



Topdanmark A/S

Annual Report 2018

TOPDANMARK'S EQUITY STORY

The Topdanmark share is a value case – not a growth case

Focused strategy

- Danish player
- Stable insurance risks
- Low expense ratio
- Limited financial risk
- Synergy between life and non-life insurance
- Efficient capital management
- Limited top line growth
- Profitable growth - in that order
- High net result
- No protection against take-over in the Articles of Association

Watch the video or see the presentation of Topdanmark's equity story on www.topdanmark.com → Investor

Read also about value creation in Topdanmark on www.topdanmark.com → Investor → Value creation

TOPDANMARK ANNUAL REPORT FOR 2018

21 February 2019 Announcement No. 04/2019

Key features 2018

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

Q4 2018

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

Earnings distribution for 2018

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

Profit forecast model for 2019

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

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Financial highlights

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

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

Results for 2018

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

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

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

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

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

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

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

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

Results for Q4 2018

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

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

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

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

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

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

Non-life insurance in 2018 Premiums earned

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

In 2018, Topdanmark had a continuously growing number of customers in the personal, agricultural and SME markets. The increase in the number of customers is primarily due to improved customer retention.

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

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

Claims trend

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

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

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

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

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

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

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

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

Expense ratio

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

Combined ratio

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

Non-life insurance in Q4 2018

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

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

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

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

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

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

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

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

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

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

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

Segment reporting

Private

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

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

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

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

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

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

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

SME

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

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

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

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

average number of fire claims. It is pointed out that 2017 was an exceptionally favourable year with only a few fire claims. Weather-related claims represented DKK 5m in 2018 (2017: DKK 18m).

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

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

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

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

Termination of distribution agreement with Danske Bank

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

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

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

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

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

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

Trend in premiums

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

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

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

Life insurance in 2018

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

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

The decline in profit of DKK 21m is mainly due to a drop in the risk result on disability and premiums waived. These results may fluctuate between years as a consequence of new claims for disability and recovery.

In addition to this, the results for 2018 were impacted by the weak financial markets, making it impossible to fully recognise the risk return from with profit products. As a consequence, a risk return of DKK 5m is lost in 2018 against full risk return in 2017.

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

Developments in Q4 2018

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

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

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

Sources of gross premiums (DKK m)	Q4		Q4	
	2017	2018	2017	2018
With-profits schemes	158	144	558	493
Unit-linked schemes	498	550	1,750	2,040
Group life	63	27	508	322
Regular premiums	719	721	2,817	2,855
With-profits schemes	82	192	394	532
Unit-linked schemes	1,459	2,051	5,315	6,725
Single premiums	1,540	2,243	5,709	7,257
Gross premiums	2,259	2,964	8,525	10,111

Investment activities

Topdanmark Group excl. life insurance

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

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

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

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

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

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

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

The composition of the portfolios is based on OMXCCAP for Danish equities, representing around 30% of the portfolio at 31 December 2018, and the foreign portfolios

are based on MSCI World DC in the original currency for foreign equities.

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

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

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

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

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

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

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

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

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

"Interest-bearing debt" comprises other debt.

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

Parent company etc.

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

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

Taxation

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

Profit forecast model

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

As can be seen, the investment return forecast model is not based on a specific estimate of the expected investment return for the rest of the year, but solely on a long-term standard assumption of the return.

Non-life insurance

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

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

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

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

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

This was based on the following assumptions:

- A normal year as regards weather-related claims including expenses of DKK 170m. The weather-related claims, broken down by quarter are assumed to be as follows:
 - Q1: DKK 50m
 - Q2: DKK 25m
 - Q3: DKK 45m
 - Q4: DKK 50m
- Large-scale claims (claims of a gross value exceeding DKK 5m) of DKK 100m
- An expense ratio of around 16
- On the one hand, additional expenses of 0.5 to 1pp in connection with investments in increased digitisation and automation are still assumed to have an impact on the combined ratio. On the other hand, investments from previous years will result in improved efficiency in 2019. Together with a slightly improved insurance risk in general, this will contribute to an improvement of the assumed combined ratio of approx. 1pp when comparing with 2018
- Interest rates remain unchanged and do not impact the combined ratio.

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

The volatility adjustment (VA) is a component in the national interest rate curve that EU based insurance companies use for the discounting of technical provisions. EIOPA had previously stated that the method for calculation of the VA for the Danish discounting curve would be changed in 2018. However, this has not yet taken place. The method for calculation of the VA-component will be changed as of Q1 2019. The calculation of the VA-component for Q1 2019 will take place at the end of Q1 2019. The total net impact of the

trend in Q1 and the new method for calculation are unknown until the end of Q1 2019. Consequently, the change of the VA-component is not included in the profit forecast model for 2019. A change in the assumptions for the calculation of the VA-component will impact the accounting value of the technical provisions while the value of the assets will remain unchanged. Everything else being equal, by every basis point the VA-component is reduced, Topdanmark's post-tax profit for 2019 will be reduced by around DKK 5m.

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

Life insurance

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

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

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

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

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

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

Parent company

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

Taxation

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

Total Group profit

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

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

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

provisions, while the return on the remaining interest-bearing assets is assumed to be 1.72% (risk-free interest rate plus 2.0pp).

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

Risk management

Topdanmark's policy is to hedge against risks arising from the Company's activities or to limit such risks to a level that allows the Company to maintain normal operations and implement its planned measures even in the case of highly unfavourable events in the outside world.

As a consequence of this policy, for a number of years the Company has identified and reduced or eliminated the risks which could potentially cause losses exceeding what Topdanmark considers to be acceptable. For example, major strategic shareholdings have been sold, the catastrophe cover for weather-related events or terror has been increased significantly and the financial risk has been reduced.

At the end of 2018, Topdanmark's solvency ratio was 196. Topdanmark assesses that with this solvency ratio, the Company will be able to maintain normal operations and implement planned measures even in the event of, for example, another collapse in the financial markets as in 2008.

The solvency ratio can be adjusted to a certain extent in accordance with the Board of Directors' wishes. For example, the Board of Directors can choose to increase the solvency ratio by reducing capital requirements via a lowering of the Group's investment-related risk profile. An element thereof could be to offer life-insurance customers with guaranteed benefits to switch to unit-linked for which the capital requirement is significantly lower. It is an ongoing consideration process because both risk-reducing measures will reduce the profitability of the Topdanmark Group.

Topdanmark's assessment is that the current level of solvency ratio is comfortable considering the wish for a sound own funds base and satisfactory profitability.

In order to ensure strict control of the overall risk, the exposures are calculated as often as deemed necessary,

i.e. daily, monthly, quarterly or in a few cases annually, according to the nature of the exposure.

The Board of Directors determines the overall risk policies and limits. The internal auditors report to the Board of Directors and report on, among other things, the observance of these risk policies and limits.

Topdanmark's risk management function identifies, assesses and quantifies risks. It reports to the Risk Committee, which is responsible for risk policies, risk limits, solvency calculation, capital plans, Topdanmark's own risk and solvency assessment (ORSA), and Topdanmark's partial, internal model for non-life insurance risks. The members of the Risk Committee are the CFO of the Group, the head of the Compliance Function and the heads of the primary risk areas, which are: Asset Management, Statistical Services, Reinsurance, Finance, Life Actuarial Services and Life Finance. The Risk Committee reports and recommends to the Board of Directors via the Executive Board.

The Risk Committee has set up the Model Committee, which is responsible for developing and operating Topdanmark's internal model for calculation of results probabilities and risks of the non-life insurance portfolio based on random simulation. The model is used for, among other things, optimising the reinsurance programme, calculation of cost of capital, forecast balancing and calculating capital requirements.

The internal model has been used in solvency calculations in accordance with the Danish solvency rules in force since 2014 and has been amended to meet the EU Solvency II-rules in force. The DFSA has approved Topdanmark's internal model to be used when calculating solvency capital requirements.

The risk management function implements an annual ORSA process identifying risks in the business, quantifying these risks and collecting them in a risk

register. Additionally, the principles of solvency calculation are reviewed, and the risk management process is updated. An ORSA report has been prepared, which, together with the risk register and risk management process, was considered at a Board Meeting in the autumn of 2018.

On an ongoing basis, the risk management function addresses the rules for solvency calculation and reporting etc. of the Solvency II Directive in order to ensure that Topdanmark meets this set of rules.

Overview

Topdanmark believes that the Group's most important risks relate to the following main areas:

- Non-life insurance
- Life insurance
- Market
- Counterparty
- Operational
- Compliance
- Strategy.

Please refer to Note 46 for a more detailed description of the above risks.

Risk scenarios

The Group's risk factors are illustrated in the following table on the most significant risk factors calculated as the post-tax impact on profit and shareholders' equity. The given assumptions do not reflect Topdanmark's expected risks but are shown only as examples which could be used as a basis for assessing the Company's exposure to the risks mentioned.

Risk scenarios			
(DKKm) after corporation tax and pension return tax			
		2017	2018
Non-life insurance			
Underwriting risk			
Combined ratio – 1pp increase		(70)	(71)
Provisioning risk			
Provisions on own account – 1% increase		(98)	(97)
Storm claims up to DKK 5,100m (Plus reinstatement premium etc.)		(78)	(78)
Life insurance			
Disability intensity - 35% increase*		(10)	(10)
Mortality intensity - 20% decline		(28)	(25)
Market risk			
Interest-bearing assets	1 pp increase	(465)	(480)
Provisions for claims and benefits etc.	in effective interest rate	513	504
Index-linked bonds	5% loss	(21)	(20)
Equities	10% loss	(79)	(71)
CDOs < AA	10% loss	(60)	(56)
Properties	10% loss	(132)	(149)
Annual currency loss with an up to 2.5% probability (VaR)		(6)	(1)

*35% increase first year, subsequently 25%, coincident with 20% decline in reactivation rates.

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 which 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).

Own funds

Principal elements of own funds:

- Shareholders' equity
- Proposed dividend
- + Deferred tax on security funds
- + Profit margin
- Intangible assets
- + Tax effect
- + Usable share, subordinated loan tier 1 (max. 20% of tier 1-capital)
- + Usable share, subordinated notes (max. 50% of SCR)

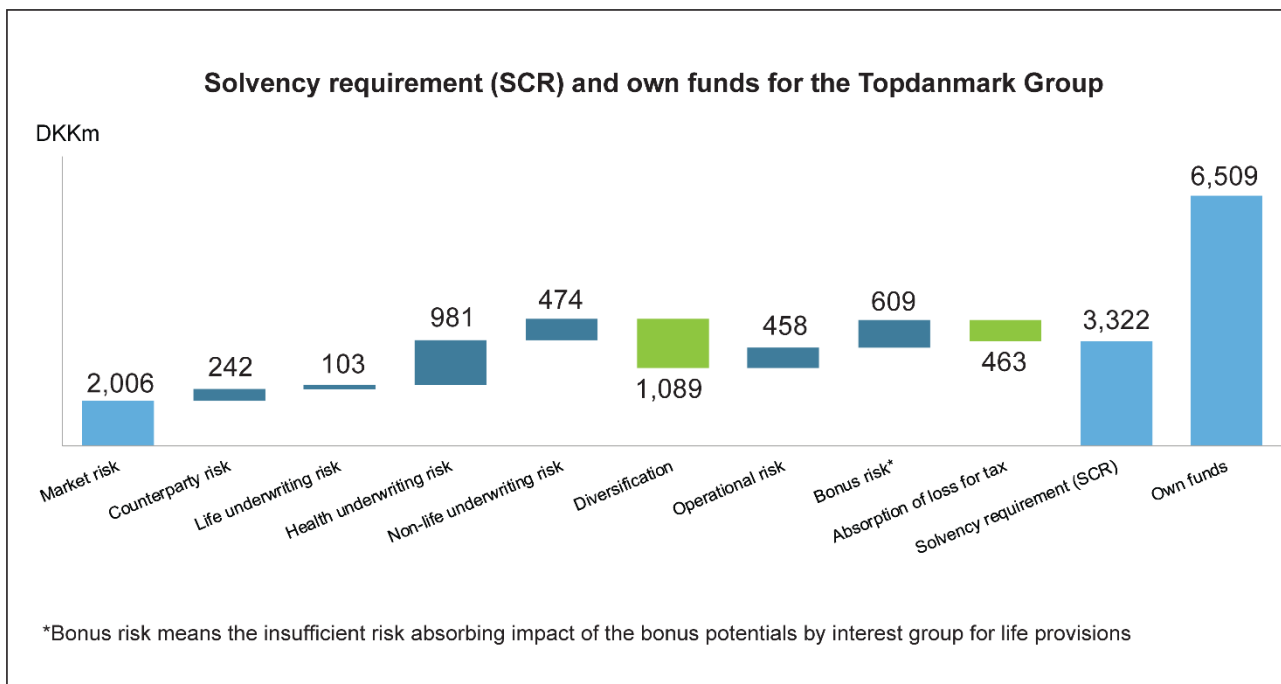
Own funds

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

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

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

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



Capital model

Topdanmark pursues a policy of keeping its shareholders' equity at a relatively low level. Any amounts in excess of the conservatively estimated shareholders' equity considered necessary to support the underlying business are paid out to shareholders by means of payment of dividend.

The size of the necessary solvency capital, i.e. Shareholders' equity reduced by the value of assets not included in the solvency cover, has been calculated at DKK 3,400m. Further solvency cover is ensured through outstanding subordinated notes.

Capital structure and ownership

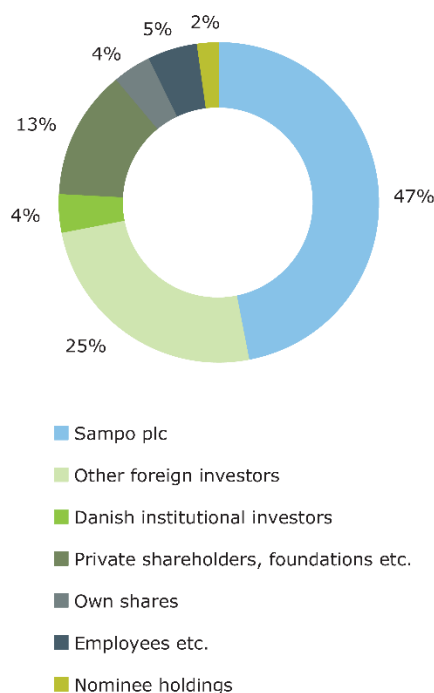
Topdanmark's Board of Directors has an authorisation granted in the Articles of Association to increase the Company's share capital, to raise convertible loans and/or issue warrants. The issues may be with or without pre-emptive rights for the Company's shareholders. The authorisations are limited to a total of 2,500,000 shares. They expire on 12 April 2023.

At the end of 2018, Topdanmark's share capital totalled DKK 90,000,000 divided into shares of DKK 1 each, corresponding to 90,000,000 voting rights. As of 1 February 2019, Topdanmark held 3,459,128 shares representing 3.84% of the share capital.

Shareholders

As of 1 February 2019, Topdanmark had 36,799 shareholders registered by name.

Shareholder structure - 1 February 2019



The following shareholder owns more than 5% of the share capital:

Sampo plc
 Fabianinkatu 27
 FL-00100 Helsinki
 Finland

Board of Directors and Articles of Association

Appointment and replacement of members of the Company's Board of Directors

The Board of Directors, which is elected at the general meeting and by the Topdanmark Group's employees, is the Company's top threshold of management formulating the Company's objectives, goals and strategies and making decisions on matters that are of significant importance or unusual in nature to the Company.

Topdanmark's Board of Directors comprises nine members, six of them elected by at the Annual General Meeting and three by Topdanmark's employees in accordance with the Danish Companies Act.

In accordance with this Act, the number of Board members elected by employees must be at least half the number of those elected by the shareholders at the general meeting. The rights, duties and responsibilities of the Board members elected by employees are the same as those of the Board members elected by shareholders at the general meeting. The term of office for members elected by shareholders at the general meeting is one year, while according to legislation, it is four years for members elected by employees.

Board members are elected individually.

The Board of Directors has addressed its composition and qualifications in "Policy on diversity at board level". The Company believes that, by imposing beforehand very specific requirements on the Board members, it may prevent the election of an evidently qualified Board candidates if they do not fully meet the requirements. Topdanmark wants to make an individual decision on each Board candidate based upon an overall consideration of the candidate's qualifications as compared with the Company's business model and associated risks, present needs and the composition of the rest of the Board of Directors. Topdanmark believes that in a company like Topdanmark, its Board members ought to possess combined skills within organisation, strategic management, insurance operations, reinsurance, long-tail business, financial and insurance reporting, general statistics, risk management and assessment, sales to the private and professional markets, marketing/branding, outsourcing, finance, own funds, solvency and minimum capital requirements, rules for internal models, audit, financing, investment, statutory limits, compliance, IT and IT security, digitisation as well as recruitment/HR. Information on the defined competences possessed by each of the Board members elected by shareholders at the general meeting is provided in the section on the Board of Directors in the Annual Report.

Taking the latest evaluation of the Board into account, it is assessed that Topdanmark's Board of Directors with its current composition possesses the above mentioned skills and qualifications.

Diversity

Topdanmark's current Board of Directors reflects diversity in many areas, including professional background and education, gender and age. Its members have experience from the financial and industrial sectors, nationally and internationally. The Board of Directors believes that this composition enables it to consider a given problem from many different angles which is confirmed by experience from the day-to-day Board work. Read more about each Board member's background, competence and rate of attendance on www.topdanmark.com → About Topdanmark → Management → [Executive Board and Board of Directors](#) and [Board of Directors](#) and [Executive Board](#) in this Annual Report.

Four of the nine Board members are women, two of them elected at the Annual General Meeting and two by Topdanmark's employees. Consequently, Topdanmark meets its goal: that the Board members has a minimum of three persons of each gender. Topdanmark meets the statutory definition of an equal gender distribution.

Topdanmark has signed up to the UN Global Compact intended to ensure, among other things, the prevention of discrimination in businesses.

Topdanmark works to maintain and develop openness in the company culture to counter any form of discrimination due to gender, race, colour, nationality, social and ethnic origin, religion, beliefs, political opinion, disability, age and sexual orientation. Topdanmark believes that diversity provides business value and that it is important that all employees may advance to managerial positions at all levels.

Topdanmark's Board of Directors has adopted policies on diversity. "Policy on diversity at Board level" and "Policy on diversity and the under-represented gender in the management body of Topdanmark" has been published on Topdanmark's website. More information on diversity including "Women in management" is available in the [CSR Report 2018](#).

Evaluation of the Board of Directors

On a regular basis, the Board of Directors evaluates the Board assignments, the full Board and the contributions and results made by the individual members, cooperation with the Executive Board, the Chairman's management of the Board of Directors, the Board composition, the work in the Committees and the set-up of the Committees, the organisation of the work and the quality of the material for the Board of Directors. Based upon anonymous questionnaires on the work in the Board and cooperation

with the Executive Board, anonymous evaluation of the individual members of the Board of Directors and the Executive Board, individual interviews between the Chairman of the Board and each member of the Board and questionnaires on the expertise of each Board member, the Board of Directors carries out a self-evaluation once a year. The Chairman of the Board is in charge of the evaluation with no assistance by the Executive Board. On the basis of a specific evaluation, the Board of Directors decides if it is necessary and/or relevant to involve external consultants in the evaluation process.

Any additional directorships undertaken by the Board members including the significance and extent of each duty are part of the evaluation of Topdanmark's Board of Directors. The evaluation of overboarding is based on the guidelines prepared by ISS and additionally, a subjective evaluation is made. None of Topdanmark's Board members are considered to be overboarded.

Amendments to the Company's Articles of Association

The general meeting is Topdanmark's chief decision-making vehicle. Resolutions at general meetings are passed by a simple majority of votes, unless a special majority or representation is required by the Danish Companies Act or the Articles of Association. The Articles of Association provide that resolutions amending the Articles of Association are only valid if adopted by an affirmative vote of not less than two thirds of the votes cast as well as of the capital represented at the general meeting. The Articles of Association provide no restrictions on voting rights.

Severance pay

In order to ensure unconditional loyalty, focus and performance for the Topdanmark Group up to a potential takeover, Topdanmark has reached an agreement with some members of the Executive Board according to which, under certain circumstances, they will receive compensation in the form of an extended period of notice and an increased severance pay if they resign or are made redundant or their post is abolished in connection with Topdanmark and/or the company in the Topdanmark Group with which the person concerned is employed being taken over by or merged with a company outside of the Group, or if one or more owners take control of Topdanmark and/or the company in the Topdanmark Group with which the person concerned is employed.

For executive service agreements signed after November 2017, the total value of remuneration for the period of termination including severance pay cannot exceed two years' salary including all remuneration shares. For executive service agreements signed before November

2017, severance pay cannot exceed the value of the remuneration for the past two years.

Additionally, Topdanmark offers severance pay in accordance with legislation, as set out in a contract or in specific cases as has been individually agreed upon, but always adhering closely to the guidelines of the Danish Salaried Employees Act. The maximum amount of the overall severance pay will represent two years' salary.

On 23 September 2013, the EU Commission decided that If P&C Insurance Holding Ltd (publ) de facto was in control of Topdanmark. As a consequence of this special situation, it has been agreed that Topdanmark's Executive Board and some members of the Senior Management earn a compensation over three years, representing six months' salary for each qualifying year. The earning of compensation has taken place. Two members of the present Executive Board and two members of the Senior Management are covered by this agreement and the compensation will be paid on resignation.

Remuneration structure

Topdanmark's remuneration policy is intended to optimise long-term value creation at a group level. The Annual General Meeting has adopted "Remuneration policy of the Topdanmark Group including general guidelines for performance-related pay."

In addition to salary policy, the remuneration policy also includes the general guidelines for performance-related pay, its pension policy and its guidelines for the granting of severance pay. Each of these guidelines is applicable for the Topdanmark Group. The remuneration policy covers Topdanmark's Board of Directors, Executive Board, other significant risk takers and, as provided by legislation, employees involved in control functions and audit work. If specifically stated, Topdanmark's remuneration policy also covers its executive team, comprising a number of the heads of business sectors and administrative departments (the Senior Management) and certain other employees, at the discretion of the Board of Directors. The remuneration policy etc., as adopted by the Annual General Meeting, is available on www.topdanmark.com → Corporate Governance → [Remuneration structure](#).

The share price reflects the value creation potential at group level. This is one of the reasons why Topdanmark believes that a general rule on share options rather than the receipt of individual bonuses encourages the executives to be more holistic in their approach to value creation. The authorization granted to the Board of Directors to sign individual agreements with one or more members of the Executive Board on individual bonuses dependent on the director's fulfilment of a number of

performance goals set by the Board of Directors is only used to a limited extent and only in cases where the Board of Directors wants to support and promote particular and specific efforts in relation to Topdanmark's strategy.

The remuneration package of the Executive Board and the Senior Management is based upon a fixed basic salary. A fixed share thereof, 10%, is paid as share options. As a partial alternative or a supplement to the fixed basic salary, the Board of Directors may decide to grant individual bonuses for one or more members of the Executive Board, such bonuses being dependent on the Director's fulfilment of a number of performance goals set by the Board of Directors. The maximum variable salary for a Director will represent 50% of the Director's fixed basic salary including pension. Performance-dependent bonuses are not paid on top of this. The determination of the fixed basic salary paid to the Executive Board and the Senior Management is based on a specific assessment of the employee. In its assessment Topdanmark includes, among other factors, their position, characteristics and performance.

Besides options, which in accordance with the revolving option scheme are paid to the Executive Board and the Senior Management, the Executive Board may grant a

total of up to 200,000 options to employees who have made a special effort or otherwise contributed extraordinarily to value creation in the Company.

No special pension contribution is paid to the Executive Board, and, therefore, they are paid a personal allowance of 25% of their cash salary. Consequently, Topdanmark has no pension commitments towards the Executive Board, and no type of pension compensation on retirement is granted. The Senior Management and other significant risk takers receive a pension contribution of up to 25% of their cash salary. The amount is paid to the chosen pension provider and consequently all pension obligations are fully covered.

Share options

For 2019, Topdanmark has granted 158,682 share options to its Executive Board and a number of executives. The strike price of DKK 333 was fixed at 110% of the market price of Topdanmark's shares on 28 December 2018 (average of all trades).

Besides the revolving scheme referred to above, a further 115,000 share options have been granted for 2019 to a number of other executives who have made a special effort or otherwise contributed extraordinarily to value creation in the Company.

Share options granted	Executive Board	Senior Executives	Total
2015	67,782	295,118	362,900
Market value of those options granted (DKKm)	2	8	10
2016	71,860	335,600	407,460
Market value of those options granted (DKKm)	2	8	10
2017	96,416	351,971	448,387
Market value of those options granted (DKKm)	2	8	10
2018	49,216	262,059	311,275
Market value of those options granted (DKKm)	2	9	11
2019	58,756	217,868	276,624
Market value of those options granted (DKKm)	2	8	10

The options granted for 2019 are not to be exercised any earlier than after the publication of the 2021 Annual Report in 2022 and no later than after the publication of the 2023 Annual Report in 2024. In the intervening period, the options can only be exercised up to three banking days after Topdanmark's publication of its annual, half year and interim reports.

The market value of the options for 2019 has been calculated at DKK 10m at the time of granting.

The value was calculated using the Black and Scholes model based on a share price of DKK 302.68, an interest rate corresponding to the zero coupon rate based on the

swap curve on 28 December 2018, future annual volatility of 22% and a pattern of exercise similar to Topdanmark's previous granting of share options: see IFRS 2 on share-based payments.

At the end of 2018, the exposure of the options held by the Executive Board represented 0.2% of the number of outstanding shares.

Topdanmark's Remuneration Report for 2018 provides additional information on remuneration in Topdanmark and Topdanmark's option scheme. Detailed information is available on www.topdanmark.com → Investor → Reports & presentations → [Remuneration reports](#).

Distribution of dividend for 2018

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

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

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

Corporate Governance

Topdanmark's "Statutory Corporate Governance Report, see Section 131 of Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds" ("Executive Order on Financial Reports"), is available on www.topdanmark.com → Investor Relations → Reports and presentations → [Statutory Corporate Governance Reports](http://inv.topdanmark.com/governancestatement.cfm) (<http://inv.topdanmark.com/governancestatement.cfm>).

CSR

Topdanmark's "Statutory report on Corporate Social Responsibility, see Sections 132a and 132b of Executive Order on Financial Reports for Insurance Companies and

Multi-employer Occupational Pension Funds" is available on www.topdanmark.com → Investor Relations → Reports and presentations → [CSR reports](http://inv.topdanmark.com/csr.cfm) (<http://inv.topdanmark.com/csr.cfm>).

Annual General Meeting

The Annual General Meeting will be held on 3 April 2019, 15:00 (CET) at:

Tivoli Hotel & Congress Center
Arni Magnussons Gade 2
1577 København V

The agenda for the Annual General Meeting will be published in the period 26 February to 12 March 2019.

Financial calendar

AGM	03 Apr 2019
Q1 2019 Interim Report	25 Apr 2019
2019 Half-year Report	18 July 2019
Q1-Q3 2019 Interim Report	24 Oct 2019
Announcement of 2019 Annual Results	23 Jan 2020
2019 Annual Report	20 Feb 2020

Company announcements

Topdanmark submits announcements to Nasdaq Copenhagen A/S with information on material and relevant events in the Group which can affect the price of Topdanmark's shares. The announcements are also sent to the press, share analysts, investors and other interested parties.

The announcements are available on www.topdanmark.com → Investor Relations → [Company announcements](http://www.topdanmark.com).

2019

07 Feb 03/2019 CORRECTION - Proposal for Election of Members for the Board of Directors in Topdanmark
07 Feb 03/2019 Proposal for Election of Members for the Board of Directors in Topdanmark
24 Jan 02/2019 Topdanmark announcement of 2018 Annual Results
02 Jan 01/2019 Issue of options

2018

12 Nov 15/2018 Topdanmark and Danske Bank terminate co-operation on sales on non-life insurances
22 Oct 14/2018 Topdanmark interim report for Q1-Q3 2018
28 Sep 13/2018 Timing of announcement of Topdanmark interim report for Q1-Q3 2018
11 Sep 12/2018 Employee shares
20 Jul 11/2018 Topdanmark half-year report for 2018
23 Apr 10/2018 Topdanmark interim report for Q1 2018
23 Apr 09/2018 Change of employee representative in Topdanmark's Board of Directors
12 Apr 08/2018 Annual General Meeting of Topdanmark – 12 April 2018
06 Apr 07/2018 Topdanmark appoints new member of the Executive Board
19 Mar 06/2018 Notice convening the Annual General Meeting on 12 April 2018
26 Feb 05/2018 Topdanmark – Financial Calendar 2018
22 Feb 04/2018 Topdanmark Annual Report 2017
05 Feb 03/2018 Peter Hermann has been appointed new CEO of Topdanmark
25 Jan 02/2018 Topdanmark announcement of 2017 Annual Results
02 Jan 01/2018 Issue of options

Board of Directors



Torbjörn Magnusson, Chairman

Elected at the AGM.

DOB:

9 November 1963.

Joined Topdanmark's Board of Directors:

2014.

Current position held:

Group CEO and President, Sampo Group
(as of 1 January 2020)

Previous positions held:

1988-1989: Arthur Andersen & Co
1990-1993: Skandia International
1994-1996: Mercantile & General Re, London
1997-1999: Vice President, Skandia P&C
1999-2002: Head of Commercial Division and Head of
Commercial Products, If P&C Insurance Ltd.
2002-2019: CEO and President, If P&C Insurance Ltd.

Education:

- M.Sc. and Lic. Eng. (Optimization Theory), The Royal Institute of Technology, Stockholm.

Offices held:

Member of the Board of Directors of:

- If P&C Insurance Holding Ltd. (Chairman)
- Insurance Europe (Vice President)
- Insurance Sweden
- Nordea Bank AB.

Member of:

- Group Executive Committee and Group MD Committee in Sampo.
- The Remuneration Committee and the Nomination Committee of Topdanmark.

Rate of attendance:

100%.

Expertise and qualifications:

The Board has defined the required competences and qualifications for board members of Topdanmark. Among these, Torbjörn Magnusson possesses knowledge and experience of the following:
Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, reinsurance, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales for the private market, sales for the professional market,

marketing and branding, outsourcing, finances, own funds, solvency and minimum capital requirements, rules of internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitisation, recruitment and human resources.

Independence:

As Torbjörn Magnusson represents a controlling shareholder's interests, he does not meet the definition of independence set out by the Committee on Corporate Governance.



Jens Aaløse, Deputy Chairman

Elected at the AGM.

DOB:

26 September 1966.

Joined Topdanmark's Board of Directors:

2016.

Current position held:

Senior Executive Vice President, TDC A/S.

Previous positions held:

1990-2002: Various executive positions, SAS
Scandinavian Airlines A/S
2002-2006: Vice President, SAS Scandinavian Airlines A/S
2006-2010: CEO, Nordic Media Link AB and Dansk
Reklame Film A/S
2010-2013: CEO, Danske Licens Spil A/S.

Education:

- B.Sc. Business Administration,
Copenhagen Business School, Denmark.

Offices held:

Member of the Board of Directors of:

- Dansk Erhverv (The Confederation of Danish Enterprise) (Deputy Chairman)
- The Executive Committee in Dansk Erhverv
- FDM Travel A/S
- OmniCar AB (Chairman).

Member of:

The Remuneration Committee and the Nomination Committee of Topdanmark

Rate of attendance:

93%.

Expertise and qualifications:

The Board has defined the required competences and qualifications for board members of Topdanmark. Among these, Jens Aaløse possesses knowledge and experience of the following:
Board assignments in financial businesses, organisation, strategic management, sales for the private market, sales for the professional market, marketing and branding, outsourcing, finances, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitisation, recruitment and human resources.

Independence:

Jens Aaløse meets the definition of independence set out by the Committee on Corporate Governance.

**Tina Møller Carlsson**

Elected by employees.

DOB:

18 August 1976.

Joined Topdanmark's Board of Directors:

2015.

Current position held:

Deputy Chairman of the Staff Association of Topdanmark.

Rate of attendance:

93%.

**Mette Jensen**

Elected by employees.

DOB:

20 June 1976.

Joined Topdanmark's Board of Directors:

2015.

Current position held:

Chairman of the Staff Association of Topdanmark.

Member of:

The Remuneration Committee of Topdanmark.

Rate of attendance:

93%.

**Petri Niemisvirta**

Elected at the AGM.

DOB:

19 February 1970.

Joined Topdanmark's Board of Directors:

2017.

Current position held:

Managing Director, Mandatum Life Insurance Company Limited.

Previous positions held:

1995-1999: Kaleva Mutual Insurance Company
1999-2000: Sampo Life Insurance Company Limited
2000-2001: Managing Director, Evli Life Ltd.

Education:

- LL.M., University of Turku.

Offices held:

Member of the Board of Directors of:

- BenCo Insurance Holding B.V. (Netherlands)
- Kaleva Mutual Insurance Company (Chairman) (Finland)
- Varma Mutual Pension Insurance Company (Finland)
- Finland Chamber of Commerce
- Alma Media Corporation (Chairman).

Member of:

- Group Executive Committee and Group MD Committee in Sampo.

Rate of attendance:

100%.

Expertise and qualifications:

The Board has defined the required competences and qualifications for board members of Topdanmark. Among these, Petri Niemisvirta possesses knowledge and experience of the following:
Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, risk management and risk assessment, marketing and branding, outsourcing, finances, own funds, solvency and minimum capital requirements, financing and investments, compliance, digitisation, recruitment and human resources.

Independence:

As Petri Niemisvirta represents a controlling shareholder's interests, he does not meet the definition of independence set out by the Committee on Corporate Governance.



Lone Møller Olsen

Elected at the AGM.

DOB:

14 April 1958.

Joined Topdanmark's Board of Directors:

2016.

Current position held:

Professional Board Member.

Previous positions held:

1979-2016: Deloitte, Denmark and New York.

Education:

- M.Sc., Copenhagen Business School, Denmark
- State authorised public accountant
- IMD leadership courses.

Offices held:

Member of the Board of Directors of:

- BankInvest
- Karnov Group AB.

Member of

- Topdanmark's Audit Committee.

Rate of attendance:

100%.

Expertise and qualifications:

The Board has defined the required competences and qualifications for board members of Topdanmark.

Among these, Lone Møller Olsen possesses knowledge and experience of the following:

Management experience from financial businesses, strategic management, reinsurance, long-tail business (premiums, provisions, run-off), financial and insurance reporting, risk management and risk assessment, outsourcing, finances, own funds, solvency and minimum capital requirements, rules of internal models, auditing, financing and investments, regulatory environment and compliance.

Independence:

Lone Møller Olsen meets the definition of independence set out by the Committee on Corporate Governance.



Annette Sadolin

Elected at the AGM.

DOB:

4 January 1947.

Joined Topdanmark's Board of Directors:

2004.

Current position held:

Professional Board Member.

Previous positions held:

1980-1986: Assistant to management and subsequently Divisional Manager, Baltica Re / Baltica-Nordisk Re

1986-1989: Ass. General Manager, Baltica-Nordisk Re.

1989-1993: Deputy General Manager, Employers Reinsurance International, Copenhagen

1993-1996: CEO, Employers Reinsurance International, Copenhagen

1996-2003: Member of Board of Management, GE Frankona Rückversicherungs-Aktiengesellschaft, Munich.

Education:

- Law degree, University of Copenhagen
- Special law programme, Columbia University, NY, USA
- GE training programmes incl. Six Sigma GB Certificate.

Offices held:

Member of the Board of Directors of:

- DSB (Deputy Chairman)
- DSV A/S
- Ratos AB (Sweden)
- Blue Square Re (Netherlands)
- KNI A/S
- Østre Gasværk Teater
- Ny Carlsberg Glyptotek.

Member of:

- Topdanmark's Audit Committee.

Rate of attendance:

93%.

Expertise and qualifications:

The Board has defined the required competences and qualifications for board members of Topdanmark.

Among these, Annette Sadolin possesses knowledge and experience of the following:

Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, reinsurance, long-tail business (premiums, provisions, run-off), financial and insurance reporting, risk management and risk assessment, sales for the professional market, marketing and branding, finances, own funds, solvency and minimum capital requirements, rules of internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, recruitment and human resources.

Independence:

Annette Sadolin has been a member of Topdanmark's Board of Directors for 12 years and consequently she no longer meets the definition of independence set out by the Committee on Corporate Governance.



Søren Vestergaard
Elected by employees.

DOB:

29 April 1967.

Joined Topdanmark's Board of Directors:
2018.

Current position held:
Claims Executive.

Rate of attendance:
100%.



Ricard Wennerklint
Elected at the AGM.

DOB:

2 September 1969.

Joined Topdanmark's Board of Directors:
2017.

Current position held:

Executive Director, If P&C Insurance Holding Ltd.

Previous positions held:

1994-1997: Trygg-Hansa

1997-1999: Head of Control, Skandia P&C

1999-2001: Senior Vice President, If P&C Insurance Ltd

2002-2008: CFO, If P&C Insurance Ltd

2008-2019: Deputy CEO, If P&C Insurance Holding Ltd.

Education:

- Business Administration and Finance, Stockholm School of Economics.

Offices held:

Member of the Board of Directors of:

- If P&C Insurance Holding Ltd.
- If P&C Insurance AS (Estonia) (Chairman)
- Nobia AB (Sweden).

Member of:

- Group Executive Committee and Group MD Committee in Sampo
- Topdanmark's Audit Committee.

Rate of attendance:

100%.

Expertise and qualifications:

The Board has defined the required competences and qualifications for board members of Topdanmark.

Among these, Ricard Wennerklint possesses knowledge and experience of the following:

Management experience from other financial businesses, board assignments in financial businesses, strategic management, insurance operations, reinsurance, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales for the private market, sales for the professional market, marketing and branding, outsourcing, finances, own funds, solvency and minimum capital requirements, rules of internal models, financing and investments, digitisation, recruitment and human resources.

Independence:

As Ricard Wennerklint represents a controlling shareholder's interests, he does not meet the definition of independence set out by the Committee on Corporate Governance.

Executive Board



Peter Hermann

CEO of Topdanmark A/S.

DOB 1973, joined Topdanmark in 2016, joined Topdanmark's Executive Board on 5 February 2018.

Education:

- M.Sc. in insurance science
- B.Com. (Organisation).

Managerial responsibilities:

- HR
- Communications, IR, CSR
- Group Secretariat, Corporate Legal Matters
- Topdanmark Livsforsikring (life insurance).

Member of the Board of Directors of:

- Forsikring & Pension.



Lars Thykier

CFO of Topdanmark A/S.

DOB 1955, joined Topdanmark in 1986, joined Topdanmark's Executive Board on 1 June 2009.

Education:

- M.Sc. (Economics and Business Administration).

Managerial responsibilities:

- Asset Management
- Finance
- Accounting
- Statistical Services
- Reinsurance
- Tax
- Credits.

Member of the Board of Directors of:

- Green World Society Ltd.



Brian Rothemejer Jacobsen

COO of Topdanmark A/S.

DOB 1963, joined Topdanmark in 1988, joined Topdanmark's Executive Board on 1 March 2016.

Education:

- Henley Executive MBA.

Managerial responsibilities:

- Personal
- Partners
- Agricultural & SME
- Claims handling
- Marketing
- Customer Service.

Member of the Board of Directors of:

- Bornholms Brandforsikring A/S
- Forsikringsakademiet A/S
- Finanssektorens Arbejdsgiverforening.



Thomas Erichsen

CTO of Topdanmark A/S.

DOB 1972, joined Topdanmark in 2018, joined Topdanmark's Executive Board on 1 October 2018.

Education:

- M.Sc. (Economics)
- Executive MBA.

Managerial responsibilities:

- Business Development
- Group Development
- IT.

Information on the Executive Board's responsibilities, as required by Article 80 of the Danish Financial Business Act, is shown in the Annual Report for Topdanmark Forsikring A/S.

Five-year summary • Group

(DKKm)	2014	2015	2016	2017	2018
NON-LIFE INSURANCE					
Gross premiums earned*	9,167	9,029	8,906	9,051	9,197
Technical interest	8	-	-	-	-
Gross claims incurred	(6,308)	(6,170)	(5,939)	(5,514)	(6,037)
Bonuses and rebates	(52)	(62)	(48)	(66)	(62)
Total operating expenses	(1,408)	(1,404)	(1,432)	(1,435)	(1,453)
Net reinsurance	(88)	(174)	(126)	(389)	(111)
TECHNICAL PROFIT ON NON-LIFE INSURANCE	1,321	1,220	1,361	1,646	1,534
LIFE INSURANCE					
Gross premiums written	4,448	6,320	7,430	8,525	10,111
Allocated investment return, net of reinsurance	2,691	1,194	3,147	3,372	(2,326)
Pension return tax	(509)	(165)	(501)	(522)	28
Claims and benefits	(4,200)	(3,240)	(3,453)	(4,701)	(4,088)
Change in the life insurance provisions and profit margin	(2,550)	(3,680)	(6,197)	(6,232)	(3,352)
Total operating expenses	(357)	(406)	(416)	(433)	(420)
Net reinsurance	1	(3)	(4)	(2)	(1)
TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE	(477)	19	7	8	(48)
Profit on investment activities after transfer to technical results	1,206	313	619	608	251
Other income	17	20	19	23	23
Other expenses	(57)	(42)	(64)	(51)	(58)
PRE-TAX PROFIT	2,010	1,530	1,942	2,235	1,702
Taxation	(452)	(360)	(407)	(502)	(371)
PROFIT FOR THE YEAR	1,558	1,170	1,536	1,733	1,331
Run-off profits, net of reinsurance	351	381	470	344	353
Provisions for insurance and investment contracts:					
Non-life insurance	16,485	16,286	16,264	16,091	16,056
Life insurance	36,375	40,537	47,351	54,198	56,519
Total insurance assets	769	684	685	574	635
Total shareholders' equity	5,135	4,640	4,702	6,191	6,016
Total assets	64,516	67,654	73,476	80,958	83,224
Gross loss ratio (%)	69.3	69.0	67.2	61.5	66.2
Net reinsurance ratio (%)	1.0	1.9	1.4	4.3	1.2
Claims trend (%)	70.3	70.9	68.7	65.8	67.5
Gross expense ratio (%)	15.7	15.9	16.4	16.1	16.1
Combined ratio (%)	86.0	86.8	85.1	82.0	83.6
Combined ratio excl. run-off profits (%)	89.8	91.1	90.4	85.8	87.5
Operating ratio (%)	85.9	86.8	85.1	82.0	83.6
Relative run-off profits, net of reinsurance (%)	2.8	3.0	3.7	2.7	2.8
Return on shareholders' equity (%)	29.7	23.7	32.2	32.2	23.0

* Before deducting bonuses and rebates.

In 2018, the classification of insurance and investment contracts in life insurance has been re-assessed by Topdanmark Group as described in Accounting policies. The accounting policies were also adjusted in connection with a new Executive Order on Financial Reports effective as of 2016. To the extent possible, comparative figures have been restated to the changes implemented.

Income statement • Group

(DKK m)	Note	2017	2018
NON-LIFE INSURANCE			
Gross premiums written	3	9,050	9,205
Ceded reinsurance premiums		(617)	(617)
Change in the provisions for unearned premiums	3	44	35
Change in profit margin and risk margin	3	(43)	(43)
Change in the reinsurers' share of the provisions for unearned premiums		12	10
Premiums earned, net of reinsurance		8,446	8,590
Gross claims paid		(5,856)	(6,045)
Reinsurance cover received		258	362
Change in the provisions for claims		342	(23)
Change in risk margin		0	31
Change in the reinsurers' share of the provisions for claims		(120)	56
Claims incurred, net of reinsurance	4	(5,376)	(5,619)
Bonuses and rebates		(66)	(62)
Acquisition costs		(950)	(952)
Administrative expenses		(485)	(501)
Reinsurance commission and share of profits		78	78
Total operating expenses, net of reinsurance		(1,358)	(1,375)
TECHNICAL PROFIT ON NON-LIFE INSURANCE	5	1,646	1,534
LIFE INSURANCE			
Gross premiums written	6	8,525	10,111
Ceded reinsurance premiums		(0)	(1)
Premiums, net of reinsurance		8,525	10,111
Allocated investment return, net of reinsurance		3,372	(2,326)
Pension return tax		(522)	28
Claims and benefits paid	7	(4,701)	(4,088)
Reinsurance cover received		4	3
Claims and benefits paid, net of reinsurance		(4,697)	(4,086)
Change in the life insurance provisions	8	(6,091)	(3,318)
Change in the reinsurers' share		(7)	(4)
Change in the life insurance provisions, net of reinsurance		(6,098)	(3,321)
Change in profit margin		(141)	(34)
Acquisition costs		(148)	(143)
Administrative expenses		(285)	(277)
Reinsurance commission and share of profits		1	0
Total operating expenses, net of reinsurance		(433)	(420)
TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE		8	(48)

Income statement • Group

(DKKm)	Note	2017	2018
NON-TECHNICAL ACTIVITIES			
Technical profit on non-life insurance		1,646	1,534
Technical profit / (loss) on life insurance		8	(48)
Income from associates	18	61	161
Income from investment properties	9	54	45
Interest income and dividends etc.		1,805	1,803
Revaluations	10	2,323	(3,871)
Interest charges		(79)	(81)
Expenses on investment activities		(39)	(47)
Total investment return		4,124	(1,990)
Return and revaluations non-life insurance provisions	11	(143)	(86)
Investment return transferred to life insurance business		(3,372)	2,326
Other income		23	23
Other expenses	12	(51)	(58)
PRE-TAX PROFIT		2,235	1,702
Taxation	13	(502)	(371)
PROFIT FOR THE YEAR		1,733	1,331
EPS (DKK)	14	20.2	15.4
EPS, diluted (DKK)	14	20.2	15.4

Statement of comprehensive income • Group

Profit for the year	1,733	1,331
Items which cannot subsequently be reclassified as profit or loss:		
Revaluation / Reversed revaluation owner-occupied properties	0	1
Other comprehensive income	0	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,733	1,332

Assets • Group

(DKK m)	Note	2017	2018
INTANGIBLE ASSETS	15	922	1,091
Operating equipment		111	116
Owner-occupied properties		853	853
TOTAL TANGIBLE ASSETS	16	965	969
Investment properties	17	3,643	3,830
Equity investments in associates	18	1,285	1,678
Total investments in associates		1,285	1,678
Equity investments		5,904	5,412
Unit trusts		0	6
Bonds		36,470	35,118
Loans guaranteed by mortgages		6	6
Deposits with credit institutions		3,405	4,380
Derivatives		120	86
Total other financial investment assets		45,906	45,010
TOTAL INVESTMENT ASSETS		50,834	50,518
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	19	25,791	27,890
Reinsurers' share of the provisions for unearned premiums	20	84	92
Reinsurers' share of the life insurance provisions		20	17
Reinsurers' share of the provisions for claims	21	470	527
Total reinsurers' share of provisions		574	635
Receivables from policyholders		310	262
Receivables from insurance companies		57	197
Receivables from associates		327	365
Other receivables		170	281
TOTAL RECEIVABLES		1,438	1,740
Current tax assets		0	39
Deferred tax assets	22	14	17
Liquid funds		537	253
Other		25	199
TOTAL OTHER ASSETS		576	508
Accrued interest and rent		260	310
Other prepayments and accrued income		173	196
TOTAL PREPAYMENTS AND ACCRUED INCOME		432	506
TOTAL ASSETS		80,958	83,224

Shareholders' equity and liabilities • Group

(DKK m)	Note	2017	2018
Share capital		90	90
Revaluation reserve		13	14
Security fund		1,146	1,146
Other reserves		64	67
Total reserves		1,210	1,213
Profit carried forward		3,168	3,349
Proposed dividend		1,710	1,350
TOTAL SHAREHOLDERS' EQUITY		6,191	6,016
OTHER SUBORDINATED LOAN CAPITAL	23	1,744	1,746
Provisions for unearned premiums	24	1,856	1,819
Profit margin, non-life insurance contracts	24	751	807
Products with guarantees and profitsharing	25	24,063	23,134
Unit-linked products	26	29,891	33,117
Total life insurance provisions		53,954	56,252
Profit margin, life insurance and investment contracts	27	244	268
Provisions for claims	28	13,013	13,003
Risk margin, non-life insurance contracts		315	275
Provisions for bonuses and rebates		156	152
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		70,289	72,575
Pensions and similar commitments		28	27
Deferred tax liabilities	22	61	103
Deferred tax on security funds		306	306
TOTAL PROVISIONS		395	436
DEPOSITS RECEIVED FROM REINSURERS		77	81
Debt relating to direct insurance operations		270	373
Debt relating to reinsurance operations		27	18
Amounts due to credit institutions		43	242
Current tax liabilities		35	1
Derivatives		512	703
Other debt		1,293	934
TOTAL DEBT		2,181	2,271
ACCRUALS AND DEFERRED INCOME		81	98
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		80,958	83,224

Cash flow statement • Group

(DKKm)	2017	2018
Cash flow from operations		
Gross premiums	8,965	9,214
Claims paid	(5,838)	(5,992)
Expenses paid	(1,294)	(1,352)
Reinsurance ceded	(238)	(255)
Cash flow from non-life insurance	1,595	1,615
Gross premiums	8,509	10,164
Claims and benefits	(4,699)	(4,094)
Pension return tax	(452)	(486)
Expenses paid	(440)	(425)
Reinsurance ceded	27	1
Cash flow from life insurance	2,946	5,160
Cash flow from insurance activities	4,541	6,775
Payments on investment contracts	615	1,008
Dividends from associates	0	17
Interest income and dividends etc.	1,855	1,806
Interest charges etc.	(117)	(124)
Corporation tax	(460)	(402)
Other items	(33)	(135)
Cash flow from operations	6,402	8,946
Investments		
Intangible assets, operating equipment	(168)	(243)
Properties	(180)	(257)
Sale of affiliate	0	124
Equity investments in associates	(274)	(249)
Equity investments	27	147
Unit trusts	1	(11)
Bonds	(1,198)	626
Loans	(10)	(5)
Derivatives	(138)	(427)
Investment activities related to unit-linked products	(2,497)	(6,537)
Balances with associates	39	(38)
Investments	(4,397)	(6,872)
Financing		
Dividend paid	0	(1,637)
Shares bought back	(417)	0
Exercise of share options	108	79
Redemption of subordinated loan capital	(409)	0
Issue of subordinated loan capital	397	0
Amounts due to credit institutions	(0)	199
Financing	(322)	(1,359)
Change in cash and cash equivalents	1,683	715
Cash and cash equivalents at 1 January	2,282	3,941
Revaluation of cash and cash equivalents	(24)	0
Cash and cash equivalents in sold affiliate	0	(22)
Cash and cash equivalents at 31 December	3,941	4,634
Cash and cash equivalents comprise:		
Liquid funds	537	253
Deposits with credit institutions	3,405	4,380
	3,941	4,634

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

Statement of changes in equity • Group

(DKKm)

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

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

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Notes to the financial statements • Group

(DKKm)

Note 1. Segment information income statement

	Per- sonal	SME	Eli- min- ated	Non-life	Life	Parent etc.	Eli- min- ated	Group
2017								
Non-life insurance								
Gross premiums earned	4,980	4,024	(20)	8,985				8,985
Claims incurred	(3,208)	(2,332)	17	(5,523)			10	(5,514)
Expenses	(805)	(643)	(1)	(1,450)			15	(1,435)
Net reinsurance	(85)	(304)	(0)	(389)				(389)
Technical profit on non-life insurance	882	744	(4)	1,622			25	1,646
Life insurance								
Gross premiums written					8,525			8,525
Allocated investment return					3,372			3,372
Pension return tax					(522)			(522)
Benefits and change in provisions					(10,932)			(10,932)
Expenses					(437)		4	(433)
Net reinsurance					(2)			(2)
Technical profit on life insurance					4		4	8
Total investment return				420	3,483	119	102	4,124
Pension return non-life insurance				1	(1)			0
Return and revaluations non-life insurance provisions				(143)				(143)
Transferred to technical result					(3,372)			(3,372)
Other items				11	135	(42)	(131)	(28)
Pre-tax profit				1,909	249	77	0	2,235
Taxation								(502)
Profit for the year								1,733
2018								
Non-life insurance								
Gross premiums earned	5,056	4,097	(19)	9,135				9,135
Claims incurred	(3,327)	(2,739)	16	(6,051)			14	(6,037)
Expenses	(806)	(671)	3	(1,475)			21	(1,453)
Net reinsurance	(79)	(32)	0	(111)				(111)
Technical profit on non-life insurance	843	656	(0)	1,499			35	1,534
Life insurance								
Gross premiums written					10,111			10,111
Allocated investment return					(2,326)			(2,326)
Pension return tax					28			28
Benefits and change in provisions					(7,440)			(7,440)
Expenses					(425)		6	(420)
Net reinsurance					(1)			(1)
Technical profit on life insurance					(54)		6	(48)
Total investment return				5	(2,226)	96	136	(1,990)
Pension return non-life insurance				(4)	4			0
Return and revaluations non-life insurance provisions				(86)				(86)
Transferred to technical result					2,326			2,326
Other items				6	178	(42)	(177)	(35)
Pre-tax profit				1,420	228	54	0	1,702
Taxation								(371)
Profit for the year								1,331
Amortisations:								
2017	38	33		72	6	0		78
2018	41	26		66	6	0		72

Notes to the financial statements • Group

(DKKm)

Note 2. Segment information balance sheet

	Non-life	Life	Parent etc.	Elimin- ated	Group
2017					
Intangible assets	558	364	0		922
Tangible assets	941	20	3		965
Investment properties	204	3,414	25		3,643
Loans to affiliates	300	0	0	(300)	0
Equity investments in associates	71	1,214	0		1,285
Other financial investment assets	21,099	24,800	6		45,906
Investment assets related to unit-linked products	0	25,791	0		25,791
Reinsurers' share of provisions	554	20	0		574
Receivables from affiliates	0	1,267	478	(1,745)	0
Other assets	638	1,213	22		1,872
Total assets	24,365	58,103	535	(2,045)	80,958
Other subordinated loan capital	1,347	300	397	(300)	1,744
Provisions for insurance and investment contracts	16,091	54,198	0		70,289
Amounts due to affiliates	1,422	323	0	(1,745)	0
Other liabilities	1,394	1,295	44		2,734
Total liabilities	20,255	56,116	441	(2,045)	74,767
Purchase of tangible and intangible assets	57	122	0		179
Results from associates	7	54	0		61
2018					
Intangible assets	602	489	0		1,091
Tangible assets	946	20	3		969
Investment properties	323	3,479	28		3,830
Loans to affiliates	300	0	0	(300)	0
Equity investments in associates	63	1,615	0		1,678
Other financial investment assets	19,448	25,556	6		45,010
Investment assets related to unit-linked products	0	27,890	0		27,890
Reinsurers' share of provisions	619	17	0		635
Receivables from affiliates	0	1,029	619	(1,648)	0
Other assets	876	1,197	46		2,120
Total assets	23,177	61,292	702	(1,948)	83,224
Other subordinated loan capital	1,348	300	398	(300)	1,746
Provisions for insurance and investment contracts	16,056	56,519	0		72,575
Amounts due to affiliates	516	1,130	1	(1,648)	0
Other liabilities	1,731	1,141	14		2,886
Total liabilities	19,652	59,090	413	(1,948)	77,207
Purchase of tangible and intangible assets	120	133	0		253
Results from associates	3	158	0		161

Technical provisions, net of reinsurance, relating to illness / accident insurance administered by life insurance, and assets and other liabilities allocated to this portfolio are included in non-life insurance.

Notes to the financial statements • Group

(DKKm)	2017	2018
Note 3. Gross premiums earned - non-life insurance		
Gross premiums written	9,050	9,205
Change in provisions for unearned premiums	44	35
Change in profit margin and risk margin	(43)	(43)
Gross premiums earned	9,051	9,197
Gross premiums earned, direct business, by location of the risk:		
Denmark	9,044	9,189
Other EU-countries	6	7
Other countries	1	2
	9,051	9,197

Note 4. Claims incurred, net of reinsurance - non-life insurance

Run-off result:		
Gross business	393	319
Reinsurance ceded	(50)	34
Run-off result, net of reinsurance (profit)	344	353
Specification of run-off result on lines in Note 5.		
Claims incurred include revaluation of derivatives hedging the inflation risk in workers' compensation and illness / accident insurance		
	10	(118)

Note 5. Technical result - non-life insurance

	2017	2018	2017	2018	2017	2018
	Illness and accident		Health		Workers' compensation	
Gross premiums written	1,278	1,309	167	176	633	652
Gross premiums earned	1,266	1,278	167	165	621	652
Gross claims incurred	(832)	(796)	(122)	(154)	(564)	(559)
Bonuses and rebates	(13)	(12)	0	(0)	(4)	(4)
Gross operating expenses	(168)	(171)	(15)	(15)	(88)	(80)
Net reinsurance	(13)	(10)	0	(0)	(10)	2
Technical profit / (loss)	240	290	30	(4)	(45)	11
Gross loss ratio (%)	66.5	63.0	73.2	93.4	91.6	86.4
Combined ratio (%)	81.1	77.5	82.0	102.6	107.6	98.7
Run-off profits / (losses), net of reinsurance	98	210	(3)	(15)	(0)	(2)
Claims provisions, net of reinsurance	3,349	3,341	68	68	6,048	6,033
Number of claims incurred ('000)	26	28	26	32	6	7
Average value of claim (DKK '000)	37	36	5	5	96	83
Frequency of claims (per thousand value)	24	25	441	327	107	119
	Motor third-party liability		Motor own damage		Fire and property Personal	
Gross premiums written	662	650	1,425	1,438	1,911	1,934
Gross premiums earned	695	684	1,436	1,447	1,920	1,939
Gross claims incurred	(411)	(414)	(850)	(876)	(1,210)	(1,298)
Bonuses and rebates	(2)	(2)	(4)	(5)	(6)	(6)
Gross operating expenses	(125)	(122)	(213)	(221)	(306)	(309)
Net reinsurance	(3)	(1)	(9)	(9)	(67)	(73)
Technical profit	153	145	359	336	332	253
Gross loss ratio (%)	59.5	60.8	59.5	60.9	63.3	67.3
Combined ratio (%)	78.2	79.1	75.2	77.1	83.0	87.3
Run-off profits / (loss), net of reinsurance	157	124	5	0	36	(28)
Claims provisions, net of reinsurance	1,361	1,226	139	139	530	605
Number of claims incurred ('000)	26	25	97	101	96	87
Average value of claim (DKK '000)	22	22	9	9	13	15
Frequency of claims (per thousand value)	44	43	193	199	143	128

Notes to the financial statements • Group

(DKKm)

Note 5. Technical result - non-life - continued	2017	2018	2017	2018	2017	2018
	Fire and property SME		Change of ownership		Liability	
Gross premiums written	1,834	1,859	71	92	435	433
Gross premiums earned	1,831	1,875	78	86	430	441
Gross claims incurred	(824)	(1,269)	(54)	(47)	(234)	(206)
Bonuses and rebates	(23)	(24)	(0)	(0)	(5)	(3)
Gross operating expenses	(335)	(355)	(13)	(13)	(73)	(68)
Net reinsurance	(262)	1	0	0	(19)	(27)
Technical profit	388	229	11	26	100	137
Gross loss ratio (%)	45.6	68.7	68.9	55.1	55.1	47.1
Combined ratio (%)	78.8	88.1	85.6	70.0	76.9	69.1
Run-off profits, net of reinsurance	29	13	13	18	6	12
Claims provisions, net of reinsurance	424	481	73	57	445	414
Number of claims incurred ('000)	23	22	2	3	10	10
Average value of claim (DKK '000)	38	56	27	25	23	23
Frequency of claims (per thousand value)	119	114	70	72	99	92
	Tourist assistance		Other insurance		Total	
Gross premiums written	226	244	407	420	9,050	9,205
Gross premiums earned	224	241	383	389	9,051	9,197
Gross claims incurred	(175)	(162)	(238)	(256)	(5,514)	(6,037)
Bonuses and rebates	(1)	(1)	(8)	(6)	(66)	(62)
Gross operating expenses	(35)	(36)	(65)	(64)	(1,435)	(1,453)
Net reinsurance	0	0	(6)	7	(389)	(111)
Technical profit	13	42	65	70	1,646	1,534
Gross loss ratio (%)	78.6	67.7	63.4	66.8	61.5	66.2
Combined ratio (%)	94.3	83.0	83.2	81.8	82.0	83.6
Run-off profits / (loss), net of reinsurance	(6)	13	9	8	344	353
Claims provisions, net of reinsurance	40	36	69	75	12,544	12,476
Number of claims incurred ('000)	16	18	86	84	414	417
Average value of claim (DKK '000)	11	10	3	3	14	15
Frequency of claims (per thousand value)	76	85	212	204	106	104

The loss ratio and the combined ratio have been calculated in accordance with the Executive Order on Financial Reports before elimination of internal rent.

Note 6. Gross premiums written - life insurance	2017	2018
Individual policies	335	304
Policies which are part of a tenure	1,973	2,228
Group life	508	322
Regular premiums	2,817	2,855
Individual policies	1,875	1,856
Policies which are part of a tenure	3,833	5,401
Single premiums	5,709	7,257
Gross premiums	8,525	10,111
Gross premiums written, direct business, by the policyholders' location:		
Denmark	8,442	10,089
Other EU-countries	69	13
Other countries	15	9
	8,525	10,111
Proportion of gross premiums represented by premiums related to unit-linked products not eligible for bonus investment risk is taken by the policyholder.	7,065	8,765
All other gross premiums relate to insurance policies entitled to a bonus.		

Notes to the financial statements • Group

(DKKm)	2017	2018
Note 6. Gross premiums written - life insurance - continued		
Number of policyholders at 31 December ('000):		
Individual policies	46	43
Policies which are part of a tenure	89	91
Group life	174	88
Note 7. Claims and benefits paid - life insurance		
Claims payable on death	139	96
Claims payable on invalidity	1	1
Claims payable on maturity	158	137
Pension and annuity payments	604	599
Surrenders	3,492	2,986
Bonuses paid in cash	306	270
Claims and benefits paid	4,701	4,088
Note 8. Change in life insurance provisions		
Products with guarantees and profitsharing	195	758
Unit-linked products	(6,286)	(4,076)
Change in life insurance provisions	(6,091)	(3,318)
Note 9. Income from investment properties		
Rental income	187	197
Operating expenses from properties rented out	(112)	(131)
Operating expenses from properties not rented out	(13)	(9)
Gross profit	62	57
Administrative expenses	(8)	(12)
Income from investment properties	54	45
Tenancy agreements may include a period of non-terminability for the tenant.		
Future rental income in the period of non-terminability:		
Up to 1 year	183	205
2 to 5 years	260	293
Over 5 years	162	182
Total	605	680
This year's rental income from non-terminable contracts	183	197
Note 10. Revaluations		
Held for trading:		
Equity investments	268	(345)
Unit trusts	1	(5)
Bonds	(5)	(405)
Derivatives	314	(646)
Total held for trading	579	(1,401)
Designated at fair value:		
Deposits with credit institutions	(1)	0
Investment assets related to unit-linked products:		
Equity investments	943	(1,238)
Unit trusts	156	(234)
Bonds	(289)	(410)
Derivatives	947	(803)
Total designated at fair value	1,755	(2,685)
Revaluations of financial assets and liabilities at fair value through profit or loss	2,335	(4,086)

Notes to the financial statements • Group

(DKKm)	2017	2018
Note 10. Revaluations - continued		
Of which revaluation of derivatives transferred to claims incurred	(10)	118
Investment properties	21	97
Liquid funds	(23)	0
Other	(1)	0
Revaluations	2,323	(3,871)
Note 11. Return and revaluations non-life insurance provisions		
Annual amortisation		
Provisions for unearned premiums and profit margin	(13)	(4)
Reinsurers' share of provisions for unearned premiums	1	0
Provisions for claims and benefits	(112)	(108)
Risk margin	(1)	(1)
Reinsurers' share of the provisions for claims	3	2
	(123)	(111)
Revaluation		
Provisions for unearned premiums and profit margin	0	2
Provisions for claims and benefits	(24)	24
Risk margin	3	0
Reinsurers' share of the provisions for claims	1	(1)
	(20)	25
Return and revaluations non-life insurance provisions	(143)	(86)
Note 12. Other expenses		
Holding expenses	42	42
Other	9	16
Other expenses	51	58
Note 13. Taxation		
Current tax	503	338
Change in deferred tax	(2)	39
Prior year adjustment	(2)	(9)
Tax in foreign companies	(1)	(0)
Tax for the year	498	368
Tax taken to shareholders' equity	4	3
Taxation	502	371
Calculated tax on profit for the year 22% (2017: 22%)	492	374
Adjusted for the tax effect of:		
Returns on shares etc. not liable to tax	4	(1)
Non-deductible expenses / income not liable to tax	7	7
Prior year adjustment	(1)	(8)
	502	371
Effective rate of taxation	22.5	21.8
Note 14. Earnings per share		
Profit for the year	1,733	1,331
Average number of shares ('000)	85,700	86,242
Diluting impact of options ('000)	173	395
Average number of shares, diluted ('000)	85,873	86,637
EPS (DKK)	20.2	15.4
EPS, diluted (DKK)	20.2	15.4

Notes to the financial statements • Group

(DKKm)

Note 15. Intangible assets

	Goodwill	IT software	Completed development projects	Development projects under construction	Total
2017					
Cost / valuation at 1 January	441	228	582	247	1,498
Purchased	0	8	3	146	158
Transferred	0	0	3	(3)	0
Disposals	0	(1)	(2)	0	(3)
Cost / valuation at 31 December	441	235	587	390	1,652
Impairment and amortisation at 1 January	0	(218)	(475)	0	(692)
Amortisation for the year	0	(9)	(33)	0	(42)
Disposals	0	1	2	0	3
Impairment and amortisation at 31 December	0	(225)	(506)	0	(731)
Intangible assets 2017	441	10	81	390	922
2018					
Cost / valuation at 1 January	441	235	587	390	1,652
Purchased	0	4	0	204	209
Transferred	0	0	61	(61)	0
Disposals	0	(23)	0	0	(23)
Cost / valuation at 31 December	441	216	647	534	1,838
Impairment and amortisation at 1 January	0	(225)	(506)	0	(731)
Amortisation for the year	0	(6)	(33)	0	(39)
Disposals	0	23	0	0	23
Impairment and amortisation at 31 December	0	(207)	(539)	0	(747)
Intangible assets 2018	441	8	108	534	1,091

Goodwill relates primarily to the purchase of non-life insurance portfolios in 1999. Goodwill has been allocated to the personal segment.

Goodwill and development projects under construction are subjected to an impairment test at the end of the year. The discounted value of future cash flows is compared with its carrying value.

Goodwill

The future cash flows are based on three years' expected technical result and a terminal value of the segment to which goodwill relate.

The expected technical results are calculated as part of an ongoing, quarterly forecast process.

Primary assumptions:

The calculation of premiums earned is based on the insurance portfolio adjusted to reflect the expected effect of business decisions and market development. The portfolio is indexed with the wage and salary index. Claims incurred are based on the current levels adjusted to reflect the normalised level of weather and large-scale claims. Furthermore, in general, the expected development in the level of claims and the effect of loss prevention activities are included. The levels of claims are adjusted to reflect the expected inflation. Expenses are calculated by projecting the expenditure base by the expected changes in activities and pay increases obtained through collective agreement, changes in taxes and duties etc. The reinsurance result is calculated in accordance with the current reinsurance programme and adjusted to reflect known and expected changes in prices and the size of cover.

The calculation of the terminal value includes a growth rate of 0% (2017: 0%).

The pre-tax discount rate is 8.3% (2017: 9.6%) and the post-tax rate 6.5% (2017: 7.5%).

It is believed that there are no scenarios in which a probable change in the assumptions of the expected technical result or the discount rate will result in a situation where the book value of goodwill exceeds its recoverable amount for the personal segment.

Development projects under construction primarily comprise new administration system for life-insurance.

Completed development projects primarily comprise the Group's digital platform for communication with customers.

Amortisation of intangible assets is primarily included in claims incurred and operating expenses.

Notes to the financial statements • Group

(DKKm)

Note 16. Tangible assets

	Operating equip- ment	Owner- occupied properties	Total
2017			
Cost / revaluation at 1 January	456	856	1,312
Additions, including improvements	20	1	21
Disposals	(101)	0	(101)
Revaluation taken to income statement	0	(2)	(2)
Transferred on revaluation	0	(1)	(1)
Cost / revaluation at 31 December	375	853	1,228
Impairment and amortisation at 1 January	(324)	0	(324)
Amortisation for the year	(34)	(1)	(36)
Transferred on revaluation	0	1	1
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	95	0	95
Impairment and amortisation at 31 December	(263)	0	(263)
Tangible assets 2017	111	853	965
2018			
Cost / revaluation at 1 January	375	853	1,228
Additions, including improvements	44	0	44
Disposals	(92)	(0)	(92)
Revaluation taken to other comprehensive income	0	1	1
Transferred on revaluation	0	(1)	(1)
Cost / revaluation at 31 December	327	853	1,180
Impairment and amortisation at 1 January	(263)	0	(263)
Amortisation for the year	(32)	(1)	(33)
Transferred on revaluation	0	1	1
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	84	0	84
Impairment and amortisation at 31 December	(211)	0	(211)
Tangible assets 2018	116	853	969

	2017	2018
Owner-occupied properties are measured at a revalued amount corresponding to fair value (level 3).		
Averagely weighted rate of return	5.3%	5.3%
An 0.5pp increased rate of return will reduce the total fair value by DKK 75m (2017: DKK 75m).		
Carrying amount if the properties had been valued at cost price with depreciations	716	715

Notes to the financial statements • Group

(DKKm)	2017	2018
Note 17. Investment properties		
Fair value at 1 January	3,579	3,783
Additions - acquisitions	255	520
Additions, including improvements	63	31
Disposals	(121)	(248)
Fair value revaluation for the year taken to to revaluations	6	51
Total investment properties	3,783	4,137
Investment properties are included in the balance sheet as:		
Investment properties	3,643	3,830
Investment assets related to unit-linked products	140	307
Averagely weighted rate of return	5.4%	5.5%

	Private residence		Office property	
	2017	2018	2017	2018
Fair value DKKm	711	470	2,800	3,159
Averagely weighted rate of return	4.5%	4.6%	5.6%	5.6%
Area (1,000 square meters)	34	23	204	236
Price per square meters (DKK 1,000)	21	20	14	13
Number of properties	10	6	20	23

Investment properties are measured at fair value (level 3).

The basis of the measurement is an expected annual operating return and rate of return.

The rate of return used in the valuation spans from 4.5% to 9.6% (2017: 4.5% to 10%).

An increased rate of return with averagely 0.5pp will reduce the total fair value by DKK 331m (2017: DKK 320m).

The fair value includes properties under construction by DKK 508m (2017: DKK 272m).

Note 18. Shares in associates	2017	2018
Carrying amount at 1 January	1,180	1,285
Additions	45	249
Share of profit	61	161
Dividends received	0	(17)
Shares in associates	1,285	1,678

	Percentage share	Activity	Shareholders' equity	Result
2017				
Carlsberg Byen P/S, Copenhagen	23	Property development	1,793	179
Havneholmen P/S, Kgs. Lyngby	50	Property	957	25
Margretheholm P/S, Frederiksberg	50	Property	349	45
Bornholms Brandforsikring A/S, Rønne	27	Insurance	246	31
P/S Ejendomsholding Banemarksvej, Odense	40	Property	117	6
2018				
Carlsberg Byen P/S, Copenhagen	23	Property development	1,918	125
Havneholmen P/S, Kgs. Lyngby	50	Property	986	29
Margretheholm P/S, Frederiksberg	50	Property	510	162
Bornholms Brandforsikring A/S, Rønne	27	Insurance	268	22
P/S Ejendomsholding Banemarksvej, Odense	40	Property	112	10
P/S Ottilia, Copenhagen*	50	Property	-	-

The financial information is according to the companies' most recent available annual reports.

*2018 is the first financial year and therefore an annual report has not been published.

Bornholms Brandforsikring A/S has been recognised on the basis of the most recent financial information at 30 September.

Notes to the financial statements • Group

(DKKm)	2017	2018
Note 19. Investment assets related to unit-linked products		
Equity investments	12,268	14,560
Unit trusts	3,024	1,758
Bonds	10,358	11,265
Investment properties	140	307
Investment assets related to unit-linked contracts	25,791	27,890

Note 20. Reinsurers' share of the provisions for unearned premiums

1 January	72	84
Offset in periodized commissions	(0)	(3)
Ceded reinsurance premiums	617	617
Earned reinsurance premiums	(605)	(607)
Amortisation	1	0
Reinsurers' share of the provisions for unearned premiums at 31 December	84	92
Net present value of expected future cashflows	15	22
Profit margin	69	70

Note 21. Reinsurers' share of the provisions for claims

1 January	586	470
Reimbursement of claims relating to previous years	(200)	(207)
Change in expected income relating to previous years	(50)	34
Reimbursement of claims relating to this year	(58)	(155)
Expected income relating to this year	188	383
Amortisation	3	2
Revaluation	1	(1)
Reinsurers' share of the provisions for claims at 31 December	470	527

Note 22. Deferred tax

	2016	2017	2018
Properties	43	46	50
Operating equipment	15	14	21
Liabilities provided	(6)	(6)	(6)
Deferred pension return tax	0	0	33
Other	(2)	(7)	(12)
Deferred tax	49	47	86
Recognised as:			
Deferred tax assets	(10)	(14)	(17)
Deferred tax liabilities	59	61	103
	49	47	86
Change for the year		(2)	39

Notes to the financial statements • Group

(DKKm)

Note 23. Other subordinated loan capital

	Subordinated loan capital	Subordinated loan capital	Subordinated loan capital
Borrower	Topdanmark A/S	Topdanmark Forsikring A/S	Topdanmark Forsikring A/S
Principal	400	500	850
Carrying amount			
2018	398	499	849
2017	397	499	848
Market value (level 2)			
2018	400	505	850
2017	400	499	850
Date of issue	November 2017	December 2015	December 2015
Maturity	Bullet	11 December 2025	11 June 2026
If permitted by the DFSA, the borrower can give notice of termination from	23 November 2022	11 December 2020	11 June 2021
Interest rate	Cibor 3 months +2.75%	2.92% to 11 December 2020	Cibor 3 months +270bp
Subsequently		Cibor 3 months +250bp	
			2017
Interest charges			43
Costs of raising the loan capital			3
			2018
			47
			-

Subordinated loan capital is fully included in the Group's own funds.

Note 24. Provisions for unearned premiums and profit margin - non-life insurance

Provisions for unearned premiums at 1 January	1,881	1,856
Profit margin at 1 January	711	751
	2,592	2,607
Gross premiums written	9,050	9,205
Premiums earned	(9,051)	(9,197)
Change in risk margin	3	9
Amortisation	13	4
Revaluation	(0)	(2)
Provisions for unearned premiums at 31 December	1,856	1,819
Profit margin at 31 December	751	807
Provisions for unearned premiums and profit margin at 31 December	2,607	2,626

Notes to the financial statements • Group

(DKKm)	2017	2018			
Note 25. Life insurance provisions with guarantees and profitsharing					
Life insurance provisions direct business at beginning of year	24,465	24,063			
Profit margin at 1 January	0	88			
Total insurance provisions at beginning of year	24,465	24,151			
Collective bonus potential at 1 January	(1,960)	(2,270)			
Accumulated revaluation at 1 January	(1,831)	(1,654)			
Retrospective provisions at 1 January	20,674	20,227			
Gross premiums written	1,460	1,346			
Addition of return	644	580			
Claims and benefits	(2,168)	(1,774)			
Expense loading inclusive of expense bonus	(146)	(100)			
Risk gain after allocating policyholders' risk bonus	(82)	(23)			
Other	52	33			
Intra-group transfers	(207)	(56)			
Sale of affiliate	-	(115)			
Retrospective provisions at 31 December	20,227	20,118			
Accumulated revaluation at 31 December	1,654	1,466			
Collective bonus potential at 31 December	2,270	1,632			
Insurance provisions direct business at end of year	24,151	23,216			
Total insurance provisions at end of year	24,151	23,216			
Profit margin at 31 December	(88)	(82)			
Life insurance provisions with guarantees and profitsharing	24,063	23,134			
Portfolios analysed by guaranteed interest rates	Guaranteed interest rate	Guaranteed benefits	Individual bonus potential	Collective bonus potential	Life insurance provisions
2017					
Interest rate group 9	1%	1,625	298	75	1,997
Interest rate group 10	1%	356	2	47	405
Interest rate group 1	]1%-2%]	7,775	763	583	9,121
Interest rate group 3	]1%-2%]	622	4	65	691
Interest rate group 2	]2%-3%]	2,809	75	166	3,050
Interest rate group 4	]2%-3%]	721	9	91	820
Interest rate group 5	]3%-4%]	2,024	1	315	2,340
Interest rate group 6	]4%-5%[	3,829	0	625	4,454
Interest rate group 7	5%	46	0	45	92
Risk groups		0	0	237	237
Cost groups		0	0	22	22
Total contribution		19,807	1,151	2,270	23,228
Group Life					350
U74-life annuities					210
Other					275
Total 2017		19,807	1,151	2,270	24,063
2018					
Interest rate group 9	1%	2,127	325	0	2,452
Interest rate group 10	1%	437	4	37	478
Interest rate group 1	]1%-2%]	7,544	768	228	8,540
Interest rate group 3	]1%-2%]	696	4	52	753
Interest rate group 2	]2%-3%]	2,607	80	129	2,816
Interest rate group 4	]2%-3%]	840	11	64	915
Interest rate group 5	]3%-4%]	2,305	7	326	2,638
Interest rate group 6	]4%-5%[	3,063	0	467	3,531
Interest rate group 7	5%	40	0	44	84
Risk groups		0	0	264	264
Cost groups		0	0	22	22
Total contribution		19,659	1,199	1,632	22,491
Group Life					183
U74-life annuities					180
Other					281
Total 2018		19,659	1,199	1,632	23,134

Notes to the financial statements • Group

(DKKm)

Note 25. Life insurance provisions with guarantees and profitsharing - continued

Risk margin (share of guaranteed benefits)	Guaranteed interest rate	2017	2018
Interest rate group 9	1%	6	8
Interest rate group 10	1%	0	0
Interest rate group 1	]1%-2%]	27	26
Interest rate group 3	]1%-2%]	1	2
Interest rate group 2	]2%-3%]	9	8
Interest rate group 4	]2%-3%]	3	4
Interest rate group 5	]3%-4%]	16	18
Interest rate group 6	]4%-5%[	38	32
Interest rate group 7	5%	1	1
Total contribution		101	98
U74-life annuities		4	3
Other		3	3
Total risk margin		108	104

	Guaranteed interest rate	Bonus ratio (%)		Return (%)	
		2017	2018	2017	2018
Interest rate group 9	1%	19.4	13.1	4.7	(2.1)
Interest rate group 10	1%	13.7	9.3	4.7	(1.2)
Interest rate group 1	]1%-2%]	16.0	12.2	4.7	(1.2)
Interest rate group 3	]1%-2%]	11.3	8.3	4.8	(1.2)
Interest rate group 2	]2%-3%]	8.8	8.2	5.1	0.6
Interest rate group 4	]2%-3%]	14.6	9.6	4.7	(1.2)
Interest rate group 5	]3%-4%]	18.5	16.8	4.4	0.8
Interest rate group 6	]4%-5%[	21.1	19.8	4.5	0.8
Interest rate group 7	5%	137.4	152.4	4.7	(1.2)

Risk groups

Risk result after addition of risk bonus	57	51
Risk result after addition of risk bonus in per cent	0.2	0.2

Cost groups

Customers' share of administration expenses after addition of expense bonus	76	68
Operating expenses - insurance	(198)	(196)
Result of sales and administration	(122)	(128)
Result of sales and administration in per cent	(0.5)	(0.6)
Return on customer funds after expenses before tax in per cent	3.7	(1.2)

Note 26. Life insurance provisions unit-linked products

	Insurance contracts	Investment contracts	Total
2017			
Gross provisions at 1 January	20,719	2,064	22,783
Profit margin at 1 January	94	9	103
Retrospective provisions at 1 January	20,813	2,073	22,886
Gross premiums written	7,065	926	7,991
Addition of return	1,708	190	1,897
Claims and benefits	(2,533)	(311)	(2,844)
Expense loading inclusive of expense bonus	(69)	(11)	(80)
Risk gain after addition of risk bonus	6	0	7
Premiums waived transferred to life insurance provisions	(23)	0	(23)
Other	6	(0)	6
Intra-group transfers	161	46	207
Retrospective provisions at 31 December	27,135	2,912	30,047
Profit margin at 31 December	(141)	(15)	(156)
Gross provisions 31 December 2017	26,993	2,898	29,891

Notes to the financial statements • Group

(DKKm)

Note 26. Life insurance provisions unit-linked products - continued

2018	Insurance contracts	Investment contracts	Total
Gross provisions at 1 January	26,993	2,898	29,891
Profit margin at 1 January	141	15	156
Retrospective provisions at 1 January	27,135	2,912	30,047
Gross premiums written	8,765	1,415	10,180
Addition of return	(1,969)	(260)	(2,229)
Claims and benefits	(2,314)	(407)	(2,721)
Expense loading inclusive of expense bonus	(68)	(10)	(77)
Risk gain after addition of risk bonus	(25)	0	(25)
Other	(5)	1	(4)
Intra-group transfers	56	0	56
Sale of affiliate	(1,923)	0	(1,923)
Retrospective provisions at 31 December	29,651	3,652	33,303
Profit margin at 31 December	(171)	(15)	(186)
Gross provisions 31 December 2018	29,480	3,637	33,117
		2017	2018
Return on customer funds after expenses before tax in per cent		9.0	(7.0)
Number of customers with investment contracts:			
Individual policies		4,584	6,583
Policies which are part of a tenure		3,165	3,821
The contracts written do not have guarantees.			

Note 27. Profit margin, life insurance and investment contracts

Products with guarantees and profitsharing	88	82
Unit-linked products	156	186
Profit margin, life insurance and investment contracts	244	268

Note 28. Provisions for claims

Gross		
Provisions at 1 January	13,209	13,013
Claims paid relating to previous years	(2,796)	(2,794)
Change in expected claims payments relating to previous years	(393)	(319)
Claims paid relating to this year	(3,060)	(3,251)
Expected claims payments relating to this year	5,907	6,387
Inflation hedging	10	(118)
Amortisation	112	108
Revaluation	24	(24)
Provisions for claims and benefits	13,013	13,003
Net of reinsurance		
Provisions at 1 January	12,623	12,544
Claims paid relating to previous years	(2,596)	(2,586)
Change in expected claims payments relating to previous years	(344)	(353)
Claims paid relating to this year	(3,002)	(3,096)
Expected claims payments relating to this year	5,720	6,003
Inflation hedging	10	(118)
Amortisation	109	106
Revaluation	24	(23)
Provisions for claims, net of reinsurance	12,544	12,476
Provisions net of reinsurance for business lines being settled in whole or partly as annuities:		
Workers' compensation insurance	6,048	6,033
Average period of settlement	7 years	7 years
Illness / accident insurance, administered by the life insurance business	2,343	2,248
Average period of settlement	13 years	13 years

Notes to the financial statements • Group

(DKKm)

Note 28. Provisions for claims - continued

Claims liabilities analysed by claims year

Gross	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
End of year	6,730	6,814	7,203	6,414	7,549	6,652	6,599	6,468	5,928	6,400	65,910
1 year later	6,526	6,834	7,347	6,439	7,755	6,715	6,685	6,448	6,043		
2 years later	6,585	6,952	7,282	6,455	7,771	6,691	6,592	6,367			
3 years later	6,583	6,926	7,274	6,402	7,742	6,646	6,589				
4 years later	6,513	6,865	7,209	6,321	7,646	6,472					
5 years later	6,521	6,810	7,160	6,303	7,571						
6 years later	6,499	6,770	7,118	6,229							
7 years later	6,454	6,761	7,029								
8 years later	6,466	6,736									
9 years later	6,474										
Less paid incl. inflation hedging	6,076	6,256	6,558	5,630	6,832	5,653	5,497	5,076	4,406	3,254	55,237
Provisions before discounting at 31 December	398	481	471	599	739	819	1,091	1,291	1,636	3,147	10,672
Discounting	(0)	(2)	(1)	(1)	(1)	(2)	(3)	(4)	(5)	(8)	(27)
	398	479	470	598	738	817	1,089	1,286	1,632	3,138	10,646
Provisions relating to previous years at 31 December											2,357
Gross provisions at 31 December 2018											13,003
Net of reinsurance											
End of year	6,389	6,385	6,164	6,028	6,387	6,259	6,183	6,007	5,736	6,016	60,766
1 year later	6,191	6,433	6,268	6,098	6,461	6,301	6,270	6,027	5,832		
2 years later	6,286	6,564	6,218	6,115	6,476	6,288	6,190	5,942			
3 years later	6,295	6,553	6,205	6,066	6,449	6,242	6,179				
4 years later	6,226	6,509	6,151	5,990	6,354	6,069					
5 years later	6,235	6,450	6,103	5,972	6,279						
6 years later	6,224	6,411	6,065	5,898							
7 years later	6,182	6,402	5,976								
8 years later	6,189	6,377									
9 years later	6,198										
Less paid incl. inflation hedging	5,808	5,897	5,508	5,301	5,572	5,285	5,175	4,723	4,247	3,099	50,615
Provisions before discounting at 31 December	390	481	468	597	707	783	1,004	1,219	1,585	2,917	10,152
Discounting	(0)	(2)	(1)	(1)	(1)	(2)	(2)	(4)	(5)	(8)	(24)
	390	479	468	596	706	782	1,002	1,216	1,580	2,910	10,127
Provisions relating to previous years at 31 December											2,348
Provisions, net of reinsurance, at 31 December 2018											12,476
Reconciliation:											
Provisions for claims											13,003
Less reinsurers' share of provisions											(527)
Provisions, net of reinsurance, at 31 December 2018											12,476
Composition of expected payments, net of reinsurance:											
Original payment	6,361	6,379	6,062	5,991	6,397	6,199	6,200	6,001	5,728	6,010	61,329
Loss / (gain) on settlement	(452)	(220)	(333)	(243)	(236)	(225)	(65)	(90)	80		(1,783)
Discounting / revaluation											
workers' compensation and illness / accident	289	218	247	150	119	95	43	31	23	6	1,221
	6,198	6,377	5,976	5,898	6,279	6,069	6,179	5,942	5,832	6,016	60,766

The table shows the historical development in the estimated final liability (the sum of claims payments and provisions) for each claims year. Significant proportions of the liabilities shown have been calculated without discounting which to a great extent eliminates changes in discounting rates. However, workers' compensation and illness / accident administered by Topdanmark Livsforsikring A/S are included at discounted values.

Notes to the financial statements • Group

(DKKm)	2017	2018
Note 29. Technical basis for risk allowance and shadow account		
Customers' share of technical basis for risk allowance	807	(378)
Share of technical basis for risk allowance allocated to shareholders' equity	76	58
Insurance technical result	883	(320)
The allocation of the technical basis for risk allowance to policyholders is in accordance with the executive order on the contribution principle.		
Shadow account at 1 January	35	48
Depreciation	(5)	(6)
Provided	18	13
Shadow account at 31 December	48	55
Expected future recognition	1	0

Note 30. Expenses

Expenses by their nature:		
Staff costs (excl. commission)	1,831	1,825
Executive Board	44	31
Board of Directors	5	6
Other staff costs	52	60
Commission - non-life insurance	204	195
Commission - life insurance	68	50
Premises costs etc.	156	143
IT operations and maintenance	229	250
Impairment and amortisation	76	72
Other expenses	200	262
Total expenses	2,867	2,895
These expenses have been disclosed in:		
Non-life insurance:		
Acquisition costs	950	952
Administrative expenses	485	501
Claims paid (claims handling and assessment)	776	765
	2,211	2,218
Life insurance:		
Acquisition costs	148	143
Administrative expenses	285	277
	433	420
Income from investment properties (administration and operation)	133	152
Expenses on investment activities	39	47
Other expenses	51	58
Total expenses	2,867	2,895

Note 31. Auditors' fee

	Deloitte 2017	Ernst & Young 2018
Fee to the auditors elected at the Annual General Meeting		
Fee for statutory audit of the annual accounts	4	3
Fee for other assurance engagements*	1	0
Fee for tax advice	0	0
Fee for services, other than audit work	10	0
	15	3

*Fee for other assurance engagements include submitting statements to public authorities.

The Group has an internal audit department which carries out most of the audit work.

Notes to the financial statements • Group

(DKKm)	2017	2018
Note 32. Staff costs		
Salaries	1,425	1,430
Pensions	245	238
Social security costs	38	36
Payroll tax	246	250
Share options	8	8
Employee shares	43	38
	2,004	1,999
Average number of full-time employees	2,473	2,343

Share options

Topdanmark's share option scheme comprises the Executive Board and senior executives. The strike price has been fixed at 110% of the market price on the last trading date in the prior financial year (average of all trades).

The options may be exercised 3-5 years subsequent to the granting. The scheme is settled by shares (equity instruments).

There are no other earnings conditions to the option scheme than employment in the full year of allocation.

Options are allocated at beginning of year and in connection with resignation in the year of allocation a proportional deduction in the number of allocated options is made.

The table below is categorised by the option holders' standing end of year:

Total number of options ('000)	Strike price	Executive Board	Senior executives	Resigned	Total
2017					
Outstanding at 1 January		339	1,179	265	1,783
Granted	197	96	352	0	448
Transferred		(112)	(15)	127	0
Exercised		(131)	(530)	(126)	(787)
Outstanding at 31 December 2017		192	986	266	1,444
Average strike price at 31 December 2017		195	204	196	201
2018					
Outstanding at 1 January		192	986	266	1,444
Granted	296	49	238	24	311
Transferred		(33)	(163)	195	0
Exercised		(69)	(274)	(82)	(425)
Forfeited		0	0	(37)	(37)
Outstanding at 31 December 2018		139	788	365	1,293
Average strike price at 31 December 2018		213	209	204	208
Per granting:	Exercise period				
2014	January 2017 - January 2019	138	0	13	35
2015	January 2018 - January 2020	201	11	51	128
2016	January 2019 - January 2021	196	32	242	394
2017	January 2020 - January 2022	178	55	283	429
2018	January 2021 - January 2023	277	41	199	307
Outstanding at 31 December 2018		139	788	365	1,293
Average strike price exercised options 2017		128	139	136	137
Average strike price exercised options 2018		175	198	177	190
Average current price on date of exercise 2017					211
Average current price on date of exercise 2018					290
Fair value of granting 2017		2	8		10
Fair value of granting 2018		2	8	1	11
Fair value at 31 December 2017		14	67	20	101
Fair value at 31 December 2018		13	75	36	124

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a price of DKK 268.73 (2017: DKK 179.44) per share, an interest rate corresponding to the zero coupon rate based on the swap curve on 31 December the previous year, future volatility of 22% (2017: 22%) p.a. and a pattern of exercise similar to Topdanmark's previous granting of share options, resulting in an average life of the options of approximately 4 years. The volatility has been calculated on the basis of previous years' volatility, which continues to be Management's best estimate of future volatility. The stated strike prices for outstanding options are reduced by dividend distributions.

Notes to the financial statements • Group

(DKKm) 2017 2018

Note 32. Staff costs - continued

Number of options which could be exercised on 31 December ('000) 225 163

Employee shares

For the period November 2017 to October 2018, Topdanmark has allotted 115,060 shares at a value of DKK 36m for a salary cut. The annual costs amount to DKK 38m.

For the period November 2016 to October 2017, Topdanmark has allotted 169,708 shares at a value of DKK 46m for a salary cut. The annual costs amount to DKK 44m.

Severance pay

Severance pay has been described in "Severance pay" in "Management's review".

Note 33. Related parties

Possessing an ownership interest of 48.59% of the shares outstanding, Sampo plc, Fabianinkatu 27, Helsinki, Finland has a controlling influence of Topdanmark A/S.

Related parties with significant influence comprise the Board of Directors, the Executive Board and their families.

Remuneration of the Board of Directors

Directors' fees adopted by the AGM were DKK 5,871,000 (2017: DKK 5,075,000). As the Chairman of the Board of Directors has renounced a remuneration for attending in the Remuneration Committee, the director's fee amounts to DKK 5,775,000.

The fee includes DKK 289,000 (2017: DKK 263,000) concerning Topdanmark Forsikring A/S.

(DKK '000):

Torbjörn Magnusson	1,079	1,348
Jens Aaløse	350	770
Tina Møller Carlsson	350	385
Mette Jensen	350	481
Petri Niemisvirta	233	385
Lone Møller Olsen	525	610
Annette Sadolin	817	770
Søren Vestergaard	-	257
Ricard Wennerklint	350	642
Ann-Jeanette Bakbøl	350	128
Birgitte Nielsen	175	-
Søren Thorup Sørensen	496	-
Total fee paid to nine Board members	5,075	5,775

For foreign board members, social charges of DKK 412,000 (2017: DKK 296,000) have additionally been paid.

The Board of Directors solely receives a fixed remuneration.

Remuneration of the Executive Board

	Peter Hermann (11 mths.)	Thomas Erichsen (3 mths.)	Brian R. Jacobsen	Lars Thykieer	Marianne Wier (resigned Feb 2018)	Total
2018						
Salaries etc.*	6.3	1.3	5.7	6.1	5.6	25.0
Employee shares		0.1				0.1
Fixed remuneration	6.3	1.3	5.7	6.1	5.6	25.0
Share options (variable remuneration)	0.3		0.6	0.5	0.6	1.9
Salaries paid	6.5	1.3	6.3	6.6	6.2	27.0
Performance-related pay (variable remuneration)**	0.3					0.3
Accrued remuneration***			1.2	0.2	1.0	2.4
Salary accrued in the notice period****					1.8	1.8
Salaries earned	6.8	1.3	7.5	6.8	9.1	31.4

Notes to the financial statements • Group

(DKKm)

Note 33. Related parties - continued

*Up to 5 February 2018, Lars Thykier has been acting CEO and as such earned a bonus of DKK 400,000 which is included in his salary etc.

**Peter Hermann has been granted performance-dependent bonuses of DKK 250,000. Performance-related pay is variable remuneration and 40% hereof will be deferred for four years beginning one year after the time of calculation in 2019.

***Brian R. Jacobsen, Lars Thykier and Marianne Wier have successively earned a remuneration equivalent to 18 months' salary which to be paid by the termination of the employment. Marianne Wier resigned as of February 2018 with a notice period of one year. Upon expiry of the period in 2019, a remuneration of DKK 8.8m shall be paid. For Christian Sagild who resigned in 2017, was paid a remuneration of DKK 13.2m in 2018.

****Marianne Wier shall receive remuneration in the notice period of one year. In 2019, a remuneration of DKK 1.8m including holiday pay shall be paid. The pay has been charged to the profit and loss account for 2018. Christian Sagild, who resigned end of 2017, has received a remuneration of DKK 10.4m including share options of DKK 0.8m in the notice period in 2018. DKK 10.2m hereof was provided for the financial statements for 2017.

Thus, paid remuneration and compensation for present and former members of the Executive Board amount to DKK 50.5m of which variable remuneration accounts for DKK 2.8m.

Up to his appointment as CEO of Topdanmark A/S in February 2018, Peter Hermann was CEO of Topdanmark Livsforsikring A/S. In this position, Peter Hermann earned a remuneration of DKK 0.3m in 2018. Consequently, Peter Hermann's total remuneration in the Topdanmark Group represented DKK 7.0m in 2018.

	Christian Sagild (resigned Dec 2017)	Brian R. Jacobsen	Lars Thykier	Marianne Wier (resigned 2018)	Total
2017					
Salaries etc.*	8.5	4.7	5.2	4.7	23.1
Employee shares	0.5	0.3	0.4	0.3	1.5
Fixed remuneration	9.1	5.0	5.5	5.0	24.6
Share options (variable remuneration)	0.8	0.4	0.5	0.4	2.2
Salaries paid	9.9	5.4	6.0	5.4	26.8
Compensation earned**	0.1	3.6	0.3	3.6	7.6
Salary accrued in the notice period***	10.2				10.2
Accrued anniversary bonuses*	(0.6)				(0.6)
Salaries earned	19.5	9.1	6.3	9.1	44.0

* Salary etc. for Christian Sagild includes anniversary bonus of DKK 0.6m earned in previous years.

** The Executive Board successively accrues a remuneration of eighteen months to be disbursed on expiry of the employment. The remuneration is accumulated through the income statement. Kim Bruhn-Petersen, resigned in 2016, has in 2017 received a remuneration of DKK 8.8m. The remuneration for Christian Sagild amounts to DKK 13.2m to be disbursed by the end of the employment at year-end 2018.

*** Christian Sagild is entitled to receive salary for 12 months in the period of notice amounting to DKK 10.2m including accrued holiday pay. The amount is disbursed on a continuing basis in 2018. In 2017, Kim Bruhn-Petersen has received salary DKK 0.4m in the notice period.

Thus, salaries and compensations disbursed for present and former members of the Executive Board amount to DKK 36.0m of which variable salaries amount to DKK 2.2m.

The Group has no unhedged pension commitments.

	2017	2018
Significant risk takers		
Additional to the Executive Board, another 19 (2017: 19) employees have significant influence on Topdanmark's risk profile.		
Fixed remuneration	37.1	37.1
Variable remuneration	6.3	5.8
	43.4	42.9

The number of significant risk takers is a calculated weighted average.

Notes to the financial statements • Group

(DKKm)	2017	2018
Note 33. Related parties - continued		
Shares held by the Board of Directors and Executive Board		
The information relates to the Board of Directors and Executive Board notified on 31 December.		
Board of Directors		
Number of shares		
Torbjörn Magnusson	500	500
Jens Aaløse	50	50
Tina Møller Carlsson	629	699
Mette Jensen	775	857
Petri Niemisvirta	500	500
Lone Møller Olsen	2,425	2,425
Annette Sadolin	2,620	2,620
Søren Vestergaard	-	390
Ricard Wennerklint	2,000	2,000
Executive Board		
Number of shares		
Peter Hermann	-	821
Lars Thykier	6,205	450
Brian Rothemejer Jacobsen	44,499	450
Marianne Wier	1,262	-
Christian Sagild	9,005	-
At 31 Dec 2018, Sampo plc held subordinated notes in Topdanmark Forsikring A/S	405	405
At 31 Dec 2018, If P&C Insurance Ltd, a subsidiary in the Sampo Group, held subordinated notes in Topdanmark A/S	120	130
Associates		
Equity investments are disclosed in the balance sheet and specified in the note on equity investments in associates. Balances are disclosed in the balance sheet.		
Trading takes place under normal market conditions.		
Note 34. Financial assets		
Financial assets at fair value through profit and loss		
Held for trading:		
Equity investments	5,904	5,412
Unit trusts	0	6
Bonds	36,470	35,118
Loans guaranteed by mortgages and other loans	7	6
Derivatives	120	86
	42,501	40,629
Designated at fair value:		
Deposits with credit institutions	3,405	4,380
Investment assets unit-linked products excl. property:		
Equity investments	12,268	14,560
Unit trusts	3,024	1,758
Bonds	10,358	11,265
	25,651	27,583
Designated at fair value, total	29,055	31,964
Total financial assets at fair value through profit and loss	71,557	72,593
Loans and receivables at amortised cost		
Receivables from policyholders	310	262
Receivables from insurance companies	57	197
Other receivables	170	281
Liquid funds	537	253
Other	352	564
	1,426	1,557
Accrued interest and rent	260	310
Total financial assets	73,242	74,461

Notes to the financial statements • Group

(DKKm)

Note 34. Financial assets - continued

2017	Quoted prices Level 1	Observable inputs Level 2	Non- observable inputs Level 3	Total
Financial assets recorded at fair value				
Held for trading:				
Equity investments	4,527	1,377		5,904
Bonds	29,432	6,463	575	36,470
Loans guaranteed by mortgages and other loans		7		7
Derivatives		120		120
Designated at fair value:				
Deposits with credit institutions		3,405		3,405
Equity investments	12,262	6		12,268
Unit trusts	2,397	628		3,024
Bonds	3,777	6,464	117	10,358
Investment assets related to unit-linked products	18,436	7,098	117	25,651
Total financial assets at fair value	52,395	18,470	692	71,557

2018

Financial assets recorded at fair value

Held for trading:				
Equity investments	3,984	1,428		5,412
Unit trusts		6		6
Bonds	29,545	5,189	384	35,118
Loans guaranteed by mortgages and other loans		6		6
Derivatives		86		86
Designated at fair value:				
Deposits with credit institutions		4,380		4,380
Equity investments	14,555	5		14,560
Unit trusts		1,758		1,758
Bonds	4,803	6,377	85	11,265
Investment assets related to unit-linked products	19,358	8,140	85	27,583
Total financial assets at fair value	52,887	19,237	469	72,593

End of 2018, financial assets for DKK 986m (end of 2017: DKK 490m) were transferred from Level 1 to Level 2. By far the majority of the transferred assets are traditional Danish mortgage bonds, which after expiry of new issuing in the series in question do not necessarily have a closing price reflecting the fair value.

	2017	2018
Financial assets, level 3:		
1 January	582	692
Purchases	239	103
Repayments	(103)	(334)
Foreign exchange adjustment	(26)	9
Financial assets, level 3 end December	692	469

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

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

Exchange rate adjustments are recognized in the income statement under revaluations. Of the overall revaluation DKK 9m is unrealized (2017: DKK 26m loss).

Allowance account (policyholders and insurance companies):

1 January	68	75
Changes	7	(17)
31 December	75	58

Group companies have agreed to lend equities against security:

Carrying amount of equities lent	2,309	2,763
Fair value of bonds received as security for the loan	2,784	3,305

Outline of equity investments can be obtained on application.

Notes to the financial statements • Group

(DKKm)	2017	2018
Note 35. Financial liabilities		
Financial liabilities measured at fair value through profit and loss		
Held for trading:		
Derivatives	512	703
Designated at fair value:		
Amounts due to credit institutions	43	242
Total financial liabilities measured at fair value (observable inputs level 2)	555	946
Financial liabilities measured at amortised cost		
Other subordinated loan capital	1,744	1,746
Deposits received from reinsurers	77	81
Debt relating to direct insurance operations	270	373
Debt relating to reinsurance operations	27	18
Current tax liabilities	35	1
Other debt	1,293	934
Total financial liabilities measured at amortised cost	3,447	3,153
Total financial liabilities	4,002	4,098
Financial liabilities payable after five years or more:		
Amounts due to credit institutions	2	0

	Other subordinated loan capital	Amounts due to credit institutions
Liabilities concerning financing activities		
Beginning 2017	1,754	44
<i>Cash flow from financing</i>		
Redemption/reduction net	(409)	0
Issue	397	(0)
<i>Other changes</i>		
Amortisation	2	0
End 2017	1,744	43
<i>Cash flow from financing</i>		
Redemption/net change	0	199
<i>Other changes</i>		
Amortisation	2	0
End 2018	1,746	242

Note 36. Collateral relating to financial assets and liabilities

Derivatives	Gross position	Offsetting	Carrying amount	Collateral in liquid assets	Net position
2017					
Assets	120	0	120	(20)	100
Liabilities	(512)	0	(512)	605	93
2018					
Assets	86	0	86	(9)	77
Liabilities	(703)	0	(703)	930	227

Note 37. 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. 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

Notes to the financial statements • Group

(DKKm)

Note 38. Analysis of assets and their return - life insurance

Assets related to products with guarantees and profitsharing	Carrying amount		Return (%)*
	1 January	31 December	
Land and buildings	3,708	3,899	5.2
Listed equity investments	3,642	3,172	(9.1)
Unlisted equity investments	1,131	1,176	6.5
Total equity investments	4,772	4,349	(5.6)
Government and mortgage bonds	12,019	12,760	0.3
Index-linked bonds	957	937	3.6
Credit bonds and emerging market bonds	2,069	1,823	2.8
Total bonds	15,045	15,520	0.8
Associates	386	423	9.7
Other investment assets	(800)	(476)	0.0
Derivatives to hedge against the net change in assets and liabilities	(143)	(101)	

* Annual return as a percentage before pension return tax (PAL) and corporation tax.

Assets related to unit-linked products

Land and buildings	162	441	7.3
Listed equity investments	9,311	10,265	(10.0)
Unlisted equity investments	10	4	22.9
Total equity investments	9,320	10,270	(10.0)
Government and mortgage bonds	2,732	3,384	(0.4)
Credit bonds and emerging market bonds	6,106	6,418	1.4
Total bonds	8,838	9,801	0.9
Other investment assets	2,788	3,660	0.0

Assets related to unit-linked products do not include assets chosen by policy holders.

The return percentages are calculated as the return on derivatives as a percentage of the size of the exposure in the underlying asset.

The exposure in listed equity investments has been adjusted by means of financial derivatives and amounts to:

	2017	2018
Guarantees and profitsharing	3,914	3,403
Unit-linked	10,022	12,481

Note 39. Return and risk - unit-linked products

Selected age points in relation to time of retirement	Years to retirement	Percentage of average provisions	Return in percentage before PAL	Risk
2017	Life cycle:			
	30 years	1.2	10.8	4.75
	15 years	3.5	8.8	4.50
	5 years	1.4	6.8	3.75
	5 years later	0.1	6.1	4.25
Non-life cycle		25.8	10.3	4.75
2018	Life cycle:			
	30 years	1.1	(7.0)	4.75
	15 years	3.2	(5.5)	4.25
	5 years	1.5	(3.9)	3.75
	5 years later	0.1	(3.4)	3.75
Non-life cycle		28.1	(8.2)	4.75

Notes to the financial statements • Group

(DKKm)	2017	2018
Note 40. Number of shares		
Reconciliation of the number of shares ('000)		
Shares issued at 1 January	95,000	90,000
Own shares at 1 January	(7,784)	(4,124)
Number of shares at 1 January	87,216	85,876
Shares bought back	(2,297)	0
Shares sold	957	556
Shares issued at 31 December	90,000	90,000
Own shares at 31 December	(4,124)	(3,568)
Number of shares at 31 December	85,876	86,432

Note 41. Own shares

	Number of shares '000	Nominal value DKKm	Percentage of share capital	Bought /sold DKKm
Held at 1 January 2017	7,784	8	8.2	
Bought in 2017	2,297	2	2.6	410
Sold	(957)	(1)	1.1	(153)
Written down	(5,000)	(5)	-	
Held at 31 December 2017	4,124	4	4.6	
Bought in 2018	0	0	0.0	0
Sold	(556)	(1)	0.6	(115)
Written down	0	0	-	
Held at 31 December 2018	3,568	4	4.0	

Number of shares held to cover the granting of options: 1,293,000 (2017: 1,444,000).
Own shares are held solely by the parent company.

Note 42. Collateral

	2017	2018
The Group's insurance companies have registered the following assets as security for technical provisions:		
Equity investments in associates	514	564
Equity investments	4,521	4,661
Bonds	35,329	34,222
Deposits with credit institutions	2,800	3,450
Investment assets related to unit-linked products	25,288	27,890
Liquid funds	74	173
Accrued interest	257	303
Equity investments in and receivables from affiliates eliminated in the consolidated accounts	6,811	6,541
Registered assets	75,595	77,803
Other provision of security	18	0

Notes to the financial statements • Group

(DKKm)

2017

2018

Note 43. Contingent liabilities

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

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

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

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

Note 44. Companies

Name	Registered office	Activity
Topdanmark A/S	Ballerup	Holding
Non-life:		
Topdanmark Forsikring A/S	Ballerup	Insurance
TDP.0007 A/S	Ballerup	Property
Topdanmark EDB A/S	Ballerup	Internal IT services
Topdanmark EDB IV ApS	Ballerup	IT services
E. & G. Business Holding A/S	Ballerup	Holding
Topdanmark Holding S.A.	Luxembourg	Holding
Risk & Insurance Services S.A.	Luxembourg	Administration
Life:		
Topdanmark Liv Holding A/S	Ballerup	Holding
Topdanmark Livsforsikring A/S	Ballerup	Insurance
Topdanmark EDB II ApS	Ballerup	IT services
Topdanmark Ejendom A/S	Ballerup	Property
TDE.201 ApS	Ballerup	Property
Bygmestervej ApS	Ballerup	Property
Other companies:		
Topdanmark Kapitalforvaltning A/S	Ballerup	Asset management
Topdanmark Invest A/S	Ballerup	Investment
Topdanmark Invest II ApS	Ballerup	Property
Topdanmark Ejendomsadministration A/S	Ballerup	Property

All of the companies are 100% owned.

Note 45. Other disclosures

The five-year summary, in accordance with Section 91(a) of the Danish Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds is shown on page 24. Sensitivity information according to Section 126 is part of "Risk Scenarios" in Management's review page 13.

There have been no events in the period from 31 December 2018 until the presentation of the consolidated financial statements which could change the assessment of the annual report.

Notes to the financial statements • Group

Note 46. Risk factors

The following description of risks in the Topdanmark Group elaborates on Risk management.

Non-life insurance		
Personal, liability and property insurance for the personal, SME, and agricultural markets.		
Most important risks	Risk preferences	Risk reducing activities
<p>Underwriting risk</p> <ul style="list-style-type: none"> • Acceptance policy • Follow-up policy. <p>Provisioning risk:</p> <ul style="list-style-type: none"> • Provisions for outstanding claims • Provisions for unearned premiums. <p>Disaster risks:</p> <ul style="list-style-type: none"> • Storm and rainstorm • Fire • Terror • Workers' comp. <p>Cumulative risk.</p>	<p>Profit on both product and customer level.</p> <p>Spread of risk on different types of insurance/customer groups.</p> <p>Limited effect on results from individual claims events by means of reinsurance.</p>	<p>Advanced risk-based price models.</p> <p>Clear rules for new business.</p> <p>Risk equalisation through extensive reinsurance programme.</p> <p>Systematic follow-up on profitability.</p> <p>High data quality.</p> <p>Use of statistical models for calculation of provisions.</p>

Life insurance		
Life insurance contracts with bonus entitlement, unit-linked contracts with no investment guarantees and group life.		
Most important risks	Risk preferences	Risk reducing activities
<p>Limited loss-absorbing buffers in the event of low interest rates.</p> <p>Disability, which is the risk of increasing disability intensity or declines in the rates of resumption of work.</p> <p>Lifetime, where customers with life dependent policies live longer than expected.</p>	<p>For agreements with bonus entitlement, we aim at balancing return and risk so that ordinary risks are covered by the related bonus potential.</p> <p>The calculation of profit is viewed as a risk return on shareholders' equity where fluctuations are adjusted via bonus potential.</p>	<p>All policies are classified by the guaranteed benefit, and the investment policy is intended to ensure the ability to meet the benefits guaranteed.</p> <p>The market risk is freely adjustable in relation to each customer group's risk capacity.</p> <p>Normal fluctuations in investment return and risk results are provided for by the bonus potential per contribution group.</p> <p>Individual bonus potential is protected by loss participation schemes.</p> <p>Disaster reinsurance.</p> <p>In all interest rate groups, movements in interest rates are followed and risk reducing actions are performed as required.</p> <p>Prices relating to death and disability are regularly adjusted to the market situation and the observed claims record.</p> <p>The basis of new business is changed as needed.</p>

Market		
Most important risks	Risk preferences	Risk reducing activities
<p>Interest rate risk</p> <p>Equity risk</p> <p>Property risk</p> <p>Credit spread risk</p> <p>Concentration risk</p> <p>Currency risk</p> <p>Inflation risk</p> <p>Liquidity risk.</p>	<p>Topdanmark's policy is to accept a certain level of market risk in order to profit from the Group's strong liquid position and its high, stable earnings from insurance operations.</p> <p>In order to improve the average investment return and limit the overall market risk, Topdanmark invests in a wide range of asset categories.</p>	<p>Topdanmark's Board of Directors has set limits on the acceptance of market risks in the form of risk limits.</p> <p>Compliance with these limits is checked regularly.</p>

Counterparty		
Most important risks	Risk preferences	Risk reducing activities
Reinsurance	To obtain efficient and secure reinsurance cover which is price competitive, a certain level of counterparty concentration is required.	Counterparty risk is limited by mainly buying hedging from reinsurance companies which, as a minimum, have a rating of A-.
Investment.	A certain level of counterparty risk is accepted as an element of generation of return.	Counterparty risk is limited by diversification both geographically and in terms of type of debtor. Counterparty risk on financial contracts is limited by the required security when overall risk on any given counterparty reaches a relatively low threshold value.

Operational risks		
Most important risks	Risk preferences	Risk reducing activities
IT	Generally, operational risks are to be reduced to an acceptable level.	Group IT security function.
Errors in internal processes, human errors insurance fraud and deceit.		Risk assessment, Information security policy, prioritisation of risks, guidelines, controls and IT Emergency plans based on ISO27001. IT Security Committee/Cyber Security Board. Policy for routines, process descriptions, controls and division of duties. Special department for insurance fraud and deceit. Event register. Digitalisation/automation.

Compliance		
Most important risks	Risk preferences	Risk reducing activities
Insufficient knowledge of current or future legislation and rules.	Generally, the area of compliance risks is to be reduced to an acceptable level.	The Compliance Function issues rules for identification, management and control of compliance risks.
Violation of legislation and rules.		The Compliance Function exercises control and provides advice to ensure that the Group's divisions and administrative departments observe relevant legislation and internal rules.

Strategic risks		
Most important risks	Risk preferences	Risk reducing activities
Generally, strategic risks are related to the Company's business model, political conditions, reputation, alliance partners' and competitors' behaviour as well as macroeconomic conditions.	Low strategic risk due to strong business model.	Topdanmark's business model stands strong against strategic risks. The results of the Company will, with a very high degree of probability, be positive even in the event of another collapse in the financial markets as in 2008. The Company's result will also be positive if it is hit by a storm like the 1999-hurricane, which was the largest storm event in the Company's history.

The following description of risks in the Topdanmark Group elaborates on the above matrix.

Non-life insurance

Underwriting risk

Acceptance policy

Topdanmark's acceptance policy is based on a desire to make a profit from both products and customers. Topdanmark varies the pricing of its products depending on the relevant risk criteria and the costs of administering those products.

Topdanmark's pricing has been aligned with the individual markets and types of customers. In the personal and commercial markets, prices are mostly based on standardised rates while major commercial customers are offered more individualised charges.

Danish insurance companies do not cover damage arising from floods or the cost of replanting forests following storms, industrial diseases, war or warlike acts, earthquake or other natural disasters and with certain exceptions damage due to nuclear energy or radioactivity.

Follow-up policy

In order that both products and customers are profitable, Topdanmark systematically acts upon changes in its customer portfolios.

Customer scoring is used in the personal market. The customers are divided into groups according to the expected level of profitability. The customer scoring helps ensure the balance between each customer's price and risk. This intends to ensure that no customer pays too much to cover losses on customers who pay too little.

The historical profitability of major SME customers with individual insurance schemes is monitored using customer assessment systems.

General insurance rates are re-calculated on a regular basis.

Provisions are generally calculated on a monthly basis across all lines of business. The claims trend is assessed monthly and followed up by any necessary price changes.

Topdanmark continues to improve its administration systems to achieve more finely meshed data capture, which in turn enables it to identify the claims trends at an earlier point in time and compile information on the constituent parts of the various types of claims.

Claims handling

In order to ensure uniform and efficient claims handling, Topdanmark has grouped the handling of all types of claims into one operational unit.

The handling of claims is intended to make the customers feel "well-helped" while at the same time ensure efficient management and control of the claims incurred.

Topdanmark helps its customers when they require assistance

Topdanmark works to ensure that its customers feel "well-helped" in every situation during the claims handling process. It is crucial for the customers' experience that Topdanmark is available when the customers require assistance and that it is easy, prompt and simple being a customer with Topdanmark.

Customers' satisfaction with visits and telephone and internet contact is monitored daily to act immediately on each dissatisfied customer enabling us to help the customer and also learn from the incident.

Efficient management of claims incurred

Topdanmark is continuously focusing on making its claims handling processes more efficient under the following three main headings:

- Promptness
- Better replacement purchasing power
- Quality.

Promptness

It is important to promptly obtain an overall impression of the size of a claim, implement any damage controlling actions and/or commence the repair. Prompt attention not only reduces the compensation paid but also provides a better experience for the customer.

Typically, the claims department operates with day-to-day management of claims notifications and other claims handling in order that the value of the claim does not increase. Customers increasingly undertake notification of claims online. Turnaround times are continuously monitored.

Better replacement purchasing power

The claims department's purchasing power in terms of replacement products and services provides financial advantages for customers and shareholders alike.

The responsibility for arranging co-operation and purchase agreements has been channelled into one centralised purchasing function to ensure the highest possible discount, quality and security when delivering products and services. Service agreements have been made with, for example, SOS International, Falck Health Care, Scalepoint, Polygon and Bygma, tradesmen and garages.

Topdanmark's purchasing criteria are as follows:

- Quality
- Service
- Price
- Delivery
- Digitisation.

At Topdanmark the customer always has freedom of choice notwithstanding the fact that Topdanmark uses its purchasing power to reduce expenses for the benefit of the customers. Having secured high quality, service and delivery, Topdanmark's purchasing agreements must be so favourable that the customers make an active choice of these products.

Quality

Topdanmark has developed routines for all major claims processes to ensure that they are handled in a uniform and controlled manner. These are supplemented by rules governing the level of professional and financial competence expected of each of the claims employees.

The overall professionalism is controlled by regular quality assessment of a random sample of claims. For example, it is investigated whether the cover, reason for the claim and provisioning are correct, the recourse possibilities have been tested and that the excess, VAT etc. have all been charged.

Claims handling supported by Topdanmark's claims handling system

Topdanmark's claims handling system supports professional accuracy, and Topdanmark continuously works to optimise its systems in order to improve the claims handling processes through automation.

The claims organisation works with the version of the Lean concept used by the service organisations, based on the customer's needs and focusing on providing the right help in the first contact with the customer. Besides improved customer satisfaction, the correct assessment of the damage also reduces the claims handling time and the average compensation.

Emergency plan

Topdanmark has an emergency plan to ensure that prompt, correct and targeted action is taken on a major weather event such as storm, hurricane, rainstorm or flood. The emergency programme consists of several levels, and this enables a proportional response depending on the size of the event. Topdanmark has appointed emergency helpers throughout the company whose claims handling knowledge is regularly kept up-to-date by training targeted at the knowledge level of the individual emergency helper. Furthermore, automation technology and robot processes are being implemented in order to improve the scalability of the emergency programme.

Loss prevention and loss limitation

Topdanmark focuses on loss prevention and loss limitation by investing in, among others, IoT-solutions and machine learning. The main objective is to incline customers towards pro-active risk handling so that they themselves can keep abreast of reducing their vulnerability. By doing this, Topdanmark ensures security for the customer and also reduces its own risk.

Provisioning risk

Provisions for outstanding claims

Traditionally, the insurance classes are divided into short-tail i.e. those lines where the period from notification until settlement is short and long-tail those lines where the period from notification until settlement is long.

Examples of short-tail lines are building, personal property and comprehensive motor insurance. Long-tail lines relate to personal injury and liability such as workers' compensation, accident, motor third party insurance and commercial liability.

Composition of Topdanmark's overall provisions for outstanding claims:

Provisions for outstanding claims	2017		2018	
	% distribution	Duration	% distribution	Duration
Short-tail	11	1	12	1
Annuity provisions in workers' compensation	23	10	24	11
Other claims provisions in workers' compensation	25	3	24	3
Accident	27	4	27	4
Motor personal liability	10	2	9	2
Commercial liability	4	2	3	2

The much higher provisioning risk in long-tail than in short-tail lines is due to the longer period of claims settlement. It is not unusual that claims in long-tail lines are settled three to five years after notification and in rare cases up to 10-15 years.

During such a long period of settlement, the levels of compensation could be significantly affected by changes in legislation, case-law or practice in the award of damages adopted by, for example, the Danish Labour Market Insurance which awards compensation for injury and loss of earnings potential in all cases of serious industrial injuries. The exposure to industrial injuries has been reduced substantially over the past five years.

The practice adopted by the Danish Labour Market Insurance also has some impact on the levels of compensation for accident and personal injury within motor, liability and commercial liability insurance.

The provisioning risk represents mostly the ordinary uncertainty of calculation and claims inflation, i.e. an increase in the level of compensation due to the annual increase in compensation per policy being higher than the level of general indexation or due to a change in judicial practice/legislation.

The sufficiency of the provisions is tested in key lines by calculating the provisions using alternative models as well, and then comparing the compensation with information from external sources, primarily statistical material from the Danish Labour Market Insurance and the Danish Road Sector/Road Directorate.

The actuarial team is in constant dialogue with the claims departments on any changes in the practices stemming from new legislation, case law or compensation awards as well as the impact of such changes on the routines used to calculate individual provisions.

Provisions for unearned premiums

The risk on provisions for unearned premiums is relevant particularly within lines with combined ratio of 100 or more, e.g. change of ownership insurance, workers' compensation and motor liability insurance where the provision for unearned premiums could be insufficient to cover the related expenses.

Workers' compensation and motor liability insurance policies are typically one-year policies, whereas change of ownership insurance policies cover a period of five or ten years and the full payment is made up front.

The provisions for unearned premiums are based on the latest prognosis for the coming 12 months.

The prognosis is prepared on a quarterly basis, among other things based on analyses in the trend in premiums, claims and expenses and for change of ownership insurance also statistical analyses of claims notification in relation to the time when the policy is written.

Disaster risks

Topdanmark limits its insurance risk on significant events through a comprehensive reinsurance programme.

Storm and rainstorms

Reinsurance covers storm claims of up to DKK 5.1bn with a retention of DKK 100m. Snow loading, snow thawing and rainstorms are also covered. Reinstatement for the proportion of the cover used up is activated by payment of a reinstatement premium. In the event of another storm

within the same year, there is cover of a further DKK 5.1bn with a retention of DKK 100m. In the event of a third and fourth storm, there is cover of up to DKK 670m with a retention of DKK 20m if the events occur within the same calendar year. To this should be added the cover not already hit twice by the first two storms. The cover of a third or fourth storm is dependent on the storm programme not having been hit previously by two individual storms each exceeding DKK 2.9bn. The storm programme is renewed on 1 July.

Specific reinsurance cover of DKK 100m for rainstorms takes effect if accumulated annual rainstorm claims exceed DKK 50m. For a claim to be accumulated, the event must exceed DKK 10m. The maximum retention in the event of an extreme rainstorm is DKK 75m plus reinstatement premiums.

Fire

Topdanmark has a proportional reinsurance programme for fire with a maximum retention of DKK 25m per claim on any one business.

Terror

With certain restrictions, terror is covered by the reinsurance contracts.

A national guarantee scheme of DKK 15bn covering terror claims including an element of NBCR (nuclear, biological, chemical, radiological) has been established. In 2018, the national guarantee scheme covered any market retention in excess of DKK 19.1bn. In 2019, the market retention in excess is DKK 18.4bn.

The Danish non-life companies have established a terror pool. In 2018, the terror pool bought reinsurance, which covered DKK 4,5bn after DKK 0.5bn. In 2019, the cover remains unchanged. Industrial injuries caused by any form of terror are covered by the Government with a few exceptions.

Workers' compensation

In workers' compensation, up to DKK 1bn is covered with a retention of DKK 50m.

Cumulative risk

Known cumulative risk is where it has been recognised prior to the event that several policyholders could be affected by the same event. In personal lines, Topdanmark's retention is DKK 15m for the first claim, DKK 5m for the second and DKK 15m for any third or subsequent risk. The retention is a maximum of DKK 25m in the SME line. Unknown cumulative risk is where several policyholders could be affected by the same individual event (conflagration damage) without the common risk being recognised prior to the event occurring. The retention is a maximum of DKK 50m.

Life insurance

Loss absorbing buffers in the event of low interest rates

Customers' individual and collective bonus potential is the loss absorbing buffers in life insurance against any losses incurred by customers on investment activities.

Low interest rates mean that the market value of the guarantees granted is high, and that the related bonus potential is low. The lower the bonus potential, the higher the risk of any losses being wholly or partially born by shareholder's equity. If interest rates are high, the same losses could, to a larger degree, be absorbed by the bonus potential.

Declines in the collective bonus potential are most frequently due to the investment return being lower than the addition of interest to deposits. Declines in collective bonus potential are also possible if interest rates are relatively high.

In order to protect shareholders' equity, it will be relevant to reduce market risks in the event of low interest rates.

All policies have been split into contribution groups according to the guaranteed benefit scheme. In each contribution group, the investment policy is intended to ensure the ability to meet the guaranteed benefits, and the market risk is adjusted in accordance with the risk capacity of the contribution groups. The movements in interest rates are followed in order that risk reducing actions may be performed as required.

Disability

Disability risk is the risk of increasing disability intensity or declines in the rates of resumption of work, in that the benefits have been guaranteed until expiry. Losses may be incurred due to an increase in disability frequency or due to inadequate health evaluation when the policy is written.

Extra costs due to a permanent change in disability risk will be partially covered by individual and collective bonus potential. The remainder affects profit/loss for the year and consequently shareholders' equity.

Lifetime

Lifetime risk is the risk that customers with life dependent policies, primarily annuities, live longer than expected, which will increase provisions for lifetime products.

Extra costs due to longer lifetimes will be partially covered by individual and collective bonus potential. The remainder affects profit/loss for the year and consequently shareholders' equity.

Market

Market risk represents the risk of losses due to changes in the market value of the Group's assets, liabilities and off-balance items as a result of changes in market conditions. Market risk includes interest rate, equity, property, currency, inflation and liquidity risk.

The limits for these financial risks are set by Topdanmark's Board of Directors. In practice, Topdanmark Kapitalforvaltning (asset management) handles the investment, finance and risk alignment processes. Compliance with the limits set by the Board of Directors is regularly controlled. The result of this is reported to the Board of Directors.

Market risks	Risk reducing activities
<p>Interest rate risk Topdanmark is exposed to interest rate risk due to provisions for outstanding claims in non-life insurance and guaranteed benefits in life insurance.</p>	<p>Generally, the interest rate risk is limited and controlled by investing in interest-bearing assets in order to reduce the overall interest rate exposure of the assets and liabilities to the desired level.</p> <p>With regard to cover of interest-bearing assets, supplementary hedging by swaps and standard swaptions will be bought as required.</p>
<p>Equity risk Topdanmark is exposed to equity risk from direct investments as well as investments made via derivatives.</p>	<p>The equity risk is alleviated by trades in the market and by derivatives.</p>
<p>Property risk Topdanmark is exposed to property risk from investments in properties rented out for business or private residence.</p>	<p>The risk on the property portfolio is limited by a strategy focusing on Copenhagen and Århus. Topdanmark invests in well-situated properties within the segments of housing and flexible office properties.</p>
<p>Credit Spread risk Topdanmark is exposed to credit spread risk from bonds and other investments where prices are dependent on counterparty creditworthiness.</p>	<p>The credit spread risk is alleviated by focusing on bonds etc. with very high creditworthiness and by a spread on counterparties.</p>
<p>Concentration risk Concentration risk is a risk that increases when investments are consolidated with individual issuers, whereby dependence on these issuers' solvency grows.</p>	<p>The concentration risk is limited by ensuring that investment size reconciles with counterparty creditworthiness.</p>
<p>Currency risk Topdanmark's currency risk relates in practice only to investments.</p>	<p>The currency risk is alleviated by derivatives.</p>
<p>Inflation risk Future inflation is implicitly included in a number of the models Topdanmark uses to calculate its provisions.</p> <p>Workers' compensation and illness/accident insurance differ from the general principles regarding the inclusion of an allowance for inflation. The provisions in workers' compensation insurance are calculated on the basis of the expected future indexation of wages and salaries, and those in illness/accident insurance on the basis of the expected net price index.</p>	<p>An expected higher future inflation rate would generally be included in the provisions with a certain time delay, while at the same time the result would be impacted by higher future indexation of premiums.</p> <p>In order to reduce the risk of inflation within workers' compensation and illness/accident insurance, Topdanmark uses index-linked bonds and derivatives hedging a significant proportion of the expected cash flows.</p>
<p>Liquidity risk In insurance companies the liquidity risk is very limited as premiums are paid prior to the beginning of the risk period.</p> <p>Generally, Topdanmark's liquidity risk is low.</p>	<p>Topdanmark performs an ongoing monitoring of the liquidity risk based on scenario-based stress reporting.</p>

The liabilities of the Group's insurance companies are primarily technical provisions on which the payment

obligation is met by means of the cash flow from operations.

Expected cash flows (DKK M)	Carrying amount	Cash flows years					
		1	2-6	7-16	17-26	27-36	>36
Provisions for claims							
2017	13,013	4,036	5,217	2,907	1,193	566	84
2018	13,003	3,897	5,494	2,825	1,130	512	90
Life insurance provisions guarantees and profitsharing							
2017	24,063	2,583	6,986	10,603	5,127	1,632	454
2018	23,134	2,571	7,024	10,200	4,620	1,453	429
Bond portfolio including interest derivatives							
2017	33,601	19,473	6,495	10,139	583	0	0
2018	32,575	14,471	10,119	10,313	1,123	0	0

Life insurance provisions for unit-linked products are covered by investments. The provisions and related bonds are therefore not included.

The expected cash flows of the bond portfolio are calculated based on option adjusted durations that are used to measure the duration of the bond portfolio. The option adjustment relates primarily to Danish mortgage bonds and reflects the expected duration capturing the shortening effect of the borrower's option to cause the bond to be redeemed through the mortgage institution at any point in time.

The Group uses derivatives to hedge investment risks. The hedging of currency risk in particular often results in significant positive or negative balance values.

Topdanmark pays or receives cash security for any changes in value. The extent of these daily changes is limited such that there is no challenge to liquidity.

Generally, there are no maturity concentrations on derivative contracts.

The Group's insurance companies may raise money market loans as part of the day-to-day liquidity management. Typically, the maturity of such loans is less than a month. Both the subordinated loans raised by Topdanmark Forsikring and any outstanding money market loans will be repaid from the cash generated from operations.

Furthermore, the Group has a significant liquidity base of high-quality liquid bonds.

Counterparty risk

Counterparty risk, also known as credit risk is the risk of losses caused by one or more counterparties' full or partial breach of their payment obligations. Topdanmark is exposed to credit risk in both its insurance and investment business.

Reinsurance

Within insurance the reinsurance companies' ability to pay is the most important risk factor. Topdanmark minimises this risk by spreading and primarily buying reinsurance cover from reinsurance companies with a minimum rating of A-. Accordingly, almost 100% of its

storm cover has been placed with such reinsurance companies.

Investment

Topdanmark may suffer a loss due to the inability of bond, loan or financial contract counterparties to meet their obligations. Most of Topdanmark's interest-bearing assets comprise Danish mortgage bonds and debt issued or guaranteed by top-rated European states. The risk of losses is considered to be very small due to the high quality of the issuers and a desired spread on both issuers and issues. To limit the risk on other bond and loan debtors, the portfolio is well diversified both geographically and with regard to type of debtor - and therefore, the exposure to the concentration of risks is insignificant.

Interest-bearing assets by rating (%)	2017	2018
AAA+AA	78	76
A	3	4
BBB	1	0
<BBB	12	11
Money market deposits	7	9

To limit the counterparty risk of financial contracts, the choice of counterparties is restrictive, and security is required when the value of the financial contracts exceeds the predetermined limits. The size of the limits depends on the counterparty's credit rating and the term of the contract.

Operational risk

Operational risk includes the risk of losses incurred due to errors and deficiencies in internal processes, human errors, fraud, system errors, breakdowns of IT systems and the risk of losses incurred due to external events.

Topdanmark regularly develops and improves IT systems, routines and procedures. The responsible business units are also responsible for the risk management of this development.

Projects are to carry out a risk assessment with a description of the risks, possible consequences and measures to limit these risks.

New IT-systems will not be put into production until completion of an extensive test procedure.

IT

Group IT Security, reporting to the IT Manager, is responsible for information security.

Risk assessment

Risk assessments of each operational IT risk are made regularly. Group IT Security reports on risks and events to the Compliance Function on a quarterly basis.

Topdanmark's IT risk assessment, information security policy, prioritisation of risks and IT Emergency strategy, are based on IS027001, revised each year and approved by the Board of Directors.

Cyber-crime risk

The general threat from cyber-crime is increasing. In general, Topdanmark handles the risk via an IT Security Committee/Cyber-Security Board that regularly assesses the threat and the measures necessary to secure the required security level.

Two external firms possessing special expertise within cyber-crime are members of Topdanmark's IT Security Committee/Cyber-Security Board and thus act as advisers to Topdanmark's IT Security Manager. One of the firms provides consultancy on security solutions to maintain an effective defence against Cyber Crime while the other firm conducts regular tests to verify Topdanmark's resilience against critical attacks from outside. The firm also gives advice about vulnerabilities which must be fixed. Topdanmark's IT Security Committee reviews and prioritises the results from these tests.

For several years, new employees have been informed about information security and in 2018, all employees and consultants in Topdanmark have conducted an e-learning course on information security. This course must be carried through once a year.

Outsourcing is increasingly used in Topdanmark. As a consequence, Topdanmark investigates and evaluates the information security with new cooperation and service partners. Topdanmark also monitors the information security with existing partners to prevent Cyber Crime.

Topdanmark's technical IT security is based upon several layers of protection (Defense in Depth) and IT also tests infrastructure and new applications, among others. Relevant employees have been educated to use the tools to conduct such tests.

IT emergency plan

The IT emergency plan includes plans for re-establishing the IT environment if the systems suffer breakdowns. The IT emergency plan is tested regularly. Topdanmark's business critical systems can be inaccessible for 24 hours without causing significant business problems. In order to reduce the probability of breakdowns of the IT systems and limit their duration, Topdanmark has invested in, for example, emergency power plants with a diesel generator, disk mirroring, alarms and automatic firefighting equipment. Critical IT equipment is in duplicate and placed in two physically discrete machine rooms. Back-up of systems and data is made and a duplicate of the back-up is kept with an outsourcing partner.

Accessibility

Topdanmark's goal is for the accessibility of its main systems to be no less than 99.5%.

The mainframe platform has a higher average accessibility level than the decentralised systems, because these often depend on the mainframe platform.

Errors in internal processes, human errors, insurance fraud and deceit

Topdanmark's well-documented routines, procedures and efficient control environment minimise these risks. It has made emergency plans for the most significant areas.

Internal Audit

The routines and procedures in all critical areas are regularly checked by the auditors in order to assess the risks and recommend measures to limit each individual risk.

Central Claims

Central Claims is a minor department solely dealing with cases where fraud is suspected. Topdanmark believes that honest customers should not have to pay for the dishonest customers. Therefore, we owe it to our customers to examine any suspicion of insurance fraud.

Event register

Topdanmark monitors and reports on operational risks in order that the organisation will learn from its mistakes. Consequently, a process has been established including

a tool to register events, which are then collected centrally in an event log and communicated onwards in the management system.

Digitisation/automation

Topdanmark is working continuously on digitisation and automation to ensure efficient business and a good customer experience. Focus is on automation of a number of processes, which will help to reduce the risk of human error. Digitisation is not only robots of which Topdanmark has introduced some so far. Topdanmark also needs to focus on the future and what it requires to navigate in an increasingly and rapidly changing technological development going forward.

In order to control the operational risk connected to processes based on algorithms, machine learning and artificial intelligence, robots are tested regularly in order to prevent and eliminate possible programming and system errors. Tests are always carried through prior to new releases and in case of breakdowns of operation.

The robot handling bad weather damages is tested regularly to ensure that it works properly in case of major events.

The robots are working according to the specified rules. In case that the correct parameters have not been implemented in the robot enabling it to find and register the required information, the task is channelled to the relevant employee. Subsequently, the employee will ensure that the parameters are updated.

The algorithms saved in the robots' software are based on the experience of expert employees on the subject area. For example, the software calculating prices is adjusted as actuarial adjustments of the tariff in question are made.

Thus, Topdanmark has been assessed to have the proper rules of procedure and competencies to detect and handle technology related risks.

Compliance risk

At Topdanmark, compliance comprises compliance with all statutory and managerial requirements for Topdanmark's corporate governance.

Compliance risk is the risk that Topdanmark does not have sufficient knowledge of current or future rules. Additionally, compliance risk is the risk of violation of rules and the losses this might cause Topdanmark and Topdanmark's customers. Such losses can be direct financial losses or indirect losses in the form of sanctions or bad publicity as a consequence of not acting in accordance with the rules.

Rules comprise all rules, internal rules of Topdanmark's policies and the relevant guidelines as well as all relevant legislation and its sub-rules. Furthermore, rules comprise fixed business practices for the performance of activity in Topdanmark.

Accordingly, compliance comprises compliance with the rules which are necessary and required to ensure that Topdanmark's business is conducted in an appropriate and, in terms of business, proper way. Documentation of compliance for Topdanmark's stakeholders is part of compliance.

Compliance Function's work

The Compliance Function is intended to:

- issue rules for identification, management and control of compliance risks
- exercise control and advise the Group on compliance with legislation and internal rules.

Topdanmark's Compliance Function exercises control and provides advice to ensure that the Group's divisions and administrative departments comply with relevant legislation and internal rules. The Compliance Function's work is part of Topdanmark's overall control environment, which covers the procedures, control and organisation ensuring observance of rules.

The Compliance Function's work comprises the following principal tasks:

- Compliance reviews and annual status meetings with all of the Group's divisions and administrative departments
- Reporting on compliance risks to the Executive Board and the Board of Directors
- Administration and updating of the Compliance Function's routines and tools.

Event register

The Compliance Function administers Topdanmark's event register.

Notes to the financial statements • Group

Note 47. Accounting policies

Topdanmark Group's 2018 Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the additional Danish disclosure requirements of NASDAQ Copenhagen A/S and the Danish Financial Business Act on annual reports prepared by listed financial services companies.

Change of accounting policies

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

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

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

The financial highlights and the five-year summary have been adjusted accordingly.

New accounting standards

IFRS

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

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

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

As a consequence, the Topdanmark Group has chosen to postpone the implementation of IFRS 9 to the

implementation of IFRS 17, which is expected to take effect on 1 January 2022.

The Executive Order on Financial Reports

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

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

Change of accounting estimates

The Group has updated the assumptions for measurement of the life insurance provisions. This comprises rate of mortality including expected future life expectancies, disability, recovery and surrenders. The updated assumptions have merely had a marginal impact on the life insurance provisions, the profit for the year and the shareholders' equity.

Future accounting standards

IFRS

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

IFRS 16 "Leasing"

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

IFRS 9 "Financial instruments"

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

IFRS 17 "Insurance Contracts"

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

Accounting estimates and judgements

In the preparation of Topdanmark's financial statements, estimates and judgements have been made which affect the size of assets and liabilities and consequently the results and shareholders' equity in this and subsequent financial years.

The most significant estimates and judgements are made in the calculation of insurance provisions and investment properties.

Provisions for outstanding claims

Provisions for claims incurred, but not yet paid, have been calculated as the best possible estimate at the end of any given year. As, at this time of the year, all necessary information is not available, there will be deviations between the actual claims paid and the provisions made in the form of either run-off losses (provisions too low) or run-off profits (provisions too high).

The provisioning risk is significant, in particular in lines with a long period of claims settlement such as workers' compensation, accident, commercial and motor liability. The levels of compensation could be significantly affected by any changes in legislation, case-law or the practice in the award of damages adopted by, for example, the Danish Labour Market Insurance.

The five-year summary discloses the most recent financial years' run-off results. The movement in the provisions for outstanding claims and run-off analysed by claims year is shown in the note on provisions for outstanding claims. The note on "Technical result – non-life" specifies run-off for the year analysed by line of business. For further details, see Management's review.

Premium provisions

Premium provisions are measured based on an estimate of future payments for incidents in the remaining period of cover. A significant uncertain and estimated assessment is involved in the determination thereof. Premium provisions must be seen in connection with the profit margin. Financial estimates and assessments with effect on the result of the year and shareholders' equity are primarily relevant within businesses with combined ratio of 100 or more, e.g. change of ownership, workers' compensation and motor liability, where premiums are insufficient for covering expected payments and a risk margin, and consequently provisions to cover losses must be made.

Workers' compensation and motor liability insurance policies are typically one-year policies, whereas change of ownership contracts cover a period of five or ten years and the full payment is made up front.

Life insurance provisions

The uncertainty related to the value of the life insurance provisions is based on a number of actuarial estimates of disability, lifetime etc., and the frequency concerning repurchase and termination of premiums which may have a significant effect on the size of the life insurance provisions.

Investment properties

A return model based on market-determined net earnings and rates of return with various parameters such as location, idleness, quality of tenants etc. is used for determining the fair value of investment properties.

General

Consolidated financial statements

The consolidated financial statements include the parent company Topdanmark A/S and all of the companies that are controlled by the parent company. The parent company is deemed to control the companies through direct or indirect ownership of more than 50% of the voting rights, or when it can have or has an otherwise controlling influence.

The income statement and balance sheet are presented in accordance with the DFSA's IFRS-compatible Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds.

Consolidation

The consolidated financial statements have been prepared by aggregating items within the financial statements of the parent company and the subsidiaries on a line-by-line basis. The same accounting policies are applied by the subsidiaries as by the parent company.

Properties owned by the subsidiaries and used by the Group have been re-classified from investment properties to owner-occupied properties.

Intra-group income and expenses, shareholdings, balances and dividends as well as gains and losses on intra-group transactions have all been eliminated.

Companies acquired during the year have been included in the consolidation from the date of assumption of control and those companies sold during the year, until the date of relinquishment of control.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group, and where the asset has a value that can be measured reliably. Liabilities are recognised in the balance sheet, when it is probable that future economic

benefits will flow from the Group, and where the value of the liability can be measured reliably. The recognition and measurement take into consideration predictable losses and risks, which have occurred prior to the presentation of the Annual Report, and which provide evidence of conditions that existed at the balance sheet date.

Income is recognised in the income statement when earned. Similarly, all expenses are recognised which relate to the financial year, including amortisation and impairment.

The initial recognition of financial instruments is made at fair value on the date of settlement. Any changes in the value between the trade and settlement dates are included in the balance sheet under the heading of Derivatives. Direct expenses on the acquisition or issue of financial instruments which are measured at fair value with any revaluation of the fair value taken to the income statement are included in expenses on investment activities, when incurred. However, financial instruments which, subsequent to the initial recognition, have been measured at amortised cost are recognised at fair value adjusted for direct expenses on the acquisition or issue of the financial instrument.

True sale and repurchase transactions and true purchase and resale transactions (repo/reverse transactions) are recognised and measured as secured loans.

Measurement of fair value

Fair value is the price which would be achieved on the sale of an asset or paid for the transfer of a liability in a normal transaction between the market players at the time of measurement.

The IFRS defines a hierarchy of three levels for measurement of fair value:

Level 1

The calculation at fair value is based on the listed prices of transactions in active markets. If there is an active market for listed equity investments, bonds, derivatives etc., the measurement is generally based on the closing price end of year.

Level 2

If there is no closing price, another public price is used, which is believed to be the most appropriate, in the form of indicative prices from banks/brokers. Assets of this type are, for example CDOs and credit bonds. Valuation methods or other publicly available information are used to value listed securities, where the closing price does not reflect the fair value.

Valuation methods are based on publicly available market data. If there is no active market for the financial

instrument, depending on the nature of the asset or liability, the calculation is based on underlying parameters such as interest and foreign exchange rates, volatility or comparison with the market prices of corresponding instruments.

Level 3

In certain cases, the valuation cannot be based on publicly available market information alone. In these cases, valuation models that could imply the use of estimates of both the future and the nature of the current market situation are used. The accounting policies for measurement of properties, which are the most significant assets of level 3, are described below under "Owner-occupied properties" and "Investment properties" respectively.

Insurance and investment contracts – classification

The Topdanmark Group writes contracts which transfer insurance risk, investment risk or both.

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensation if a specified uncertain future event adversely affects the policyholder. Insurance risk is always considered to be material in non-life insurance. In life insurance, it is considered to be material when it covers disability including premium waiver and mortality where the benefit exceeds the total savings of the policy.

The classification is carried out on contract level. Contracts with related solidary premium waiver or group products are considered insurance contracts in full.

An investment contract is one where the amount of insurance risk is not sufficient for it to be classified as an insurance contract. However, if the investment contract includes bonus participation it is treated as an insurance contract. Payments received and made on investment contracts without bonus participation, have been taken directly to the balance sheet.

Currency

As the predominant rule, DKK is the Group companies' functional currency and the presentation currency of the Annual Report.

The initial recognition of transactions in currencies other than DKK is made at the exchange rates prevailing at the date of the transactions. Debts and receivables, and other monetary items which have not been settled on the financial position date, are translated at the closing exchange rates. Translation differences are recognized in Revaluations in the Income Statement.

Expenses

Expenses are recognised in the Group's income statement classified by function: claims incurred (claims handling), acquisition costs and administrative expenses, investment return and other expenses. The allocation of expenses, which do not directly relate to a function, is based on an assessment.

Share options

The Executive Board and Senior Executives participate in a share option scheme.

The fair value, on the date the option is granted, is included in staff costs in the income statement, with a set-off in shareholders' equity. The fair value is calculated using the Black & Scholes model.

The options are primarily settled with own shares. Any strike amount received on the exercise of the options is taken to shareholders' equity.

Employee shares

Topdanmark has established an employee share scheme implying a pay cut. The value of the shares is continuously included as staff expenses in the income statement with a set-off on shareholders' equity.

Calculation of profit in life insurance

The calculation of profit for life insurance is regulated by the Danish Financial Business Act. Topdanmark's policy on the calculation of the profit for the year has been reported to the DFSA.

The result of life insurance comprises unconditional and conditional profit elements.

The unconditional profit elements comprise the return on assets allocated to shareholders' equity, acquisition cost result and the profit on contracts outside of contribution.

The conditional profit elements comprise the risk return which is calculated for each contribution group. The risk return for each contribution group (cost, risk and interest rate groups) has been based on their estimated risk on shareholders' equity and on the profit margin determined by the company for the year.

The risk return is transferred to shareholders' equity if it can be covered by collective bonus potentials before recognition of profit margin.

Shareholders' equity must contribute to the financing of a potential negative result for each contribution group if it cannot be covered by collective bonus potential and individual bonus potentials. A deficit which is not covered by the bonus potentials is assigned to a shadow account for the group which can be restored at a later time when bonus potentials are sufficient.

Segment information

Topdanmark has divided its non-life insurance business into the following two business segments:

Private offers insurance policies to individual households in Denmark.

SME offers insurance policies to Danish-based agricultural and SME businesses.

Management reporting at this segment level comprises only reporting on the technical result but no reporting on assets and liabilities.

Life insurance is considered a separate business segment.

The recognition and measurement of the information reported by each segment follow the same accounting policies as those applied by the Group.

Topdanmark conducts insurance business only in Denmark and, therefore, no specific geographical segmental information is provided.

Cash flow statement

The cash flow statement for the Group has been prepared in accordance with the direct method disclosing cash flow from operations, investments and financing as well as the changes in the Group's liquid funds between the beginning and the end of the financial year. Investment activities also include amounts received and paid on the purchase and sale of investment, intangible and tangible assets. Cash flows from financing comprise changes in capital, including the purchase and sale of own shares. Furthermore, it includes the raising of loans and repayments on interest-bearing debt. Cash and cash equivalents comprise liquid funds as well as deposits with credit institutions.

Income statement

Premiums earned

Gross premiums in non-life insurance comprise those premiums due during the year and an estimate of premiums on insurance contracts written, either directly or indirectly, for which the period of risk has commenced before the end of the financial year. They do not include own risks. Premiums earned net of reinsurance comprise gross premiums for the year adjusted for changes in the provisions for unearned premiums and net of reinsurance. Effectively, this means the premiums are being recognised in line with the distribution of risk over the period of cover. For onerous insurance contracts, the expected loss is included when the contracts are underwritten.

As premium provisions and profit margin are calculated at a discounted basis, an element of interest is included in premiums earned.

In life insurance, premiums net of reinsurance comprise those premiums, including single premiums, which are due within the year, net of reinsurance, for all insurance contracts and bonus participating investment contracts.

Allocated investment return net of reinsurance in life insurance

The investment return is calculated as the overall investment return in the life insurance group net of the proportion of the investment return relating to illness and accident insurance and the proportion transferred to shareholders' equity in accordance with the definition of profit reported to the DFSA.

Pension return tax

Pension return tax includes the return tax that arises from the return in life insurance included in the income statement, whether the tax is current or to be paid in subsequent periods.

Claims incurred and benefits paid

In non-life insurance, claims incurred net of reinsurance comprise claims paid during the year adjusted for changes in the provisions for outstanding claims and net of the reinsurers' share. Accordingly, claims incurred comprise known and expected claims relating to the year as well as any adjustments to the provisions made in previous years. Furthermore, they comprise direct and indirect expenses on claims handling. However, the proportion of the change in provisions for outstanding claims relating to amortisation and revaluation is included in return and revaluations non-life insurance provisions. Topdanmark has entered into derivatives partially hedging the provisions for workers' compensation and annuities in illness and accident insurance against changes in future wage and price indexation. The revaluation is included in claims incurred.

In life insurance, claims and benefits paid net of reinsurance comprise payments relating to claims, surrenders and cash bonuses.

Bonuses and rebates

Bonuses and rebates include those premium amounts that have been or will be paid back to policyholders, on the basis that the amount of the repayment is calculated with reference to the claims trend of the financial year for each insurance contract or a portfolio of insurance contracts using criteria determined prior to the beginning of the financial year, or when the insurance contracts were written.

Operating expenses

Technical operating expenses which relate, either directly or indirectly, to the acquisition and renewal of the portfolios are included in acquisition costs. Sales commission is generally recognised in the income statement on the date the insurance contract takes effect. Administrative expenses comprise other costs incurred in the administration of the portfolios which relate to the financial year, and which have been accounted for on an accruals basis. Commission received from reinsurers has been accounted for on an accruals basis over the reinsurance contracts' period of cover.

Investment activities

Income from associates comprises a share of the post-tax results of the associates calculated in accordance with the Group's accounting policies. Income from investment properties comprises the operating results excluding interest charges and revaluations that have been recognised separately in the financial statements. Interest, dividends etc. comprise all interest, dividends etc. earned in the financial year. Realised and unrealised gains and losses on investment assets, exchange rate adjustments, and realised gains and losses on owner-occupied properties are included in revaluations. Administrative expenses on investment activities comprise the cost of asset management including transaction costs.

Return and revaluation of non-life insurance provisions

Return and revaluation of non-life insurance provisions includes amortisation and revaluation of premium and claims provisions, profit margin as well as risk margin for non-life insurance.

Other income and expenses

Other income and expenses that do not relate to the administration of insurance portfolios or investment assets are included in other income and expenses.

Taxation

The tax charge for the year comprises the current corporation tax for the year and any changes in deferred tax. The share of the tax charge that relates to the profit for the year is included in the income statement, the share that relates to other comprehensive income items is included in other comprehensive income, and the share that relates to shareholders' equity items is taken to shareholders' equity. The current tax for the year is calculated using the tax rates and rules applicable on the financial position date.

Topdanmark A/S is jointly taxed with all the Danish companies of the Topdanmark Group and all Danish companies and affiliates in the Sampo Group. As the

management company of the joint taxation, Topdanmark A/S settles all corporation tax payments with the tax authorities.

The joint tax contributions are distributed to the jointly taxed companies on a proportionate basis relative to their taxable income. Furthermore, those companies with tax losses receive joint tax contributions from those companies which have been able to use this loss to reduce their own taxable income.

Assets

Intangible assets

Goodwill relates to the acquisition of companies prior to 2004 and is recognised at the carrying amount on the date of transition to IFRS. Goodwill is not amortised but subjected to an impairment test at the end of the financial year and written down to its recoverable amount if this is lower than the carrying amount.

Acquired software licences are measured at cost and amortised on a straight-line basis over the expected useful life of a maximum of three years. Development projects which are clearly defined and definable are measured at cost at the amount of external costs incurred and depreciated over the expected useful life of a maximum of five years. If there is an indication of impairment, the carrying amount is written down to its recoverable amount.

Intangible assets under construction are subjected to an impairment test at the end of the financial year and written down to their recoverable amount, as required.

Tangible assets

Operating equipment

Operating equipment is measured at cost less depreciation on a straight-line basis and net of any impairment. Depreciation on a straight-line basis is calculated on the basis of the expected useful life and the residual value, which is annually revalued. If there is an indication of impairment, the carrying amount is written down to its recoverable amount.

IT equipment, other equipment and cars as well as improvements of rental properties are depreciated over their expected useful life of up to five years. Solar cell plants are depreciated over their expected useful life of 25 years.

Owner-occupied properties

Owner-occupied properties are those properties used for the Group's own operations. The properties are measured at a revalued amount being the fair value on the date of revaluation. The properties are reviewed and assessed annually by the Group's own valuers. No external valuers have been involved. The buildings are depreciated on a

straight-line basis, given an expected life of 50 years and an annually re-assessed residual value. Land is not depreciated. The fair value of the revaluation of owner-occupied properties is assessed on the same basis as investment properties. Any revaluation surplus is included in other comprehensive income unless the revaluation is a reversal of a previous impairment. Impairments are included in the income statement unless the impairment is a reversal of previous revaluation included in other comprehensive income.

Investment properties

The initial recognition of investment properties is made at cost, which comprises the purchase price of the properties plus any directly related initial expenditure.

In accordance with the guidelines of the DFSA, the subsequent measurement of the investment properties is made at fair value representing the estimated amount at which the property could be sold within a reasonable time frame to an independent buyer. The fair value is calculated, using the return model, as the calculated capital value of the expected cash flow from each property.

The expected cash flow is based on the assumed net earnings for the next year adjusted to reflect normal earnings, including the current market rent. Adjustments are made for factors which are not reflected in normal earnings, for example, major renovation works, expected idleness etc.

The calculation of the capital value uses a rate of return which is set for each property on the basis of the current market conditions on the balance sheet date for the type of property concerned, the location of the properties, the quality of the tenants etc. with the effect that the rate of return is estimated to reflect the market's current rates of return for corresponding properties.

Market trends and the rates of return of the market are regularly analysed. Each property is assessed annually by the Group's own valuers. No external valuers have been involved.

The revaluation for the financial year of the fair value of the properties is recognised in the income statement.

Associates

Associates are companies which are not subsidiaries, and over which the Group has substantial influence through a significant shareholding and representation on the board of the company.

Equity investments in associates are measured at their net asset value, in accordance with the Group's accounting policies with paid goodwill added.

The equity investments held are regularly tested for impairment and devalued to the recoverable amount if this is lower than the carrying amount.

Financial assets

Financial assets are classified at the time of their initial recognition as:

- Financial assets measured at fair value with any value adjustment through profit and loss or,
- Loans and receivables measured at amortised cost.

Financial assets at fair value with any value adjustment through profit and loss are financial assets which either are included in a trading portfolio, are derivatives or at their first recognition are designated in this classification, because the assets are managed and measured on a fair value basis, or because this eliminates or significantly reduces accounting inconsistency.

All financial assets included in "Other financial investments assets" and "Investment assets related to unit-linked products" are measured at fair value with any value adjustment through profit and loss.

Receivables at amortised cost

At initial recognition receivables are measured at fair value, and subsequently at amortised cost. The receivables are regularly assessed for impairment and written down to their recoverable amount, as required. Such impairments are generally made collectively on the basis of a due date analysis. When an individual receivable is considered irrevocable, the impaired amount is transferred from the account for collective allowances.

Reinsurers' share

Reinsurers' share of the provisions for unearned premiums represents the proportion of reinsurance premiums paid, net of commission received, which based on the spread of risk during the period of cover, relate to the period after the end of the financial year.

Reinsurers' share of the provisions for claims has been calculated as the amounts expected to be received from reinsurance companies according to the reinsurance contracts concluded. Expected future payments are discounted using an interest rate structure. The reinsurers' share is regularly assessed for impairment and written down to its recoverable amount, as required.

Liabilities

Shareholders' equity

Revaluation reserves

Gains on the revaluation of owner-occupied properties are transferred to the revaluation reserves net of corporation tax. The reserve will be dissolved if the revaluation is reversed or if the property is sold.

Security fund reserves

The security funds are special funds under shareholders' equity. Prior to 1989, they were transferred to shareholders' equity for capital adequacy and were tax-deductible.

The security funds can only be used for strengthening the technical provisions or otherwise for the benefit of policyholders and only if permitted by the DFSA.

Other reserves

Other reserves comprise a reserve at net asset value relating to non-life insurance.

Proposed dividend

Dividend is recognised as a liability at the time of adoption at the annual general meeting.

Other subordinated loan capital

The initial recognition of other subordinated loan capital is made at fair value less transaction costs and, subsequently, measured at amortised cost. Any difference between the proceeds (less transaction costs) and the nominal value is recognised in the income statement over the loan period based on an effective interest rate.

Provisions for insurance and investment contracts

Provisions for unearned premiums

These provisions are calculated at present value of best estimate of expected payments of future insurance events covered by insurance contracts concluded. Topdanmark's insurance contracts are usually written for a 1-year period.

Premiums for insurance contracts concluded comprise due and undue premiums for insurance contracts for which the Group is committed on the balance sheet day. Undue premiums are composed of the renewal/new policies of the next two months and non-collected instalments for insurance contracts to be paid on a monthly, quarterly or semi-annual basis.

Premium provisions are calculated on the basis of the latest prognosis for combined ratio for the next 12 months. The prognosis is prepared on a quarterly basis, i.e., based on analyses of the trend in premiums, compensation and expenses and for change of ownership also statistical analyses of trend in claims notification in relation to the time the insurance contracts were written.

Expected payments comprise compensation as well as direct and indirect expenses for administration, claims handling and acquisition. Furthermore, expected bonuses and rebates are included, and expected return of premiums in connection with customer defection is taken into account.

Expected payments are calculated at present value discounted by the volatility adjusted interest rate curve.

In premium provisions, best estimate of undue premiums for insurance contracts concluded is deducted, considering expected customer defection.

Changes in provisions due to a change in the interest rate curve used and amortisation until the expected time of payment are transferred to "Return and revaluation of non-life insurance provisions".

Profit margin on non-life insurance contracts

Profit margin is the expected profit during the remaining part of the period of cover for insurance contracts concluded.

Profit margin is calculated as the difference between expected premiums for future periods of cover for insurance policies concluded and the expected payments included in premium provisions.

Expected payments are calculated at present value discounted by the volatility adjusted interest rate curve.

Changes in the present value of the expected payments due to changes in the interest rate curve and amortisation of the profit margin during the period of cover of the insurance contracts, are transferred to "Return and revaluation non-life insurance provisions".

The share of the risk margin related to settlement of premium provisions is deducted from the profit margin.

If the present value of expected payments and risk margin for an insurance portfolio with similar risks is expected to exceed the premiums, the profit margin for this portfolio is set to zero.

Life insurance provisions

Life insurance provisions for with-profit contracts are measured at fair value. Accordingly, the liabilities are calculated on the basis of the market value independent of the original technical base. The fair value of the life insurance provisions is based on the realistically expected future premiums to be received, benefit payments to be made and administrative expenses incurred on the contracts written.

The future payments to be received and made have been based on the assumed incidents of death, disability, resumption of work, renewal and premium expiry. The mortality rate is calculated by considering the DFSA's population mortality rate and Topdanmark's own observed mortality rate. Furthermore, the DFSA's assessed improvement in future life expectancy is applied. The other parameters stated are best estimates based on Topdanmark's observations.

Remaining life expectancy for a 60-year-old man and a 60-year-old woman is as follows:

Remaining Life expectancy	60 year old man	60 year old woman
Topdanmark Livsforsikring	27.4	29.5
DFSA's benchmark	26.6	28.8

The provisions include amounts to cover the expected expenses on the future administration of the insurance contracts written. These expenses have been calculated using an annual indexation of 2%.

The present value of the expected future payments has been calculated using an interest rate curve determined in Solvency II (EIOPA interest rate curve). The interest rate curve is volatility adjusted and for contracts subject to pension return tax, each interest rate used is reduced by the tax rate of 15.3%.

The provisions include a risk margin corresponding to the percentage which would be demanded by an independent purchaser of the company's portfolio of life insurance policies to compensate for the risk of fluctuations in the expected payments. The risk margin is calculated as the increase in guaranteed benefits stressing the biometric risks.

Life insurance provisions are calculated as the sum of a best estimate for guaranteed benefits, best estimate for unguaranteed benefits and the allowance for risk.

Best estimate for guaranteed benefits is measured as the present value of current, guaranteed benefits plus future administration expenses and deduction of present value of agreed premiums. Guaranteed benefits are calculated considering amendments of the insurance contracts to paid-up policies and surrender.

Best estimate for unguaranteed benefits is calculated at contribution group level as the group's collective bonus potential adjusted for risk allowance and positive values of the difference between, on the one hand, the accumulation of the insurance contracts (retrospective provisions) and on the other hand, best estimate of guaranteed benefits of these insurance contracts.

Collective bonus potential is used for equalization of each year's bonus allocations. Thus, in years where the investment and insurance results are better than the allocated bonus, transfer to collective bonus potential will be made, while in years when the result is insufficient to finance the allocated bonus, funds will be transferred from the collective bonus potential.

Life insurance provisions for unit-linked products are calculated at fair value corresponding to the assets related to the insurance contracts less the profit margin.

Profit margin on life insurance and investment contracts

Profit margin is the expected future profit for the company from contracts concluded and when possible, profit margin for products with guarantees and profit sharing is financed by the individual bonus potential and secondarily by the collective bonus potential. The value is calculated as an interest margin of 0.05%. Profit margin has been calculated on the basis of the expected duration of the insurance contracts.

Claims provisions

Claims Provisions must cover future payments of claims incurred and their administration.

Claims provisions are assessed for each line of business, either on a claim-by-claim basis (individual provisions), or by using statistical methods (collective as well as incurred but not reported (IBNR) and incurred but not enough reported (IBNER) provisions). Claims exceeding a fixed amount, dependent on the line of business, are assessed individually, and provisions for smaller claims are assessed collectively. IBNR provisions cover expenses on post-notified large claims. IBNER provisions cover extra expenses on already reported claims for which the individually assessed provisions are not sufficient due to, for example, inadequate information at the time of assessment. The collective provisions are calculated using de Vylder's credibility model adjusted for each line of business. The IBNR and IBNER provisions are calculated using models developed in-house. In agricultural and commercial lines, claims are assessed individually. IBNR and IBNER provisions are also included in the total provision. In personal lines, claims not exceeding DKK 100,000 are assessed collectively while larger claims and all claims on change of ownership policies are assessed individually. IBNR and IBNER provisions are also included in the total provision. In motor and accident lines, total provisions comprise the sum of the collective and individual provisions. Individual provisions are the result of an assessment where the claims handler has assessed the total claim payment to exceed DKK 1.5m, and the case is estimated to exceed the amount paid out. Large claims and claims relating to previous years are individually assessed within personal liability in motor insurance.

IBNR provisions for illness and accident insurance are calculated using models developed in-house.

Inflation is taken into account when calculating the value of the provisions as future inflation is implicitly included in a number of the statistical models used. Therefore, an expected higher future inflation rate would generally be included in the provisions with a specific time delay.

The annuity reserves for disability in illness and accident insurance are calculated using an inflationary structure.

Provisions for claims in workers' compensation insurance comprise provisions for annuities and other provisions for claims and benefits. The assessment of the future annuities is based on the annuities in force including the expected wage and salary indexation, and a rate of mortality corresponding to G82 with monthly age write-downs on annuities based on the act on accidents and an adjusted G82 rate of mortality on annuities on the act on workers' compensation amended to comply with Topdanmark's experience base within death intensity for annuitants. Workers' compensation claims are often paid as the capitalised value of an annuity. The capitalisation rate at the time of capitalisation is to be calculated as a moving average of the most recent five years' interest rate on leading mortgage bonds less tax. The capitalisation rate is calculated as the forward swap rates plus 0.85% p.a. and less a deduction for tax corresponding to the base tax rate.

The assessment of other provisions for claims relating to injuries, loss of provider and expenses is based on traditional actuarial triangulation models. Due to the special conditions surrounding payments on disability claims, it is not possible to use traditional actuarial triangulation models for this type of provisions. Topdanmark, therefore, uses a model developed in-house, which, among other things, takes into account the stage each claim has reached. The calculation includes an allowance for the expected wage and salary indexation.

Provisions for claims already incurred for disability in illness and accident insurance are calculated using an in-house statistical model that is based on the relationship between the possibility of resumption of work and the period passed since the occurrence of the claim.

Topdanmark has purchased derivatives partially hedging the provisions for workers' compensation and annuities in illness and accident insurance against changes in future wage and price indexation. The revaluation of these derivatives is included in claims incurred.

The provisions for claims and benefits include the amounts that are expected to be included to cover direct and indirect expenses on settlement of the liabilities.

All provisions have been measured at present value by discounting the expected future payments using an interest rate curve determined in Solvency II (EIOPA interest rate curve). The interest rate curve is volatility adjusted.

In illness and accident insurance, which is administered by the life insurance companies, each interest rate used in the interest rate structure is reduced by the tax rate of 15.3%.

The sufficiency of the provisions is regularly tested on the basis of the current expectations of future cash flow.

Risk margin for non-life insurance contracts

Risk margin is calculated as the amount which would be demanded by a purchaser of the company's insurance portfolio for taking on the risk that actual expenses deviate from best estimate relating to settlement of the insurance provisions.

Topdanmark Forsikring calculates risk margin by means the "Cost of Capital" model using a cost of capital rate of 6% in addition to the risk-free interest rate. Illness and accident insurance which is administered by Topdanmark Livsforsikring use a proprietary model stressing the biometric risks.

Provisions for bonuses and rebates

Provisions for bonuses and rebates are the amounts payable to policyholders as the result of a favourable claims trend.

Other liabilities

Provisions for pensions and similar liabilities

Provisions for anniversary bonuses and retirement benefits are built up on an on-going basis over the period of employment. The liability is calculated taking into account the expected level of staff reduction based on the Company's experience. The liability is measured at present value by discounting the expected future payments using the interest rate structure.

Corporation tax and deferred tax

Current tax liabilities and tax receivable, including joint tax contributions, are included in the balance sheet as calculated tax on taxable income for the year adjusted for tax on previous years' taxable income and prepaid tax on account. Deferred tax on temporary differences between the accounting, and tax value of assets and liabilities is charged in accordance with the balance sheet liability method. Deferred tax on investments in subsidiaries and associates is not included where the Group controls the timing of the reversal of the temporary difference, and where it is probable that the temporary difference will not be reversed within the foreseeable future. The calculation of deferred tax is based on the planned use of each asset and the settlement of each liability, using the tax rates expected to be in force when the deferred tax is expected to crystallise as current tax, based on the tax rates and rules in force on the financial position date.

Deferred tax on security funds comprises deferred tax on untaxed amounts transferred to the security funds under shareholders' equity. The security funds will be taxed in the proportion of 10% for every 10pp decline in technical provisions net of reinsurance from the level at 31 December 1994. A decline of 10% from the 1994 level is considered improbable as long as Topdanmark

Forsikring, in which the transfers were made, continues its current operations. Therefore, the security funds will only be taxed if the insurance portfolio is transferred or the company ceases to conduct insurance business.

Deposits received from reinsurers

Deposits received from reinsurers represent amounts deposited to cover reinsurers' liabilities to the Company.

Creditors

Amounts due to credit institutions and derivatives are measured at fair value. The fair value of amounts due to credit institutions usually corresponds to their nominal value. The fair value of derivatives is calculated on the same basis as financial assets.

Other loans are measured at amortised cost.

Ratios

Ratios in Financial highlights and Five-year summary have been calculated in accordance with the DFSA's Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pensions Funds and in accordance with the definitions issued by the Danish Finance Society.

Financial highlights

Post-tax profit as a % of shareholders' equity

$$\frac{\text{Profit for the year} * 100}{\text{Shareholders' equity (average)}}$$

Post-tax EPS (DKK)

$$\frac{\text{Profit for the year}}{\text{Number of shares(average)}}$$

Post-tax EPS diluted (DKK)

$$\frac{\text{Profit for the year}}{\text{Number of shares(average), diluted}}$$

Share buy-back per share, diluted (DKK)

$$\frac{\text{Share buy-back for the year}}{\text{Number of shares(average), diluted}}$$

Dividend per share issued, proposed (DKK)

$$\frac{\text{Proposed dividend}}{\text{Number of shares issued end of year}}$$

Net asset value per share, diluted (DKK)

$$\frac{\text{Shareholders' equity end of year}}{\text{Number of shares issued (average), diluted}}$$

The average Shareholders' equity is calculated as a time-weighted average.

Number of shares is shares issued less own shares. Number of shares, diluted, is Number of shares adjusted for the effect of potentially diluting share options.

Gross loss ratio

$$\frac{\text{Gross claims incurred} * 100}{\text{Gross premiums earned}}$$

Net reinsurance ratio

$$\frac{\text{Reinsurance result} * 100}{\text{Gross premiums earned}}$$

Gross expense ratio

$$\frac{\text{Gross operating expenses} * 100}{\text{Gross premiums earned}}$$

Combined ratio

Gross loss ratio + net reinsurance ratio + gross expense ratio.

Combined ratio excl. run-off result

Combined ratio with deduction of the run-off result as a percentage of gross premiums earned.

Gross premiums earned comprise the line items "Gross premiums written", "Change in the provisions for unearned premiums", "Change in profit margin and risk margin" and "Bonuses and rebates".

Gross claims incurred comprise the line items "Gross claims paid", "Change in the provisions for claims" and "Change in risk margin".

Gross operating expenses comprise "Administrative expenses" and "Acquisition costs".

Reinsurance result comprise reinsurance's share of the abovementioned line items.

Claims incurred and operating expenses include intra-group market rent on owner-occupied properties. In the group accounts intra-group rents have been eliminated and replaced by realized costs including depreciations.

Basis for calculation of these ratios is disclosed in Note 1, Segment information income statement.

Five-year summary

In the five-year summary the following ratios are presented, which are not part of the financial highlights:

Relative run-off profits, net of reinsurance (%)

$$\frac{\text{Run-off result on own account} * 100}{\text{Claims provisions on own account 1 January}}$$

The run-off result is due to claims provisions at the beginning of the year being settled or reassessed through the current year at different amounts than expected and provided for in last year's accounts. The run-off result, gross, is included in claims incurred regardless of income or expense.

Run-off result on own account is net of reinsurance's share.

Operating ratio equals combined ratio when premium provisions have been discounted, and premiums earned therefore include an amount of interest (discounting). Since 2016 premium provisions in Topdanmark have been discounted and operating ratio is therefore equalling combined ratio.

Return on shareholders' equity (%)

$$\frac{\text{Profit for the year} * 100}{\text{Shareholders' equity (average)}}$$

The calculation is the same as for the ratio Post-tax profit as a % of shareholders' equity in Financial Highlights with the exception, that the calculation in Financial highlights is based on the parent company's shareholders' funds, while the calculation in the five-year summary is based on the group's shareholders' funds.

Ratios life insurance

No consolidated ratios for life insurance have been calculated, as Topdanmark does not believe, that a true and fair view would be achieved by presenting ratios based on an accumulation of completely different portfolios.

Income statement • Parent company

(DKKm)	Note	2017	2018
Income from affiliates	1	1,771	1,372
Interest charges		(7)	(11)
Total investment return		1,764	1,361
Other expenses	2	(42)	(42)
PRE-TAX PROFIT		1,722	1,319
Taxation	3	11	12
PROFIT FOR THE YEAR		1,733	1,331
Proposed appropriation of profit for the year:			
Dividend		1,710	1,350
Transfer to net revaluation reserve at net asset value		1,771	1,372
Transfer from profit carried forward		(1,748)	(1,391)
		1,733	1,331

Statement of comprehensive income • Parent company

Profit for the year	1,733	1,331
Other comprehensive income from affiliates	0	1
Other comprehensive income	0	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,733	1,332

Balance sheet • Parent company

(DKKm)	Note	2017	2018
Assets			
Operating equipment	4	3	3
TOTAL TANGIBLE ASSETS		3	3
Equity investments in affiliates	5	6,624	6,188
Total investment in affiliated company		6,624	6,188
TOTAL INVESTMENT ASSETS		6,624	6,188
Receivables from affiliates		484	639
Other receivables		0	2
TOTAL RECEIVABLES		484	641
Current tax assets		0	39
Liquid funds		3	2
TOTAL OTHER ASSETS		3	40
TOTAL ASSETS		7,114	6,873
Shareholders' equity and liabilities			
Share capital	6	90	90
Other reserves		2,875	2,439
Total reserves		2,875	2,439
Profit carried forward		1,822	2,443
Proposed dividend		1,710	1,350
TOTAL SHAREHOLDERS' EQUITY		6,497	6,322
OTHER SUBORDINATED LOAN CAPITAL	7	397	398
Amounts due to affiliates		183	147
Current tax liabilities		34	0
Other debt		2	6
TOTAL DEBT		219	153
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		7,114	6,873
Related parties	8		
Own shares	9		
Contingent liabilities	10		
Other note disclosures	11		
Accounting policies	12		

Statement of changes in equity • Parent company

(DKKm)

	Share capital	Other reserves	Profit carried forward	Proposed dividend	Total
2017					
Shareholders' equity at 31 December prior year	95	1,894	3,019	0	5,009
Profit / (loss) for the year		1,771	(1,748)	1,710	1,733
Other comprehensive income in affiliates		0	0		0
Total comprehensive income for the year		1,772	(1,748)	1,710	1,733
Dividends received from subsidiaries		(839)	839		0
Other movements in capital of subsidiaries		48			48
Cancellation of own shares	(5)		5		0
Share buy-back			(410)		(410)
Share-based payments			10		10
Exercise of share options			108		108
Other transactions	(5)	(791)	551		(245)
Shareholders' equity at 31 December 2017	90	2,875	1,822	1,710	6,497
2018					
Shareholders' equity at 31 December prior year	90	2,875	1,822	1,710	6,497
Profit / (loss) for the year		1,372	(1,391)	1,350	1,331
Other comprehensive income in affiliates		1	0		1
Total comprehensive income for the year		1,373	(1,391)	1,350	1,332
Dividend paid				(1,710)	(1,710)
Dividend, own shares			73		73
Dividends received from subsidiaries		(1,850)	1,850		0
Other movements in capital of subsidiaries		41			41
Share-based payments			11		11
Exercise of share options			79		79
Other transactions		(1,809)	2,012	(1,710)	(1,507)
Shareholders' equity at 31 December 2018	90	2,439	2,443	1,350	6,322

Notes to the financial statements • Parent company

(DKKm)	2017	2018
Note 1. Income from affiliates		
Topdanmark Forsikring A/S	1,673	1,289
Topdanmark Kapitalforvaltning A/S	101	81
Topdanmark Invest A/S	(2)	2
Income from affiliates	1,771	1,372

Note 2. Other expenses		
Holding expenses	42	42
Other expenses	42	42

Note 3. Taxation		
Current tax	12	11
Change in deferred tax	(2)	0
Taxation (income)	11	12
Pre-tax profit excl. income from affiliated companies	(50)	(53)
Calculated tax on profit for the year 22% (2017: 22%)	11	12
Effective rate of taxation	22.4	21.9

Note 4. Operating equipment		
Cost	3	3
Impairment and amortisation	0	0
Operating equipment	3	3

Note 5. Equity investments in affiliates		
Topdanmark Forsikring A/S	6,403	6,033
Topdanmark Kapitalforvaltning A/S	115	97
Topdanmark Invest A/S	105	58
Other	1	1
Equity investments in affiliates	6,624	6,188

For detailed information please see Note 44 to the financial statements for the Group.

Note 6. Share capital		
DKK		
Share capital at 1 January	95,000,000	90,000,000
Reduction in capital	(5,000,000)	0
Share capital	90,000,000	90,000,000

Each of Topdanmark's 90,000,000 (2017: 90,000,000) shares has a nominal value of DKK 1.
No share enjoys any special rights. The shares are freely tradeable. Each share has one vote.

Notes to the financial statements • Parent company

(DKKm)

Note 7. Other subordinated loan capital

	Subordinated loan capital	
Principal	DKK 400m	
Date of issue	November 2017	
Maturity	Bullet	
If permitted by the DFSA, the debtor can give notice of termination from	23 November 2022	
Interest rate	Cibor 3 months +2.75%	
Subsequently		
	2017	2018
Carrying amount	397	398
Market value (level 2)	400	400
Costs of raising the loan capital	3	0
Interest charges	6	10

Note 8. Related parties

2017 2018

Possessing an ownership interest of 48.59% of the shares outstanding, Sampo plc, Fabianinkatu 27, Helsinki, Finland has a controlling influence of Topdanmark A/S.

Related parties with significant influence comprise the Board of Directors, the Executive Board and their families.

Remuneration for the Board of Directors, the Executive Board and other significant risk takers appears from Note 33 to the financial statements for the Group. In Note 33 to the financial statement for th Group, information on the number of shares held by the Board of Directors and the Executive Board can be found.

At 31 Dec 2018, Sampo plc held subordinated notes in Topdanmark Forsikring A/S 405 405

Affiliates

At 31 December 2018, If P&C Insurance Ltd, a subsidiary in the Sampo Group, held subordinated notes in Topdanmark A/S 120 130

Expenses charged 35 32
Dividends received 839 1,850

Expenses are charged to cover costs incurred.

Average effective interest rate on balances is 0.00% (2017: 0.00%).

Equity investments are disclosed in the balance sheet and specified in the note on equity investments in affiliates.

Balances are disclosed in the balance sheet.

Note 9. Own shares

The number of own shares held by the parent company appears from note 41 to the financial statements for the Group.

Note 10. Contingent liabilities

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

Note 11. Other disclosures

The five-year summary, in accordance with Section 91(a) of the Danish Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds, is included in financial highlights on page 3. Risk disclosures in accordance with Section 91(b) are included in "Management's review" page 13 in "Risk management" and in Note 46 "Risk factors".

There have been no events in the period from 31 December 2018 until the presentation of the financial statements which could change the assessment of the annual report.

Notes to the financial statements • Parent company

Note 12. Accounting policies

The annual financial statements for the parent company Topdanmark A/S have been prepared in accordance with the Danish Financial Business Act, including the executive order issued by the Danish Financial Supervisory Authority (FDSA) on financial reports for insurance companies and multi-employer occupational pension funds.

The accounting policies remain unchanged from 2017.

The company's accounting policies for recognition and measurement are in accordance with the Group's accounting policies with the following amendment:

Equity investments in affiliates are recognised and measured at their net asset value. If the net asset value exceeds the recoverable amount, the investment is written down to this lower amount. The share of the post-tax results of affiliates is included in the income statement

under income from affiliates less any write-downs. Where investments in affiliates are revalued to net asset value, the net revaluation reserve is included in shareholders' equity. The share of the changes in other comprehensive income items and equity of affiliated companies is included directly in other comprehensive income items and shareholders' equity respectively.

The net asset value of affiliates is calculated without providing for deferred tax on security funds, unless it is probable that a situation creating such a tax liability will arise within the measurable future.

Other

Generally, all the amounts in the report are disclosed in whole numbers of DKKm. The amounts have been rounded and consequently the sum of the rounded amounts and totals may differ slightly.

Disclaimer

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

Many factors may cause a significant deviation from the forecasts and assumptions set out in the annual report. Such factors could be, for example, cyclical movements, changes in the financial markets, the financial effect of non-anticipated 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.

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

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

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

Statement by Management on the Annual Report

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Topdanmark A/S for 2018.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU, and the annual financial statements for the parent company are presented in accordance with the Danish Financial Business Act. Further, the Annual Report is presented in accordance with additional Danish disclosure requirements for listed financial services companies.

In our opinion, the consolidated financial statements and annual financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2018 as well as of the Group's and the parent company's activities and the Group's cash flow for the financial year 1 January to 31 December 2018.

We believe that the management review contains a fair review of the development of 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.

We recommend the Annual Report for adoption at the Annual General Meeting.

Ballerup, 21 February 2019

Executive Board:

Peter Hermann
(CEO)

Thomas Erichsen

Brian Rothemejer Jacobsen

Lars Thykier

Board of Directors:

Torbjörn Magnusson
(Chairman)

Jens Aaløse
(Deputy Chairman)

Tina Møller Carlsson

Mette Jensen

Petri Niemisvirta

Lone Møller Olsen

Annette Sadolin

Søren Vestergaard

Ricard Wennerklint

Internal audit's report

Opinion

We have audited the consolidated financial statements and the parent financial statements of Topdanmark A/S for the financial year 1 January to 31 December 2018. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish requirements for listed financial companies. The parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2018 and of the results of the Group's and the Company's operations and the Group's cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies as regards the Group and for the Company in accordance with the Danish Financial Business Act.

Our conclusion is in accordance with our audit report for the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit based on the Danish Financial Supervisory Authority's regulation on the preparation of the audit in financial services companies etc. and financial services groups and in accordance with International Standards on Auditing regarding planning and performance of the audit.

We plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and annual financial statements in general are free from material misstatement. We have participated in the audit of the material and risky areas.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Statement on the management review

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the management review.

Ballerup, 21 February 2019

Lars T. Skovsende
Head of Internal Audit

Independent auditor's report

To the shareholders of Topdanmark A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Topdanmark A/S for the financial year 1 January to 31 December 2018, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2018 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions.

Further, in our opinion, the financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2018 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed by resolution of the general meeting as auditor of Topdanmark A/S on 12 April 2018 for the financial year 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2018. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Measurement of provisions for insurance and investment contracts

At 31 December 2018, provisions for insurance and investment contracts amounted to DKK 16.1bn in respect of non-life insurance contracts and DKK 56.5bn in respect of life insurance contracts. Life insurance provisions for unit-linked contracts amounted to DKK 33.3bn.

Measurement of provisions for insurance and investment contracts involves management estimates and assumptions regarding future events which materially affect the carrying amount. Consequently, we consider it a key audit matter.

Significant management estimates regarding non-life insurance provisions include:

- Determination of calculation methods and models
- Future inflation and wage rate development (workers' compensation)
- Expected future cash flows on insurance contracts
- Expected future payments for claims that occurred before the balance sheet date and expected closing of claims, especially within workers' compensation, accident and liability, including claims handling expenses.

Significant management estimates regarding life insurance provisions include:

- Determination of calculation methods and models
- Mortality, disability and reactivation rates
- Future inflation and wage rate development
- Expected future cash flows on insurance contracts.

The interest rate curve applied in measuring the provisions for insurance and investment contracts is also material to the value.

Information on provisions for insurance and investments contracts is disclosed in notes 24 and 28 (provisions regarding non-life insurance contracts) and notes 25 and 26 (provisions regarding life insurance contracts).

Unit-linked contracts do not involve guaranteed returns. Consequently, we do not consider the measurement of these provisions to be associated with significant risk of material misstatement apart from risks related to the measurement of unlisted investments.

Our audit of provisions for insurance and investment contracts

Based on our risk assessment, we have examined the measurement of provisions for insurance and investment contracts performed by Management.

Our audit has comprised assessing the models, methods, assumptions and data applied by Management in connection with the calculation of the provisions.

The audit procedures performed in cooperation with our actuarial specialists included:

- Assessment and test of design, implementation and performance of key controls in the actuarial models, data collection and data analysis as well as processes for determination of assumptions
- Assessment of the methods applied using our industry knowledge and experience, focusing on changes compared to last year
- Assessment of any significant deviations in the assumptions in relation to statutory and reporting requirements and industry standards
- Assessment of assumptions about probability of mortality, disability, reactivation and expected loss experience compared with historical data and market practice
- Analysis of the development, especially run-off results (non-life insurance) and interest, risk and cost results (life insurance)
- Re-calculation of claims provisions in respect of insurance contracts in selected lines of business
- Test of reconciliations of provisions to insurance systems.

Measurement of unlisted investments

Unlisted investments include at 31 December 2018, among other things, investment properties, unlisted securities, loans and derivatives, with a total value corresponding to 20% of the Group's investment assets.

Measurement of unlisted investments involves management estimates which materially affect the carrying amount. Consequently, we consider it to be a key audit matter.

Significant management estimates include:

- Determination of valuation methods and models
- Determination of yield assumptions

- Expectations of future cash flows
- Assessment of data and information obtained from external parties as well as Management's determination of specific risks affect the fair value.

Information on unlisted investments is disclosed in note 47.

Our audit of unlisted investments

Based on our risk assessment, we have examined the measurement of unlisted investments performed by Management.

Our audit has included assessing models, methods, assumptions and data applied by Management in connection with the measurement of fair value of unlisted investments.

The audit procedures performed in cooperation with our valuation specialists comprised:

- Assessment and test of models and key assumptions applied in measuring investment properties, including test of key controls, parameters and calculations in the valuation process
- Assessment and test of key controls in the valuation process for unlisted securities, loans and derivative financial instruments, including recording and monitoring of market information and valuation reports obtained from external parties. In addition, we have tested and verified the calculations of fair values to underlying documentation on a sample basis.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements of the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions in accordance with the Danish Financial Business Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Business Act.

Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Based on the matters communicated to those charged with governance, we determine which matters were of most importance in our audit of the financial statements for the current period and therefore are key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 21 February 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR-no. 30 70 02 28

Lars Rhod Søndergaard

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