curve drop in H1 2019 combined with the resulting higher prepayment risk on Danish mortgage bonds account for the major part of the difference between the return on government and mortgage bonds, and the return on non-life insurance provisions.

The volatility adjustment can go below zero, but a company having permission to use the volatility adjustment is not obliged to do so. Accordingly, the VA will be floored at zero in practice.

Solvency calculation and capital requirements

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

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

The Danish FSA has granted Topdanmark approval to use the volatility-adjusted Solvency II interest rate curve.

The reduction in the VA as mentioned above impacts the book value of the liabilities, while the book value of the assets remains the same. The value of the guarantees issued by the life company is very sensitive to lower interest rates which is why this sensitivity under normal circumstances is hedged by a comparable interest rate sensitivity on the asset side. When the methodology for calculation of the VA changes there is no hedging and the bonus potentials are affected, resulting in a lower loss absorption capacity. The loss absorption capacity in a life company is an important mitigator of the SCR, and the reduction in the bonus potentials and the consequential reduction in loss absorption capacity explains the major part of the increase in SCR that appears in the table below.

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	H1 2018	H1 2019
Own funds	6,348	6,370	6,509	7,103	7,416
Solvency requirement	3,643	3,116	3,322	3,328	4,084
Solvency cover (%)	174	204	196	213	182

Potential dividend has not been deducted from own funds at the end of H1 2018 and at the end of H1 2019.

Parent company etc.

The parent company, Topdanmark, does not perform any independent activities. The profit of the parent company etc. includes the profits of subsidiaries not within the insurance business (primarily Topdanmark Asset Management), finance costs and other expenses.

The profit of the parent company increased by DKK 2m to DKK 17m in H1 2019.

Taxation

The tax charge was DKK 235m of the pre-tax profit of DKK 1,066m, corresponding to an effective tax rate of 22.1% (H1 2018: 21.4%).

Profit forecast model

Traditionally, Topdanmark does not publish actual profit forecasts, but instead, the expected level of results provided that a number of assumptions about the return in the financial markets are met. The return on financial assets changes on a daily basis, and consequently Topdanmark's profit forecast model will already deviate from actual expectations by the time it is published.

Therefore, set out at www.topdanmark.com → Investor → [Risk management](#), we provide additional information on how changes in the assumptions underlying the profit forecast model will affect the results.

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 regarding the return.

In the Q1 Report for 2019, it was stated that Topdanmark's post-tax model profit forecast for 2019 was DKK 1,250-1,350m.

Non-life insurance

For non-life insurance, Topdanmark assumed a pre-tax profit of DKK 1,300-1,400m. This model profit forecast was based on the following assumptions:

- Higher premium growth compared to the 1.7% premium growth in 2018
- A normal year as regards weather-related claims of DKK 170m, DKK 120m of them related to Q2-Q4 2019
- Combined ratio for 2019 of 86-87, excl. run-off in Q2-Q4 2019 but incl. additional expenses of 0.5 to 1pp due to Topdanmark's investment in increased digitalisation and automation
- An interest level corresponding to the interest rate curve on 29 March 2019
- An annual 7.0% return on equities and unchanged foreign exchange rates from the level on 29 March 2019
- The adjustment of the VA was assumed to have a 0.2pp negative impact on the combined ratio in 2019.

After the model profit forecast for 2019 was published in the Q1 Report for 2019, the following assumptions have changed:

- In Q2 2019, there were run-off profits of DKK 89m, corresponding to a 1.0pp improvement of the combined ratio
- Weather-related claims were DKK 5m in Q2 2019, which is DKK 20m lower than assumed, corresponding to a 0.2pp improvement of the combined ratio for 2019
- The extent of large-scale claims was DKK 1m in Q2 2019 which is DKK 24m lower than assumed, corresponding to a 0.3pp improvement of the combined ratio
- Topdanmark still invests heavily in digitalisation and automation, but as it must be expected that this new elevated level will remain the same for years to come Topdanmark will no longer highlight the additional expenses corresponding to 0.5-1pp on the combined ratio.
- Discounting rates (including changes in VA) have decreased relatively to the guidance for 2019 in the Q1 Report for 2019, representing a 0.8pp deterioration of the combined ratio

- From 29 March 2019 until 28 June 2019, the pre-tax investment return was DKK 80m lower than assumed
- The forecasted CR on illness & accident has been increased as claims are growing faster than expected. The impact is a deterioration of 0.4pp on the combined ratio.

The assumed combined ratio for 2019 is adjusted from 86-87 to 85-86 excluding run-off in H2 2019.

The assumed premium growth for non-life continues to be higher than the growth of 1.7% in 2018.

The overall assumed pre-tax result for non-life insurance is DKK 1,250-1,350m.

Life insurance

In the Q1 Report for 2019, Topdanmark assumed a pre-tax profit on life insurance of DKK 250-280m in 2019, based on the following assumptions:

- Around 10% increase in regular premiums
- Full recognition as income of risk return for shareholders' equity from all interest rate groups
- No profit from the shadow account
- In the Q1 Report, the assumed investment return for 2019 was upgraded by DKK 25m
- Furthermore, in the Q1 Report 2019 the result from sales, administration and insurance risk for 2019 was upgraded by DKK 25m.

These assumptions are unchanged, but based on the development in Q2 2019, the assumed investment return for 2019 has been upgraded by DKK 50m.

Overall, the assumed pre-tax profit on life insurance has improved by DKK 50m to DKK 300-330m. The result is very sensitive to fluctuations particularly in the investment return. The risk return and shadow account will not be finally determined before year end.

Parent company

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

Taxation

Given a corporation tax rate of 22%, the tax charge is expected to be DKK 340-380m.

Total Group profit

Topdanmark's overall post-tax model profit forecast for 2019 is unchanged at DKK 1,250-1,350m, representing an EPS of DKK 15.0. The assumed profit is exclusive of run-off in H2 2019.

The profit forecast model assumes an annual 7.0% return on equities, and unchanged foreign exchange rates from the level of 28 June 2019.

Furthermore, it is assumed that the return on interest-bearing assets hedging the discounted provisions exactly suffices to cover discounting and revaluation of the

provisions, while the return on the remaining interest-bearing assets is assumed to be 1.57% (risk-free interest rate plus 2.0pp).

Profit forecast 2019 (DKK m)	Results 2018	Forecast 2019 29 March 2019		Forecast 2019 28 June 2019	
Non-life insurance					
- Technical result	1,499	1,250	- 1,300	1,300	- 1,350
- Investment return after return and revaluations of non-life insurance provisions etc.	(79)	50	- 100	(50)	- 0
Profit on non-life insurance	1,420	1,300	- 1,400	1,250	- 1,350
Life insurance	228	250	- 280	300	- 330
Parent company etc.	54	40	- 50	40	- 50
Pre-tax profit	1,702	1,590	- 1,730	1,590	- 1,730
Taxation	(371)	(340)	- (380)	(340)	- (380)
Profit for the year	1,331	1,250	- 1,350	1,250	- 1,350

Financial calendar

Q1-Q3 2019 Interim Report	24 Oct 2019
Announcement of 2019 Annual Results	23 Jan 2020
Deadline for submitting items for AGM agenda	19 Feb 2020
2019 Annual Report	20 Feb 2020
AGM	2 Apr 2020
Q1 2020 Interim Report	24 Apr 2020
2020 Half-year Report	17 July 2020

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 such as 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 → 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 interim report.

Accounting policies

Topdanmark's interim report for H1 2019 has been prepared in accordance with IAS 34 on interim reports for listed companies and additional Danish disclosure requirements on interim reports for listed financial services companies.

The interim report for H1 of the parent company has been prepared in accordance with the executive order on financial reports presented by insurance companies and lateral pension funds issued by the Danish FSA.

Topdanmark has implemented those IFRS standards and interpretations taking effect from 2019, including IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments". The implementation has had no significant effect on the Group.

Changes in accounting estimates and judgements

Software is amortised on a straight-line basis over the expected useful lifetime.

Development projects such as policy administration and customer and core system software implemented from 1 April 2019 will be depreciated over the expected useful lifetime subject to a maximum of 10 years.

Besides this, accounting policies are unchanged compared to the annual accounts for 2018, which include a full description of accounting policies for the Group.

This announcement has not been audited nor subjected to review.

Income statement • Group

(DKK)m	Note	Full year 2018	Q2 2018	Q2 2019	H1 2018	H1 2019
NON-LIFE INSURANCE						
Gross premiums written		9,205	1,709	1,796	5,919	6,138
Ceded reinsurance premiums		(617)	(42)	(40)	(427)	(416)
Change in the provisions for unearned premiums		35	530	495	(1,363)	(1,440)
Change in profit margin and risk margin		(43)	81	83	49	24
Change in the reinsurers' share of the provisions for unearned premiums		10	(98)	(103)	131	113
Premiums earned, net of reinsurance		8,590	2,180	2,232	4,309	4,420
Claims paid		(6,045)	(1,539)	(1,528)	(2,964)	(3,103)
Reinsurance cover received		362	108	83	153	128
Change in the provisions for claims		(23)	(86)	65	(95)	204
Change in risk margin		31	5	13	(10)	24
Change in the reinsurers' share of the provisions for claims		56	38	(45)	39	8
Claims incurred, net of reinsurance	1	(5,619)	(1,474)	(1,412)	(2,877)	(2,739)
Bonuses and rebates		(62)	(19)	(16)	(31)	(32)
Acquisition costs		(952)	(250)	(251)	(504)	(505)
Administrative expenses		(501)	(119)	(123)	(252)	(260)
Reinsurance commission and share of profits		78	16	19	35	39
Insurance operating expenses, net of reinsurance		(1,375)	(353)	(355)	(721)	(727)
TECHNICAL RESULT FROM NON-LIFE INSURANCE		1,534	334	448	680	923
LIFE INSURANCE						
Gross premiums written	2	10,111	2,362	2,169	4,842	4,966
Ceded reinsurance premiums		(1)	(0)	(0)	(0)	(0)
Premiums, net of reinsurance		10,111	2,362	2,169	4,841	4,966
Allocated investment return, net of reinsurance		(2,326)	886	1,635	185	5,359
Pension return tax		28	(36)	(266)	(25)	(489)
Claims and benefits paid		(4,088)	(991)	(671)	(2,076)	(1,951)
Reinsurance cover received		3	1	0	2	1
Claims and benefits paid, net of reinsurance		(4,086)	(990)	(671)	(2,074)	(1,950)
Change in the life insurance provisions		(3,318)	(2,121)	(2,779)	(2,727)	(7,655)
Change in the reinsurers' share		(4)	(2)	(0)	(3)	(2)
Change in the life insurance provisions, net of reinsurance		(3,321)	(2,122)	(2,779)	(2,730)	(7,657)
Change in profit margin		(34)	(8)	(10)	(10)	(31)
Acquisition costs		(143)	(34)	(45)	(74)	(77)
Administrative expenses		(277)	(64)	(76)	(138)	(152)
Insurance operating expenses, net of reinsurance		(420)	(99)	(121)	(213)	(229)
TECHNICAL RESULT FROM LIFE INSURANCE		(48)	(9)	(42)	(26)	(30)

Income statement • Group

(DKKm)	Full year 2018	Q2 2018	Q2 2019	H1 2018	H1 2019
NON-TECHNICAL ACTIVITIES					
Technical result from non-life insurance	1,534	334	448	680	923
Technical result from life insurance	(48)	(9)	(42)	(26)	(30)
Income from associates	161	30	34	44	51
Income from investment properties	45	1	31	21	49
Interest income and dividends etc.	1,803	531	592	918	1,073
Revaluations	(3,871)	519	1,393	(518)	5,134
Interest charges	(81)	(18)	(18)	(40)	(36)
Expenses on investment activities	(47)	(10)	(9)	(24)	(23)
Total investment return	(1,990)	1,052	2,023	401	6,248
Return and revaluations of non-life insurance provisions	(86)	(48)	(280)	(66)	(697)
Investment return transferred to life insurance business	2,326	(886)	(1,635)	(185)	(5,359)
Other income	23	5	16	11	21
Other expenses	(58)	(14)	(28)	(36)	(41)
PRE-TAX PROFIT	1,702	435	502	779	1,066
Taxation	(371)	(90)	(110)	(166)	(235)
PROFIT FOR THE PERIOD	1,331	345	391	613	831
EPS (DKK)	15.4	4.0	4.5	7.1	9.6
EPS, diluted (DKK)	15.4	4.0	4.5	7.1	9.5

Statement of comprehensive income • Group

Profit for the period	1,331	345	391	613	831
Items which cannot subsequently be reclassified as profit or loss:					
Revaluation / Reversed revaluation on non-occupied properties	1	0	0	1	1
Other comprehensive income	1	0	0	1	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,332	346	392	613	831

Assets • Group

(DKK)m	31 December 2018	30 June 2018	30 June 2019
INTANGIBLE ASSETS	1,091	999	1,209
Operating equipment	116	117	114
Owner-occupied properties	853	853	853
TOTAL TANGIBLE ASSETS	969	970	967
Investment properties	3,830	3,925	3,914
Equity investments in associates	1,678	1,316	1,571
Total investments in associates	1,678	1,316	1,571
Equity investments	5,412	5,867	5,687
Unit trusts	6	0	7
Bonds	35,118	34,918	41,059
Loans guaranteed by mortgages	6	6	6
Deposits with credit institutions	4,380	5,196	2,433
Derivatives	86	79	455
Total other financial investment assets	45,010	46,066	49,646
TOTAL INVESTMENT ASSETS	50,518	51,308	55,131
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	27,890	27,375	32,763
Reinsurers' share of the provisions for unearned premiums	92	193	185
Reinsurers' share of the life insurance provisions	17	17	14
Reinsurers' share of the provisions for claims	527	510	540
Total reinsurers' share of provisions	635	720	739
Receivables from policyholders	262	344	318
Receivables from insurance companies	197	242	120
Receivables from associates	365	322	345
Other receivables	281	222	475
TOTAL RECEIVABLES	1,740	1,851	1,998
Assets held temporarily	0	0	3
Current tax assets	39	0	0
Deferred tax assets	17	15	23
Liquid funds	253	172	282
Other	199	112	56
TOTAL OTHER ASSETS	508	299	363
Accrued interest and rent	310	243	346
Other prepayments and accrued income	196	223	264
TOTAL PREPAYMENTS AND ACCRUED INCOME	506	466	609
TOTAL ASSETS	83,224	83,268	93,041

Shareholders' equity and liabilities • Group

(DKK m)	Note	31 December 2018	30 June 2018	30 June 2019
Share capital		90	90	90
Revaluation reserve		14	13	15
Security fund		1,146	1,146	1,146
Other reserves		67	66	71
Total reserves		1,213	1,211	1,217
Profit carried forward		3,349	3,957	4,341
Proposed dividend		1,350	0	0
TOTAL SHAREHOLDERS' EQUITY		6,016	5,272	5,663
OTHER SUBORDINATED LOAN CAPITAL		1,746	1,745	1,747
Provisions for unearned premiums		1,819	3,220	3,316
Profit margin, non-life insurance contracts		807	696	753
Products with guarantees and profitsharing		23,134	23,642	23,966
Unit-linked products		33,117	31,451	40,194
Total life insurance provisions		56,252	55,093	64,160
Profit margin, life insurance and investment contracts		268	244	298
Provisions for claims		13,003	13,129	13,265
Risk margin, non-life insurance contracts		275	331	263
Provisions for bonuses and rebates		152	145	152
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		72,575	72,858	82,206
Pensions and similar commitments		27	27	28
Deferred tax liabilities		103	72	79
Deferred tax on security funds		306	306	306
TOTAL PROVISIONS		436	405	413
DEPOSITS RECEIVED FROM REINSURERS		81	70	78
Debt relating to direct insurance operations		373	327	164
Debt relating to reinsurance operations		18	44	50
Amounts due to credit institutions		242	310	237
Current tax liabilities		1	91	133
Derivatives		703	1,017	791
Other debt		934	1,028	1,388
TOTAL DEBT		2,271	2,817	2,763
ACCRUALS AND DEFERRED INCOME		98	101	172
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		83,224	83,268	93,041
Financial assets and liabilities	3			
Contingent liabilities	4			
Related parties	5			
Sale of affiliate	6			

Cash flow statement • Group

(DKK)m	Full year 2018	H1 2018	H1 2019
Cash flow from operations			
Gross premiums	9,214	5,870	6,017
Claims paid	(5,992)	(2,973)	(3,099)
Expenses paid	(1,352)	(727)	(723)
Reinsurance ceded	(255)	(235)	(165)
Cash flow from non-life insurance	1,615	1,935	2,030
Gross premiums	10,164	4,944	4,932
Claims and benefits	(4,094)	(2,050)	(1,865)
Pension return tax	(486)	(485)	(120)
Expenses paid	(425)	(208)	(222)
Reinsurance ceded	1	(11)	41
Cash flow from life insurance	5,160	2,190	2,766
Cash flow from insurance activities	6,775	4,125	4,796
Payments on investment contracts	1,008	439	253
Interest income and dividends etc.	1,806	902	1,036
Interest charges etc.	(124)	(53)	(56)
Corporation tax	(402)	(99)	(91)
Other items	(135)	(13)	(147)
Cash flow from operations	8,929	5,302	5,792
Investments			
Intangible assets, operating equipment	(243)	(115)	(149)
Properties	(257)	(252)	(178)
Sale of affiliate	124	124	0
Equity investments in associates	(249)	2	0
Dividends from associates	17	11	158
Equity investments	147	126	490
Unit trusts	(11)	(0)	4
Bonds	626	1,101	(5,626)
Loans	(5)	0	(5)
Derivatives	(427)	158	(305)
Investment activities related to unit-linked products	(6,537)	(3,729)	(892)
Balances with associates	(38)	5	20
Investments	(6,855)	(2,569)	(6,482)
Financing			
Dividend paid	(1,637)	(1,637)	(1,300)
Exercise of share options	79	78	80
Amounts due to credit institutions	199	267	(5)
Financing	(1,359)	(1,293)	(1,226)
Change in cash and cash equivalents	715	1,440	(1,916)
Cash and cash equivalents at 1 January	3,941	3,941	4,634
Revaluation of cash and cash equivalents	0	9	(3)
Cash and cash equivalents in sold affiliate	(22)	(22)	0
Cash and cash equivalents end of period	4,634	5,368	2,714
Cash and cash equivalents comprise:			
Liquid funds	253	172	282
Deposits with credit institutions	4,380	5,196	2,433
	4,634	5,368	2,714

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
2018							
Shareholders' equity at 31 December previous year	90	13	1,146	64	3,168	1,710	6,191
Profit 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)
Shareholders' equity at 31 December 2018	90	14	1,146	67	3,349	1,350	6,016
H1 2018							
Shareholders' equity at 31 December previous year	90	13	1,146	64	3,168	1,710	6,191
Profit for the period				2	611		613
Other comprehensive income		1		0	0		1
Total comprehensive income for the period		1		2	611		613
Dividend paid					0	(1,710)	(1,710)
Dividend, own shares					73		73
Share-based payments					25		25
Exercise of share options					78		78
Taxation					1		1
Other transactions					177	(1,710)	(1,533)
Shareholders' equity at 30 June 2018	90	13	1,146	66	3,957	0	5,272
H1 2019							
Shareholders' equity at 31 December previous year	90	14	1,146	67	3,349	1,350	6,016
Profit for the period				4	827		831
Other comprehensive income		1		0	0		1
Total comprehensive income for the period		1		4	827		831
Dividend paid					0	(1,350)	(1,350)
Dividend, own shares					50		50
Share-based payments					33		33
Exercise of share options					80		80
Taxation					3		3
Other transactions					165	(1,350)	(1,185)
Shareholders' equity at 30 June 2019	90	15	1,146	71	4,341	0	5,663

Segment information • Group

Income statement

(DKKm)	Private	SME	Elimin- ated	Non-life	Life	Parent etc.	Elimin- ated	Group
H1 2018								
Non-life insurance								
Gross premiums earned	2,541	2,042	(9)	4,574				4,574
Claims incurred	(1,695)	(1,390)	8	(3,076)			7	(3,069)
Expenses	(422)	(346)	(0)	(767)			11	(756)
Net reinsurance	(34)	(34)	(0)	(69)				(69)
Technical result from non-life insurance	391	272	(2)	661			19	680
Life insurance								
Gross premiums written					4,842			4,842
Allocated investment return					185			185
Pension return tax					(25)			(25)
Benefits and change in provisions					(4,814)			(4,814)
Expenses					(215)		3	(212)
Net reinsurance					(1)			(1)
Technical result from life insurance					(29)		3	(26)
Total investment return				67	235	39	60	401
Pension return tax non-life insurance				(3)	3			0
Return and revaluations of non-life insurance provisions				(66)				(66)
Transferred to technical result					(185)			(185)
Other items				(1)	83	(24)	(82)	(25)
Pre-tax profit				659	106	15	0	779
Taxation								(166)
Profit								613
H1 2019								
Non-life insurance								
Gross premiums earned	2,572	2,128	(9)	4,691				4,691
Claims incurred	(1,669)	(1,220)	8	(2,881)			6	(2,875)
Expenses	(415)	(364)	1	(778)			13	(766)
Net reinsurance	(46)	(82)	(0)	(128)				(128)
Technical result from non-life insurance	441	463	(0)	904			19	923
Life insurance								
Gross premiums written					4,966			4,966
Allocated investment return					5,359			5,359
Pension return tax					(489)			(489)
Benefits and change in provisions					(9,636)			(9,636)
Expenses					(232)		3	(229)
Net reinsurance					(1)			(1)
Technical result from life insurance					(33)		3	(30)
Total investment return				655	5,474	38	82	6,248
Pension return tax non-life insurance				(36)	36			0
Return and revaluations of non-life insurance provisions				(697)				(697)
Transferred to technical result					(5,359)			(5,359)
Other items				4	101	(21)	(104)	(20)
Pre-tax profit				829	219	17	0	1,066
Taxation								(235)
Profit								831

Notes to the financial statements • Group

(DKK)m	Full year 2018	H1 2018	H1 2019
Note 1. Claims incurred, net of reinsurance - Non-life insurance			
Run-off result:			
Gross business	319	132	228
Reinsurance ceded	34	3	29
Run-off result, net of reinsurance (profit)	353	135	257

Note 2. Gross premiums written - Life insurance

Individual policies	304	143	131
Policies w hich are part of a tenure	2,228	1,089	1,343
Group life	322	271	167
Regular premiums	2,855	1,503	1,640
Individual policies	1,856	983	805
Policies w hich are part of a tenure	5,401	2,355	2,521
Single premiums	7,257	3,338	3,326
Gross premiums	10,111	4,842	4,966

Note 3. Financial assets and liabilities	31 December 2018	30 June 2018	30 June 2019
Financial assets recorded at fair value based on non-observable input (level 3), comprises of a bond portfolio:			
1 January	692	692	469
Purchases	103	54	37
Repayments	(334)	(151)	(45)
Foreign exchange adjustment	9	5	1
	469	600	462

The portfolio consists of construction financing of property projects (DKK 251m) and Vindmøllepark (w ind farm) guaranteed by EKF (DKK 59m) and bonds (DKK 152m), for w hich 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	398	525	288
Adjustments to VAT liabilities	105	82	105
Other liabilities	16	20	5
Capital commitments made to loan funds and private equity funds etc.	609	1,007	496

All companies in the Topdanmark Group and other Danish companies and affiliates in the Sampo Group are jointly taxed w ith 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 w ithhold tax from interests, royalties and dividend for companies concerned.

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

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

Notes to the financial statements • Group

(DKKm)

Note 5. Related parties

In 2019, Q2, Topdanmark A/S paid dividend of DKK 630m (Q2 2018: DKK 798m) to Sampo plc. and received dividend of DKK 1,300m (Q2 2018: DKK 1,700m) from Topdanmark Forsikring A/S.

There have been no other material transactions with related parties except from ordinary commercial trade between the companies in the Topdanmark Group.

Note 6. Sale of affiliate

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

Income statement • Parent company

(DKK)m	Full year 2018	Q2 2018	Q2 2019	H1 2018	H1 2019
Income from affiliates	1,372	354	402	636	851
Interest charges	(11)	(3)	(3)	(5)	(5)
Total investment return	1,361	352	399	630	846
Other expenses	(42)	(9)	(11)	(24)	(21)
PRE-TAX PROFIT	1,319	343	388	606	825
Taxation	12	3	3	7	6
PROFIT FOR THE PERIOD	1,331	345	391	613	831

Statement of comprehensive income • Parent company

Profit for the period	1,331	345	391	613	831
Other comprehensive income from affiliates	1	0	0	1	1
Other comprehensive income	1	0	0	1	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,332	346	392	613	831

Balance sheet • Parent company

(DKK)m	31 December 2018	30 June 2018	30 June 2019
Assets			
Operating equipment	3	3	3
TOTAL TANGIBLE ASSETS	3	3	3
Equity investments in affiliates	6,188	5,430	5,688
Total investment in affiliates	6,188	5,430	5,688
TOTAL INVESTMENT ASSETS	6,188	5,430	5,688
Receivables from affiliates	639	765	905
Other receivables	2	4	2
TOTAL RECEIVABLES	641	770	907
Current tax assets	39	0	0
Liquid funds	2	2	3
TOTAL OTHER ASSETS	40	2	3
TOTAL ASSETS	6,873	6,204	6,601

Shareholders' equity and liabilities

Share capital	90	90	90
Other reserves	2,439	1,681	1,939
Total reserves	2,439	1,681	1,939
Profit carried forward	2,443	3,807	3,940
Proposed dividend	1,350	0	0
TOTAL SHAREHOLDERS' EQUITY	6,322	5,578	5,969
OTHER SUBORDINATED LOAN CAPITAL	398	397	398
Amounts due to affiliates	147	133	95
Current tax liabilities	0	90	132
Other debt	6	6	7
TOTAL DEBT	153	229	234
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	6,873	6,204	6,601

Statement by Management

The Board of Directors and the Executive Board have today considered and adopted the interim report for H1 2019 for Topdanmark A/S.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the interim financial statements for the parent company are presented in accordance with the Danish Financial Business Act. Further, the interim report is presented in accordance with additional Danish disclosure requirements on interim reports for listed financial services companies.

In our opinion, the consolidated financial statements and the interim financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position as at 30 June 2019 as well as the result from the Group's and the parent company's activities and the Group's cash flows for the financial period from 1 January to 30 June 2019.

We believe that the management review contains a fair view of the development in the Group's and parent company's activities and financial position, together with a description of the most material risks and uncertainties by which the Group and the parent company can be affected.

Ballerup, 18 July 2019

Executive Board:

Peter Hermann
(CEO)

Thomas Erichsen

Brian Rothemejer Jacobsen

Lars Thykier

Board of Directors:

Ricard Wennerklint
(Chairman)

Jens Aaløse
(Deputy Chairman)

Elise Bundgaard

Anne Louise Eberhard

Mette Jensen

Cristina Lage

Ole Lomholt Mortensen

Petri Niemisvirta

Morten Thorsrud