

TOPDANMARK INTERIM REPORT FOR Q1 2019

25 April 2019, Announcement No. 09/2019

Key features Q1 2019

- Post-tax profit of DKK 439m (Q1 2018: DKK 267m)
- EPS was DKK 5.1 (Q1 2018: DKK 3.1)
- Combined ratio: 80.1 (Q1 2018: 85.2)
- Combined ratio excluding run-off: 87.3 (Q1 2018: 88.0)
- Premiums increased 2.6% in non-life insurance and 12.8% in life insurance
- Profit on life insurance was DKK 111m (Q1 2018: DKK 44m)
- After return and revaluation of non-life insurance provisions, the investment return was DKK 18m (Q1 2018: loss of DKK 19m).
- As stated in the company announcement no. 07/2019 the change in the method for calculation of the volatility adjustment (VA)-component reduced the VA by 30bp for Q1 2019. This had a one-off negative impact on the combined net investment return from assets and liabilities of around DKK 200m pre-tax.

Profit forecast model for 2019

- The assumed combined ratio for 2019 improved from 89-90 to 86-87, excl. run-off in Q2-Q4 2019 still incl. additional expenses of 0.5-1pp due to the investment in increased digitalisation and automation
- 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 upgraded from DKK 1,000-1,100m to DKK 1,250-1,350m, excluding run-off in Q2-Q4 2019.

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 15:30 (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:

Peter Hermann
Chief Executive Officer
Direct tel.: +45 4474 4450

Lars Thykier
Chief Financial Officer
Direct tel.: +45 4474 3714

Steffen Heegaard
Group Communications and IR Director
Direct tel.: +45 4474 4017, mobile tel.: +45 4025 3524

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Topdanmark A/S
Borupvang 4
DK-2750 Ballerup
Tel +45 44 68 33 11
Reg.No. 78040017

E-mail: topdanmark@topdanmark.dk
Internet: www.topdanmark.com

Financial highlights

(DKKm)	Full year 2018	Q1 2018	Q1 2019
Premiums earned:			
Non-life insurance	9,135	2,273	2,333
Life insurance	10,111	2,480	2,797
	19,247	4,753	5,130
Results:			
Non-life insurance	1,420	291	445
Life insurance	228	44	111
Parent company etc.	54	9	8
Pre-tax profit	1,702	344	564
Tax	(371)	(77)	(125)
Profit	1,331	267	439
Run-off profits, net of reinsurance	353	62	168
Shareholders' equity of parent company at 1 January	6,497	6,497	6,322
Profit	1,331	267	439
Dividend paid	(1,710)	0	0
Dividend own shares	73	0	0
Share-based payments	131	71	66
Other movements in shareholders' equity	1	0	0
Shareholders' equity of parent company end of period	6,322	6,835	6,827
Deferred tax on security funds	(306)	(306)	(306)
Shareholders' equity of Group end of period	6,016	6,529	6,521
Total assets, parent company	6,873	7,523	7,402
Total assets, Group	83,224	83,940	91,735
Provisions for insurance and investment contracts:			
Non-life insurance	16,056	17,995	18,191
Life insurance	56,519	54,987	61,674
Financial ratios (parent company)			
Post-tax profit as a % of shareholders' equity	21.8	4.0	6.7
Post-tax EPS (DKK)	15.4	3.1	5.1
Post-tax EPS, diluted (DKK)	15.4	3.1	5.1
Dividend per share issued, proposed (DKK)	15.0	-	-
Net asset value per share, diluted (DKK)	72.9	79.1	78.4
Listed share price end of period	303.0	284.6	332.4
Number of shares end of period ('000)	86,432	86,175	86,683
Average number of shares ('000)	86,242	86,025	86,558
Average number of shares, diluted ('000)	86,637	86,369	86,954
Ratios non-life insurance (%)			
Gross loss ratio	66.2	63.9	61.2
Net reinsurance ratio	1.2	4.0	1.8
Claims trend	67.5	67.9	63.0
Gross expense ratio	16.1	17.3	17.1
Combined ratio	83.6	85.2	80.1
Combined ratio excl. run-off profits	87.5	88.0	87.3

Results for Q1 2019

Topdanmark's post-tax profit for Q1 2019 was DKK 439m (Q1 2018: DKK 267m).

Pre-tax profit was DKK 564m (Q1 2018: DKK 344m).

The technical result increased DKK 129m to DKK 465m. The increase is caused by higher run-off (DKK 106m) and by a low claims trend on theft and motor. On the other hand, the level of large-scale claims increased DKK 24m.

The investment return adjusted for return and revaluation on non-life insurance increased DKK 25m to DKK 20m (loss). The investment return was impacted by the change in the method for calculation of the VA-component end Q1 2019 which had a one-off negative effect of around DKK 200m. This one-off effect was somewhat compensated for by a higher than assumed investment return on equities, Danish mortgage bonds and properties.

The profit on life insurance increased by DKK 67m to DKK 111m due to a higher investment return and an improved risk result.

Trend in profit (DKKm)	Full year 2018	Q1 2018	Q1 2019
Non-life insurance			
- Technical result	1,499	336	465
- Investment return after return and revaluations of non-life insurance provisions etc.	(79)	(45)	(20)
Profit on non-life insurance	1,420	291	445
Life insurance	228	44	111
Parent company etc.	54	9	8
Pre-tax profit	1,702	344	564
Tax	(371)	(77)	(125)
Profit	1,331	267	439

Non-life insurance Premiums earned

Premiums earned increased by 2.6% to DKK 2,333m. The personal segment accounted for a 1.7% increase, while the SME segment accounted for a 3.7% increase.

In Q1 2019, Topdanmark has a continuously growing number of customers in the personal, agricultural and SME markets.

Claims trend

The claims trend improved to 63.0 in Q1 2019 from 67.9 in Q1 2018.

The run-off, net of reinsurance, were DKK 168m (Q1 2018: DKK 62m), representing a 4.5pp favourable impact

on the claims trend. Run-off were primarily generated in motor liability, illness/accident and in worker's compensation.

In Q1 2019, weather-related claims amounted to DKK 13m (Q1 2018: DKK 0m), representing 0.6pp deterioration of the claims trend. Thereby, the level of weather-related claims was DKK 37m below the normal level of DKK 50m.

Q1 2019 was impacted by a higher level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) increasing by DKK 24m to DKK 34m in Q1 2019, representing a 1.0pp deterioration of the claims trend. The large-scale claims were DKK 9m above the normal quarterly level of DKK 25m.

Claims trend	Full year 2018	Q1 2018	Q1 2019
Claims trend	67.5	67.9	63.0
Run-off	3.9	2.7	7.2
Weather-related claims	(0.1)	0.0	(0.6)
Large-scale claims	(1.4)	(0.4)	(1.5)
Other	0.3	(0.6)	0.5
Claims before run-off, weather, large-scale claims and other	70.2	69.6	68.7

The claims trend excl. for run-off, weather-related claims, large-scale claims and other positions including change of risk margin improved by 0.9pp to 68.7 in Q1 2019.

The improved claims trend in Q1 2019 is primarily due to a lower level of claims in motor insurance due to a mild winter and a lower level of theft claims and fire claims. To this should be added a reduction of the claims handling costs as a consequence of Topdanmark's efficiency improvement programme.

Expense ratio

The expense ratio is 17.1, down from 17.3 in Q1 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.

Normally, the expense ratio is higher in Q1 than in the subsequent quarters, due to higher sales commissions and fewer holidays taken in Q1.

Combined ratio

The combined ratio was 80.1 in Q1 2019 (Q1 2018: 85.2). Excluding run-off, the combined ratio was 87.3 (Q1 2018: 88.0).

Financial highlights – Non-life insurance (DKKm)	Full year 2018	Q1 2018	Q1 2019
Gross premiums earned	9,135	2,273	2,333
Claims incurred	(6,051)	(1,452)	(1,428)
Expenses	(1,475)	(394)	(398)
Net reinsurance	(111)	(91)	(42)
Technical result	1,499	336	465
Investment return after return and revaluations of non-life insurance provisions	(85)	(44)	(22)
Other items	6	(1)	2
Profit on non-life insurance	1,420	291	445
Run-off profits, net of reinsurance	353	62	168
Gross loss ratio (%)	66.2	63.9	61.2
Net reinsurance ratio (%)	1.2	4.0	1.8
Claims trend (%)	67.5	67.9	63.0
Gross expense ratio (%)	16.1	17.3	17.1
Combined ratio (%)	83.6	85.2	80.1
Combined ratio excl. run-off profits (%)	87.5	88.0	87.3

Segment reporting

Personal

The Personal segment offers policies to individual households in Denmark.

Premiums earned increased by 1.7% to DKK 1,284m. As of Q3 2018 illness/accident insurance with Nykredit is not included in Topdanmark's accounts, as the distribution agreement with Nykredit was terminated. Adjusted for the illness/accident business from Nykredit in Q1 2018, the growth of premiums on private insurances was 2.3% in Q1 2019.

The technical result was DKK 240m in Q1 2019, representing an increase of DKK 68m compared to Q1 2018.

The claims trend improved 4.3pp to 65.1. However, adjusted for run-off, the claims trend improved

0.1pp. As compared to Q1 2018, the claims trend was favourably impacted by an improved claims trend for theft and personal injuries on motor. On the other hand, weather-related claims had a negative impact of DKK 6m corresponding to 0.4pp on the claims trend in Q1 2019.

Run-off of DKK 81m were DKK 55m higher than in Q1 2018 corresponding to an increase in the claims trend of 4.3pp.

The expense ratio improved to 16.2 from 17.0 in Q1 2018.

The combined ratio was 81.3 (Q1 2018: 86.4).

Excluding run-off, the combined ratio improved to 87.6 in Q1 2019 (Q1 2018: 88.4).

Personal (DKKm)	Full year 2018	Q1 2018	Q1 2019
Gross premiums earned	5,056	1,263	1,284
Claims incurred	(3,327)	(860)	(800)
Expenses	(806)	(214)	(208)
Net reinsurance	(79)	(17)	(37)
Technical result	843	172	240
Run-off profits, net of reinsurance	235	26	81
Gross loss ratio (%)	65.8	68.1	62.3
Net reinsurance ratio (%)	1.6	1.3	2.9
Claims trend (%)	67.4	69.4	65.1
Gross expense ratio (%)	15.9	17.0	16.2
Combined ratio (%)	83.3	86.4	81.3
Combined ratio excl. run-off profits (%)	88.0	88.4	87.6

SME

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

Premiums earned increased by 3.7% to DKK 1,053m. The growth in premiums was favourably impacted by an indexation of premiums in workers compensation of approx. 9%. Topdanmark continues to have a positive momentum in the sales to small and medium-sized (SME) and agricultural businesses.

The technical result increased by DKK 60m to DKK 225m in Q1 2019.

The claims trend improved 5.5pp to 60.5. The improvement mainly derives from larger run-off (4.8pp). To this should be added a more favourable claims trend which was, among other things, impacted by

Topdanmark's significantly reduced exposure towards unprofitable customers. As compared to Q1 2018, there were a higher level of large-scale claims (1.7pp) and weather-related claims (0.7pp) in Q1 2019.

Run-off was DKK 87m in Q1 2019 (Q1 2018: DKK 37m).

The expense ratio was 18.1 compared to 17.7 in Q1 2018. The expense ratio in Q1 2019 was impacted by costs related to a feasibility study of a new IT-system.

The combined ratio improved to 78.6 in Q1 2019 (Q1 2018: 83.8).

Excluding run-off, the combined ratio improved to 86.9 in Q1 2019 (Q1 2018: 87.4).

SME (DKKm)	Full year 2018	Q1 2018	Q1 2019
Gross premiums earned	4,097	1,015	1,053
Claims incurred	(2,739)	(596)	(632)
Expenses	(671)	(180)	(190)
Net reinsurance	(32)	(74)	(5)
Technical result	656	165	225
Run-off profits, net of reinsurance	118	37	87
Gross loss ratio (%)	66.9	58.7	60.1
Net reinsurance ratio (%)	0.8	7.3	0.5
Claims trend (%)	67.6	66.0	60.5
Gross expense ratio (%)	16.4	17.7	18.1
Combined ratio (%)	84.0	83.8	78.6
Combined ratio excl. run-off profits (%)	86.9	87.4	86.9

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 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 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 back to Danske Forsikring will stop at the end of Q2 2019.

In itself, 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 the 1.7% growth in 2018.

Topdanmark wishes 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

The result from life insurance was a profit of DKK 111m (Q1 2018: DKK 44m).

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

Result of life insurance (DKKm)	Full year 2018	Q1 2018	Q1 2019
Investment return on shareholders' equity	110	24	56
Sales and administration	(20)	(10)	1
Insurance risk	(2)	(7)	19
Risk return on shareholders' equity	140	37	36
Profit on life insurance	228	44	111

Developments in Q1 2019

As compared to Q1 2018, the profit in Q1 2019 for life insurance improved in all areas. The investment return on shareholders' equity was DKK 56m in Q1 2019 (Q1 2018: DKK 24m). The result of sales and administration improved by DKK 11m to DKK 1m and the risk result improved by DKK 26m to DKK 19m. The risk result may fluctuate from one quarter to the next.

Trend in premiums

Gross premiums increased by 12.8% to DKK 2,797m in Q1 2019, of which premiums on unit-linked pension schemes were DKK 2,386m, representing a 20.5% increase compared to Q1 2018.

Regular premiums decreased by 7.4% to DKK 852m in Q1 2019, due to the loss of the distribution agreement with Nykredit. Adjusted for the loss of the distribution agreement with Nykredit in Q1 2019, regular premiums increased by 3.9%. Single premiums were DKK 1,945m in Q1 2019, representing a 24.7% increase.

Premiums on investment contracts are not included in the gross premiums in the income statement but recognised

in the balance sheet, representing DKK 428m (Q1 2018: DKK 320m), which is an increase of 33.5%.

The total gross premiums within life insurance, including premiums on investment contracts represent DKK 3,225m (Q1 2018: DKK 2,800m), which is an increase of 15.2%.

Investment activities

Topdanmark Group excl. life insurance

The investment return of the Topdanmark Group excluding life insurance was DKK 435m in Q1 2019 (Q1 2018: loss of DKK 2m). Return and revaluation of non-life insurance provisions were a loss of DKK 418m Q1 2019 (Q1 2018: loss of DKK 18m).

The investment return after return and revaluation of non-life insurance provisions was DKK 18m and thus DKK 40m lower than the assumed return for the quarter, when calculated using Topdanmark's forecast model at the beginning of 2019. The low return was primarily due to the regulatory change to the discount curve's VA component, which was only partly offset by high returns on equities, Danish mortgage bonds and properties.

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

The investment return in Q1 2019 on the most significant classes of assets is disclosed in the table below:

Investment return	Portfolio 31 March		Return Q1 2018		Return Q1 2019	
	2018 (DKKbn)	2019	(DKKbn)	%	(DKKbn)	%
Danish equities	0.3	0.3	(1)	(0.2)	26	11.3
Foreign equities	0.7	0.7	(24)	(3.5)	81	13.4
Unlisted equities and hedge funds	0.3	0.3	3	0.7	0	0.1
Government and mortgage bonds	16.2	18.4	(19)	(0.1)	265	1.6
Credit bonds	0.0	0.0	(1)	(1.2)	2	4.7
Index linked bonds	0.3	0.3	0	0.1	8	3.1
CDOs	0.6	0.6	14	2.4	3	0.5
Properties	1.1	1.2	12	1.1	38	3.2
Money market etc.	3.9	1.5	(2)	(0.1)	3	0.1
Subordinated loan capital	(1.7)	(1.7)	(12)	(0.7)	(12)	(0.7)
	21.6	21.5	(29)	(0.1)	415	2.1
Asset management			27		20	
Investment return			(2)		435	
Return and revaluations of non-life insurance provisions			(18)		(418)	
Investment return after return and revaluations of non-life insurance provisions			(19)		18	

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 1,028m 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 March 2019, 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 33m) and positions in hedge funds where the investment mandates aim at positioning in the credit market (DKK 214m).

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 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.

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 by 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 component was 45bp at the beginning of the year and 15bp by the end of Q1 2019. If the methodology calculating the Danish VA had not been changed the VA would have been roughly unchanged over Q1 2019.

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 that has been 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).

The reduction in the VA-component as mentioned above impacts the book value of the guarantees, while the book value of the assets remains the same. The value of the liabilities in 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 hedge and the bonus potentials are hit, resulting in a lower loss absorption capacity. The loss absorption capacity in the 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)	Q4 2016	Q4 2017	Q4 2018	Q1 2018	Q1 2019
Own funds	6,348	6,370	6,509	6,709	7,020
Solvency requirement	3,643	3,116	3,322	3,283	4,034
Solvency cover (%)	174	204	196	204	174

Potential dividend has not been deducted from own funds end Q1 2018 and Q1 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 declined by DKK 1m to DKK 8m in Q1 2019.

Taxation

The tax charge was DKK 125m of the pre-tax profit of DKK 564m, corresponding to an effective tax rate of 22.1% (Q1 2018: 22.3%).

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 Annual Report for 2018, it was stated that Topdanmark's post-tax profit forecast model for 2019 was DKK 1,000-1,100m.

Non-life insurance

For non-life insurance, Topdanmark assumed a pre-tax profit of DKK 1,040-1,140m. This profit forecast model was based on the following assumptions:

- A higher premium growth compared to the 1.7% premium growth in 2018
- Weather-related claims of DKK 170m, DKK 50m of them related to Q1 2019
- Combined ratio for 2019 of 89-90, excl. run-off but incl. additional expenses of 0.5 to 1pp due to Topdanmark's investment in increased digitalisation and automation
- A level of interest corresponding to the interest rate curve on 28 December 2018
- An annual 7.0% return on equities and unchanged foreign exchange rates from the level on 28 December 2018.

After the profit forecast model for 2019 was published in the Annual Report for 2018, the following assumptions have changed:

- In Q1 2019, there were run-off of DKK 168m, corresponding to a 1.8pp improvement of the combined ratio
- Weather-related claims were DKK 13m in Q1 2019, which is DKK 37m lower than assumed, corresponding to a 0.4pp improvement of the combined ratio for 2019
- The extent of large-scale claims was DKK 34m in Q1 2019 which is DKK 9m higher than assumed, corresponding to a 0.1pp deterioration of the combined ratio
- In addition, the claims trend was, in general, slightly better than assumed, corresponding to app. 1pp improvement of the combined ratio
- Interest rates have decreased relative to the guidance for 2019 in the annual report for 2018, representing a 0.3pp deterioration of the combined ratio
- From 28 December 2018 until 29 March 2019, the pre-tax investment return was DKK 40m lower than assumed

- As stated in the company announcement no. 07/2019 the reason for the lower than assumed investment return was the change in the method for calculation of the VA-component for Q1 2019, which had a one-off negative impact on the investment return of around DKK 200m.

The assumed combined ratio for 2019 is adjusted from 89-90 to 86-87, excluding run-off in Q2-Q4 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 1,300-1,400m.

Life insurance

In the Annual Report for 2018, Topdanmark assumed a pre-tax profit on life insurance of DKK 200-230m 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.

These assumptions are unchanged, but based on the development in Q1 2019:

- The assumed investment return for 2019 has been upgraded by DKK 25m
- The result of sales, administration and insurance risk has been upgraded by DKK 25m.

Overall, the assumed pre-tax profit on life insurance has improved by DKK 50m to DKK 250-280m.

The result is very 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 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 profit forecast model for 2019 has been upgraded by DKK 250m to DKK 1,250-1,350m, representing an EPS of DKK 15.0. The assumed profit is exclusive of run-off in the remaining three quarters of 2019.

The profit forecast model is based on the assumption of an annual 7.0% return on equities, and unchanged foreign exchange rates from the level of 29 March 2019.

Furthermore, it is assumed that the return on interest-bearing assets hedging the discounted provisions is exactly sufficient to cover discounting and revaluation of the provisions, while the return on the remaining interest-bearing assets is assumed to be 1.68% (risk-free interest rate plus 2.0pp).

Profit forecast 2019 (DKKm)	Results	Forecast 2019		Forecast 2019	
	2018	28 December 2018		29 March 2019	
Non-life insurance					
- Technical result	1,499	950	- 1,000	1,250	- 1,300
- Investment return after return and revaluations of non-life insurance provisions etc.	(79)	90	- 140	50	- 100
Profit on non-life insurance	1,420	1,040	- 1,140	1,300	- 1,400
Life insurance	228	200	- 230	250	- 280
Parent company etc.	54	40	- 50	40	- 50
Pre-tax profit	1,702	1,280	- 1,420	1,590	- 1,730
Taxation	(371)	(280)	- (320)	(340)	- (380)
Profit for the year	1,331	1,000	- 1,100	1,250	- 1,350

Financial calendar

2019 Half-year Report	18 July 2019
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

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 → 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

The interim report for Q1 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.

Topdanmark has implemented the IFRS standards and interpretations taking effect from 2019, including IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments". The implementation of IFRS 16 has had only an insignificant effect on the Group. Other changes to IFRS have not affected recognition and measurement in Q1 2019.

Apart from 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	Q1 2018	Q1 2019
NON-LIFE INSURANCE				
Gross premiums written		9,205	4,210	4,342
Ceded reinsurance premiums		(617)	(385)	(376)
Change in the provisions for unearned premiums		35	(1,892)	(1,935)
Change in profit margin and risk margin		(43)	(32)	(59)
Change in the reinsurers' share of the provisions for unearned premiums		10	229	216
Premiums earned, net of reinsurance		8,590	2,130	2,188
Gross claims paid		(6,045)	(1,426)	(1,576)
Reinsurance cover received		362	45	45
Change in the provisions for claims		(23)	(9)	139
Change in risk margin		31	(14)	11
Change in the reinsurers' share of the provisions for claims		56	1	53
Claims incurred, net of reinsurance	1	(5,619)	(1,403)	(1,327)
Bonuses and rebates		(62)	(13)	(15)
Acquisition costs		(952)	(254)	(254)
Administrative expenses		(501)	(134)	(138)
Reinsurance commission and share of profits		78	19	20
Total operating expenses, net of reinsurance		(1,375)	(368)	(372)
TECHNICAL PROFIT ON NON-LIFE INSURANCE		1,534	346	475
LIFE INSURANCE				
Gross premiums written	2	10,111	2,480	2,797
Ceded reinsurance premiums		(1)	(0)	(0)
Premiums, net of reinsurance		10,111	2,480	2,797
Allocated investment return, net of reinsurance		(2,326)	(700)	3,723
Pension return tax		28	11	(223)
Claims and benefits paid		(4,088)	(1,085)	(1,279)
Reinsurance cover received		3	1	1
Claims and benefits paid, net of reinsurance		(4,086)	(1,084)	(1,279)
Change in the life insurance provisions		(3,318)	(606)	(4,876)
Change in the reinsurers' share		(4)	(1)	(2)
Change in the life insurance provisions, net of reinsurance		(3,321)	(608)	(4,878)
Change in profit margin		(34)	(2)	(21)
Acquisition costs		(143)	(40)	(33)
Administrative expenses		(277)	(75)	(75)
Total operating expenses, net of reinsurance		(420)	(114)	(108)
TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE		(48)	(17)	12

Income statement • Group

(DKKm)	Full year 2018	Q1 2018	Q1 2019
NON-TECHNICAL ACTIVITIES			
Technical profit on non-life insurance	1,534	346	475
Technical profit / (loss) on life insurance	(48)	(17)	12
Income from associates	161	14	18
Income from investment properties	45	19	18
Interest income and dividends etc.	1,803	387	481
Revaluations	(3,871)	(1,037)	3,741
Interest charges	(81)	(21)	(19)
Expenses on investment activities	(47)	(13)	(14)
Total investment return	(1,990)	(651)	4,226
Return and revaluations of non-life insurance provisions	(86)	(18)	(418)
Investment return transferred to life insurance business	2,326	700	(3,723)
Other income	23	6	5
Other expenses	(58)	(22)	(13)
PRE-TAX PROFIT	1,702	344	564
Taxation	(371)	(77)	(125)
PROFIT FOR THE PERIOD	1,331	267	439
EPS (DKK)	15.4	3.1	5.1
EPS, diluted (DKK)	15.4	3.1	5.1

Statement of comprehensive income • Group

Profit for the period	1,331	267	439
Items which cannot subsequently be reclassified as profit or loss:			
Revaluation / Reversed revaluation on non-occupied properties	1	0	0
Other comprehensive income	1	0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,332	268	439

Assets • Group

(DKK)m	31 December 2018	31 March 2018	31 March 2019
INTANGIBLE ASSETS	1,091	960	1,159
Operating equipment	116	118	112
Owner-occupied properties	853	853	853
TOTAL TANGIBLE ASSETS	969	972	965
Investment properties	3,830	3,776	3,672
Equity investments in associates	1,678	1,297	1,538
Total investments in associates	1,678	1,297	1,538
Equity investments	5,412	5,686	5,976
Unit trusts	6	0	7
Bonds	35,118	34,883	40,218
Loans guaranteed by mortgages	6	6	6
Deposits with credit institutions	4,380	6,129	3,177
Derivatives	86	16	97
Total other financial investment assets	45,010	46,721	49,482
TOTAL INVESTMENT ASSETS	50,518	51,793	54,693
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	27,890	27,533	31,885
Reinsurers' share of the provisions for unearned premiums	92	283	278
Reinsurers' share of the life insurance provisions	17	19	15
Reinsurers' share of the provisions for claims	527	471	583
Total reinsurers' share of provisions	635	773	876
Receivables from policyholders	262	558	394
Receivables from insurance companies	197	56	94
Receivables from associates	365	322	360
Other receivables	281	165	258
TOTAL RECEIVABLES	1,740	1,874	1,982
Current tax assets	39	0	0
Deferred tax assets	17	14	17
Liquid funds	253	257	327
Other	199	68	77
TOTAL OTHER ASSETS	508	339	421
Accrued interest and rent	310	220	349
Other prepayments and accrued income	196	248	281
TOTAL PREPAYMENTS AND ACCRUED INCOME	506	468	630
TOTAL ASSETS	83,224	83,940	91,735

Shareholders' equity and liabilities • Group

(DKK m)	Note	31 December 2018	31 March 2018	31 March 2019
Share capital		90	90	90
Revaluation reserve		14	13	14
Security fund		1,146	1,146	1,146
Other reserves		67	66	69
Total reserves		1,213	1,211	1,215
Profit carried forward		3,349	3,505	3,852
Proposed dividend		1,350	1,710	1,350
TOTAL SHAREHOLDERS' EQUITY		6,016	6,529	6,521
OTHER SUBORDINATED LOAN CAPITAL		1,746	1,745	1,746
Provisions for unearned premiums		1,819	3,749	3,787
Profit margin, non-life insurance contracts		807	777	850
Products with guarantees and profitsharing		23,134	23,878	23,660
Unit-Linked products		33,117	30,863	37,725
Total life insurance provisions		56,252	54,741	61,385
Profit margin, life insurance and investment contracts		268	246	289
Provisions for claims		13,003	12,991	13,142
Risk margin, non-life insurance contracts		275	335	269
Provisions for bonuses and rebates		152	143	143
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		72,575	72,982	79,865
Pensions and similar commitments		27	27	27
Deferred tax liabilities		103	60	87
Deferred tax on security funds		306	306	306
TOTAL PROVISIONS		436	394	420
DEPOSITS RECEIVED FROM REINSURERS		81	71	82
Debt relating to direct insurance operations		373	359	100
Debt relating to reinsurance operations		18	205	171
Amounts due to credit institutions		242	24	839
Current tax liabilities		1	13	12
Derivatives		703	547	762
Other debt		934	1,002	1,116
TOTAL DEBT		2,271	2,150	2,999
ACCRUALS AND DEFERRED INCOME		98	68	101
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		83,224	83,940	91,735

Financial assets and liabilities	3
Contingent liabilities	4
Related parties	5
Sale of affiliated company	6

Cash flow statement • Group

(DKKkm)	Full year 2018	Q1 2018	Q1 2019
Cash flow from operations			
Gross premiums	9,214	4,102	4,195
Claims paid	(5,992)	(1,476)	(1,616)
Expenses paid	(1,352)	(310)	(294)
Reinsurance ceded	(255)	(102)	(71)
Cash flow from non-life insurance	1,615	2,213	2,212
Gross premiums	10,164	2,487	2,609
Claims and benefits	(4,094)	(1,087)	(1,275)
Pension return tax	(486)	(491)	(120)
Expenses paid	(425)	(102)	(101)
Reinsurance ceded	1	(8)	45
Cash flow from life insurance	5,160	799	1,158
Cash flow from insurance activities	6,775	3,013	3,371
Payments on investment contracts	1,008	181	258
Interest income and dividends etc.	1,806	425	423
Interest charges etc.	(124)	(34)	(32)
Corporation tax	(402)	(99)	(91)
Other items	(135)	(10)	41
Cash flow from operations	8,929	3,475	3,970
Investments			
Intangible assets, operating equipment	(243)	(53)	(74)
Properties	(257)	(119)	(33)
Sale of affiliate	124	0	0
Equity investments in associates	(249)	2	0
Dividends from associates	17	0	158
Equity investments	147	10	29
Unit trusts	(11)	(2)	3
Bonds	626	1,450	(4,814)
Loans	(5)	(5)	(3)
Derivatives	(427)	116	(106)
Investment activities related to unit-linked products	(6,537)	(2,473)	(911)
Balances with associates	(38)	5	5
Investments	(6,855)	(1,070)	(5,747)
Financing			
Dividend paid	(1,637)	0	0
Exercise of share options	79	55	47
Amounts due to credit institutions	199	(19)	596
Financing	(1,359)	36	644
Change in cash and cash equivalents	715	2,442	(1,134)
Cash and cash equivalents at 1 January	3,941	3,941	4,634
Revaluation of cash and cash equivalents	0	3	5
Cash and cash equivalents in sold affiliate	(22)	0	0
Cash and cash equivalents end of period	4,634	6,386	3,505
Cash and cash equivalents comprise:			
Liquid funds	253	257	327
Deposits with credit institutions	4,380	6,129	3,177
	4,634	6,386	3,505

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 prior 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						(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
Q1 2018							
Shareholders' equity at 31 December prior year	90	13	1,146	64	3,168	1,710	6,191
Profit for the period				1	266		267
Other comprehensive income				0	0		0
Total comprehensive income for the period				1	266		268
Share-based payments					15		15
Exercise of share options					55		55
Other transactions					71		71
Shareholders' equity at 31 March 2018	90	13	1,146	66	3,505	1,710	6,529
Q1 2019							
Shareholders' equity at 31 December prior year	90	14	1,146	67	3,349	1,350	6,016
Profit for the period				1	438		439
Other comprehensive income				0	0		0
Total comprehensive income for the period				1	438		439
Share-based payments					19		19
Exercise of share options					47		47
Other transactions					66		66
Shareholders' equity at 31 March 2019	90	14	1,146	69	3,852	1,350	6,521

Segment information • Group

Income statement

(DKKm)	Per- sonal	SME	Elimin- ated	Non-life	Life	Parent etc.	Elimin- ated	Group
Q1 2018								
Non-life insurance								
Gross premiums earned	1,263	1,015	(5)	2,273				2,273
Claims incurred	(860)	(596)	4	(1,452)			3	(1,449)
Expenses	(214)	(180)	1	(394)			6	(387)
Net reinsurance	(17)	(74)	(0)	(91)				(91)
Technical profit on non-life insurance	172	165	(0)	336			10	346
Life insurance								
Gross premiums written					2,480			2,480
Allocated investment return					(700)			(700)
Pension return tax					11			11
Benefits and change in provisions					(1,694)			(1,694)
Expenses					(116)		2	(114)
Technical profit / (loss) on life insurance					(19)		2	(17)
Total investment return				(27)	(681)	24	32	(651)
Pension return tax non-life insurance				(0)	0			0
Return and revaluations of non-life insurance provisions				(18)				(18)
Transferred to technical result					700			700
Other items				(1)	43	(15)	(43)	(16)
Pre-tax profit				291	44	9	0	344
Taxation								(77)
Profit								267
Q1 2019								
Non-life insurance								
Gross premiums earned	1,284	1,053	(5)	2,333				2,333
Claims incurred	(800)	(632)	4	(1,428)			3	(1,425)
Expenses	(208)	(190)	1	(398)			7	(392)
Net reinsurance	(37)	(5)	0	(42)				(42)
Technical profit on non-life insurance	240	225	(0)	465			10	475
Life insurance								
Gross premiums written					2,797			2,797
Allocated investment return					3,723			3,723
Pension return tax					(223)			(223)
Benefits and change in provisions					(6,176)			(6,176)
Expenses					(110)		2	(108)
Net reinsurance					(1)			(1)
Technical loss on life insurance					11		2	12
Total investment return				417	3,752	18	38	4,226
Pension return tax non-life insurance				(21)	21			0
Return and revaluations of non-life insurance provisions				(418)				(418)
Transferred to technical result					(3,723)			(3,723)
Other items				2	50	(10)	(49)	(7)
Pre-tax profit				445	111	8	0	564
Taxation								(125)
Profit								439

Notes to the financial statements • Group

(DKK m)	Full year 2018	Q1 2018	Q1 2019
Note 1. Claims incurred, net of reinsurance - Non-life insurance			
Run-off result:			
Gross business	319	63	118
Reinsurance ceded	34	(1)	50
Run-off result, net of reinsurance (profit)	353	62	168

Note 2. Gross premiums written - Life insurance

Individual policies	304	76	65
Policies w hich are part of a tenure	2,228	568	673
Group life	322	275	114
Regular premiums	2,855	920	852
Individual policies	1,856	515	519
Policies w hich are part of a tenure	5,401	1,044	1,426
Single premiums	7,257	1,560	1,945
Gross premiums	10,111	2,480	2,797

Note 3. Financial assets and liabilities	31 December 2018	31 March 2018	31 March 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	14	32
Repayments	(334)	(150)	(24)
Foreign exchange adjustment	9	(6)	3
31 December	469	551	480

The portfolio consists of construction financing of property projects (DKK 246m) and Vindmøllepark (w ind farm) guaranteed by EKF (DKK 78m) and bonds (DKK 155m), 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	571	392
Adjustments to VAT liabilities	105	77	93
Other liabilities	16	21	5
Capital commitments made to loan funds and private equity funds etc.	609	1,087	537

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 tow ards specific suppliers has undertaken to give support in fulfilling Topdanmark EDB IV ApS' obligations in accordance w ith the contracts.

Notes to the financial statements • Group

(DKKm)

Note 5. Related parties

In 2018, Q2, Topdanmark A/S paid dividend of DKK 798m to Sampo plc. and received dividend of 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 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	Q1 2018	Q1 2019
Income from affiliates	1,372	281	449
Interest charges	(11)	(3)	(3)
Total investment return	1,361	279	446
Other expenses	(42)	(15)	(10)
PRE-TAX PROFIT	1,319	263	436
Taxation	12	4	3
PROFIT FOR THE PERIOD	1,331	267	439

Statement of comprehensive income • Parent company

Profit for the period	1,331	267	439
Other comprehensive income from affiliates	1	0	0
Other comprehensive income	1	0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,332	268	439

Balance sheet • Parent company

(DKK)m	31 December 2018	31 March 2018	31 March 2019
Assets			
Operating equipment	3	3	3
TOTAL TANGIBLE ASSETS	3	3	3
Equity investments in affiliates	6,188	6,915	6,650
Total investment in affiliates	6,188	6,915	6,650
TOTAL INVESTMENT ASSETS	6,188	6,915	6,650
Receivables from affiliates	639	603	745
Other receivables	2	1	3
TOTAL RECEIVABLES	641	603	747
Current tax assets	39	0	0
Liquid funds	2	2	3
TOTAL OTHER ASSETS	40	2	3
TOTAL ASSETS	6,873	7,523	7,402

Shareholders' equity and liabilities

Share capital	90	90	90
Other reserves	2,439	3,166	2,901
Total reserves	2,439	3,166	2,901
Profit carried forward	2,443	1,869	2,487
Proposed dividend	1,350	1,710	1,350
TOTAL SHAREHOLDERS' EQUITY	6,322	6,835	6,827
OTHER SUBORDINATED LOAN CAPITAL	398	397	398
Amounts due to affiliates	147	276	161
Current tax liabilities	0	12	11
Other debt	6	3	6
TOTAL DEBT	153	291	177
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	6,873	7,523	7,402

Statement by Management

The Board of Directors and the Executive Board have today considered and adopted the interim report for Q1 2019 for Topdanmark A/S.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards 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 at 31 March 2019 as well as the result of the Group's and the parent company's activities and the Group's cash flows for the financial period 1 January to 31 March 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, 25 April 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