

TOPDANMARK INTERIM REPORT FOR Q1-Q3 2019

24 October 2019, Announcement No. 13/2019

Key features Q1-Q3 2019

- Post-tax profit of DKK 1,115m (Q1-Q3 2018: DKK 1,071m)
- EPS was DKK 12.8 (Q1-Q3 2018: DKK 12.4)
- Combined ratio: 82.1 (Q1-Q3 2018: 84.2)
- Combined ratio excluding run-off: 87.0 (Q1-Q3 2018: 87.3)
- Premiums increased by 2.4% in non-life insurance and 13.5% in life insurance
- Profit on life insurance was DKK 291m (Q1-Q3 2018: DKK 182m)
- After return on non-life insurance provisions, the investment return was DKK 51m (loss) (Q1-Q3 2018: DKK 132m)
- As stated in the Q1 Report, the change in the method for calculation of the volatility adjustment (VA) in Q1 2019 had a one-off negative impact on the combined net investment return from assets and liabilities of around DKK 200m pre-tax. In Q2 2019, the VA fell by further 9bp corresponding to a negative impact on the investment return of DKK 60m.

Q3 2019

- Post-tax profit of DKK 285m (Q3 2018: 459m)
- EPS was DKK 3.3 (Q3 2018: 5.3)
- Combined ratio: 84.9 (Q3 2018: 81.6)
- Combined ratio excluding run-off: 88.6 (Q3 2018: 84.8)
- Premiums increased by 2.0% in non-life insurance and 36.6% in life insurance
- Profit on life insurance was DKK 72m (Q3 2018: DKK 77m)
- After return on non-life insurance provisions, the investment return was DKK 47m (loss) (Q3 2018: DKK 92m).

Profit forecast model for 2019

- The assumed combined ratio for 2019 improved from 85-86 to 84-85, excluding run-off in Q4 2019
- The assumed premium growth for non-life insurance continues to be higher than the 1.7% growth in 2018
- The post-tax profit forecast model for 2019 is upgraded from DKK 1,250-1,350m to DKK 1,300-1,400m, excluding run-off in Q4 2019.

Assumptions for 2020

- Premium growth in non-life on the same level as in 2019, and a combined ratio of around 90, excluding run-off, are assumed for 2020
- Compared with the assumed combined ratio of 89-90 excl. run-off for 2019 in the Q3 2018 report, the assumed combined ratio for 2020 is negatively impacted by 1.6pp due to lower interest rates.

Other events

- Topdanmark has entered into a distribution agreement with Nordea
- Topdanmark has introduced a crop insurance.

Webcast

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

Conference call

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

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

DK dial-in-number: +45 3544 5583
SE dial-in-number: +46 8566 42661
UK dial-in-number: +44 203 194 0544
US dial-in-number: +1 855 269 2604

10-15 minutes before the conference and ask the operator to connect you to the Topdanmark conference call – or listen to the [live transmission](#) of the call.

Please direct any queries to:

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Financial highlights

| | Full year | Q3 | Q3 | Q1-Q3 | Q1-Q3 |
|---|--------------|--------------|--------------|--------------|--------------|
| (DKKm) | 2018 | 2018 | 2019 | 2018 | 2019 |
| Premiums earned: | | | | | |
| Non-life insurance | 9,135 | 2,313 | 2,359 | 6,886 | 7,050 |
| Life insurance | 10,111 | 2,305 | 3,148 | 7,147 | 8,114 |
| | 19,247 | 4,618 | 5,507 | 14,033 | 15,164 |
| Results: | | | | | |
| Non-life insurance | 1,420 | 505 | 285 | 1,164 | 1,114 |
| Life insurance | 228 | 77 | 72 | 182 | 291 |
| Parent company etc. | 54 | 10 | 13 | 24 | 30 |
| Pre-tax profit | 1,702 | 592 | 371 | 1,371 | 1,436 |
| Tax | (371) | (133) | (86) | (300) | (321) |
| Profit | 1,331 | 459 | 285 | 1,071 | 1,115 |
| Run-off profits, net of reinsurance | 353 | 75 | 86 | 210 | 343 |
| Shareholders' equity of parent company at 1 January | 6,497 | 5,578 | 5,969 | 6,497 | 6,322 |
| Profit | 1,331 | 459 | 285 | 1,071 | 1,115 |
| Dividend paid | (1,710) | 0 | 0 | (1,710) | (1,350) |
| Dividend own shares | 73 | 0 | 0 | 73 | 50 |
| Share-based payments | 131 | 12 | 12 | 116 | 127 |
| Other movements in shareholders' equity | 1 | 0 | (14) | 1 | (14) |
| Shareholders' equity of parent company end of period | 6,322 | 6,048 | 6,251 | 6,048 | 6,251 |
| Deferred tax on security funds | (306) | (306) | (306) | (306) | (306) |
| Shareholders' equity of Group end of period | 6,016 | 5,742 | 5,945 | 5,742 | 5,945 |
| Total assets, parent company | 6,873 | | | 6,780 | 6,984 |
| Total assets, Group | 83,224 | | | 85,511 | 96,258 |
| Provisions for insurance and investment contracts: | | | | | |
| Non-life insurance | 16,056 | | | 17,012 | 17,237 |
| Life insurance | 56,519 | | | 57,983 | 67,520 |
| Financial ratios (parent company) | | | | | |
| Post-tax profit as a % of shareholders' equity | 21.8 | 7.9 | 4.7 | 17.5 | 18.2 |
| Post-tax EPS (DKK) | 15.4 | 5.3 | 3.3 | 12.4 | 12.9 |
| Post-tax EPS, diluted (DKK) | 15.4 | 5.3 | 3.3 | 12.4 | 12.8 |
| Dividend per share issued, proposed (DKK) | 15.0 | - | - | - | - |
| Net asset value per share, diluted (DKK) | 72.9 | | | 69.8 | 71.7 |
| Listed share price end of period | 303.0 | | | 293.4 | 330.6 |
| Number of shares end of period ('000) | 86,432 | | | 86,298 | 86,875 |
| Average number of shares ('000) | 86,242 | 86,298 | 86,872 | 86,186 | 86,754 |
| Average number of shares, diluted ('000) | 86,637 | 86,665 | 87,261 | 86,578 | 87,183 |
| Ratios non-life insurance (%) | | | | | |
| Gross loss ratio | 66.2 | 66.5 | 67.7 | 67.0 | 63.5 |
| Net reinsurance ratio | 1.2 | 0.7 | 3.1 | 1.2 | 2.8 |
| Claims trend | 67.5 | 67.2 | 70.7 | 68.2 | 66.4 |
| Gross expense ratio | 16.1 | 14.3 | 14.2 | 16.0 | 15.8 |
| Combined ratio | 83.6 | 81.6 | 84.9 | 84.2 | 82.1 |
| Combined ratio excl. run-off profits | 87.5 | 84.8 | 88.6 | 87.3 | 87.0 |

Results for Q1-Q3 2019

Topdanmark's post-tax profit for Q1-Q3 2019 was DKK 1,115m (Q1-Q3 2018: DKK 1,071m).

Pre-tax profit was DKK 1,436m (Q1-Q3 2018: DKK 1,371m).

The technical result increased by DKK 172m to DKK 1,260m. The increase is impacted by higher run-off (DKK 133m) and, compared with Q1-Q3 2018, by an improved claims trend on the SME and agricultural business, as well as on theft and motor third-party liability in the private segment. On the other hand, the yield curve used for discounting the reserves was lower compared with Q1-Q3 2018, thus having a negative effect of DKK 50m. Furthermore, the result from illness & accident has deteriorated.

The investment return adjusted for return on non-life insurance provisions decreased by DKK 222m to DKK 145m (loss). The investment return was impacted by the change in the method for calculation of the VA at the end of Q1 2019 which had a one-off negative effect of around DKK 200m. In Q2 2019, market conditions reduced the VA by 9bp, consequently having a negative effect on the investment return of DKK 60m.

The profit on life insurance increased by DKK 109m to DKK 291m due to a higher investment return and an improved risk result.

| Trend in profit (DKK m) | Full year 2018 | Q1-Q3 2018 | Q1-Q3 2019 |
|---|-------------------|---------------|---------------|
| Non-life insurance | | | |
| - Technical result | 1,499 | 1,088 | 1,260 |
| - Investment return after return and revaluations of non-life insurance provisions etc. | (79) | 77 | (145) |
| Profit on non-life insurance | 1,420 | 1,164 | 1,114 |
| Life insurance | 228 | 182 | 291 |
| Parent company etc. | 54 | 24 | 30 |
| Pre-tax profit | 1,702 | 1,371 | 1,436 |
| Tax | (371) | (300) | (321) |
| Profit | 1,331 | 1,071 | 1,115 |

Results for Q3 2019

The profit for Q3 2019 was DKK 285m (Q3 2018: DKK 459m).

Pre-tax profit decreased by DKK 221m to DKK 371m.

The technical result decreased by DKK 70m to DKK 356m impacted by the yield curve used for discounting the reserves being lower compared with Q3 2018, thus having a negative effect of DKK 28m.

After return on non-life insurance provisions, the investment return in non-life insurance decreased by DKK 149m to DKK 70m (loss). The lower investment return was primarily due to a lower investment return on Danish mortgage bonds.

The profit on life insurance decreased by DKK 5m to DKK 72m as a result of a higher investment return.

| Trend in profit (DKK m) | Q3 2018 | Q3 2019 |
|---|------------|------------|
| Non-life insurance | | |
| - Technical result | 426 | 356 |
| - Investment return after return and revaluations of non-life insurance provisions etc. | 79 | (70) |
| Profit on non-life insurance | 505 | 285 |
| Life insurance | 77 | 72 |
| Parent company etc. | 10 | 13 |
| Pre-tax profit | 592 | 371 |
| Tax | (133) | (86) |
| Profit | 459 | 285 |

Non-life insurance in Q1-Q3 2019 Premiums earned

Premiums earned increased by 2.4% to DKK 7,050m. The private segment accounted for a 0.6% increase, and the SME segment accounted for a 4.6% increase.

Claims trend

The claims trend improved to 66.4 in Q1-Q3 2019 from 68.2 in Q1-Q3 2018.

The run-off profit, net of reinsurance, was DKK 343m (Q1-Q3 2018: DKK 210m), representing a 4.9pp favourable effect on the claims trend. Run-off was primarily generated in motor third-party liability, in workers' compensation, and in illness & accident.

In Q1-Q3 2019, weather-related claims amounted to DKK 56m (Q1-Q3 2018: DKK 0m), representing a 0.8pp deterioration of the claims trend. Thereby, the level of weather-related claims was DKK 64m below the normal level, while in Q1-Q3 2018 it was DKK 120m below the normal level.

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) decreased by DKK 66m to DKK 37m in Q1-Q3 2019, representing a 1.0pp improvement of the claims trend. The large-scale claims were DKK 38m below the normal Q1-Q3 level of DKK 75m.

| Claims trend | Full year 2018 | Q3 2018 | Q3 2019 | Q1-Q3 2018 | Q1-Q3 2019 |
|---|-------------------|-------------|-------------|---------------|---------------|
| Claims trend | 67.5 | 67.2 | 70.7 | 68.2 | 66.4 |
| Run-off | 3.9 | 3.2 | 3.7 | 3.0 | 4.9 |
| Weather-related claims | (0.1) | 0.0 | (1.6) | 0.0 | (0.8) |
| Large-scale claims | (1.4) | (1.6) | (0.1) | (1.5) | (0.5) |
| Other | 0.3 | 1.2 | 0.1 | 0.3 | 0.4 |
| Claims before run-off, weather, large-scale claims and other | 70.2 | 70.1 | 72.8 | 70.1 | 70.3 |

The claims trend adjusted for run-off, weather-related claims, large-scale claims and other positions including change of risk margin deteriorated by 0.2pp to 70.3 in Q1-Q3 2019.

The adjusted claims trend improved in all major product lines except house (fire and burst waterpipes), illness & accident and workers' compensation (lower real interest rates). The yield curve used for discounting the reserves was 0.7pp lower compared with Q1-Q3 2018. The combination of these factors resulted in a deterioration of the adjusted claims trend from 70.1 to 70.3.

Expense ratio

The expense ratio was 15.8 compared with 16.0 in Q1-Q3 2018.

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

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

Combined ratio

The combined ratio was 82.1 in Q1-Q3 2019 (Q1-Q3 2018: 84.2). Excluding run-off, the combined ratio was 87.0 (Q1-Q3 2018: 87.3).

Reinsurance

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

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

| Financial highlights – Non-life insurance (DKKm) | Full year 2018 | Q3 2018 | Q3 2019 | Q1-Q3 2018 | Q1-Q3 2019 |
|---|-------------------|------------|------------|---------------|---------------|
| Gross premiums earned | 9,135 | 2,313 | 2,359 | 6,886 | 7,050 |
| Claims incurred | (6,051) | (1,538) | (1,596) | (4,615) | (4,477) |
| Expenses | (1,475) | (332) | (334) | (1,099) | (1,112) |
| Net reinsurance | (111) | (16) | (72) | (85) | (200) |
| Technical result | 1,499 | 426 | 356 | 1,088 | 1,260 |
| Investment return after return and revaluations of non-life insurance provisions | (85) | 74 | (67) | 73 | (146) |
| Other items | 6 | 5 | (4) | 4 | 0 |
| Profit on non-life insurance | 1,420 | 505 | 285 | 1,164 | 1,114 |
| Run-off profits, net of reinsurance | 353 | 75 | 86 | 210 | 343 |
| Gross loss ratio (%) | 66.2 | 66.5 | 67.7 | 67.0 | 63.5 |
| Net reinsurance ratio (%) | 1.2 | 0.7 | 3.1 | 1.2 | 2.8 |
| Claims trend (%) | 67.5 | 67.2 | 70.7 | 68.2 | 66.4 |
| Gross expense ratio (%) | 16.1 | 14.3 | 14.2 | 16.0 | 15.8 |
| Combined ratio (%) | 83.6 | 81.6 | 84.9 | 84.2 | 82.1 |
| Combined ratio excl. run-off profits (%) | 87.5 | 84.8 | 88.6 | 87.3 | 87.0 |

Non-life insurance in Q3 2019

Premiums earned in Q3 2019 increased by 2.0% to DKK 2,359m. Premiums in the private segment decreased by 0.8%, whereas premiums increased by 5.4% in the SME segment.

The claims trend was 70.7 in Q3 2019 (Q3 2018: 67.2), representing a 3.5pp deterioration.

The large-scale claims were DKK 2m in Q3 2019, which was a decrease of DKK 34m compared with Q3 2018, representing an improvement of the claims trend of 1.5pp.

Weather-related claims were DKK 38m in Q3 2019. In Q3 2018, the weather-related claims were DKK 0m, representing a deterioration of the claims trend of 1.6pp.

The claims trend was affected by higher run-off profits of DKK 11m, representing a 0.5pp improvement. The claims trend adjusted for run-off, weather-related claims, large-scale claims and change of risk margin deteriorated 2.7pp to 72.8 in Q3 2019.

The deterioration of the adjusted claims trend of 2.7pp is primarily due to the fact that the yield curve used for discounting the reserves was lower compared with Q3 2018 having a negative impact on the claims trend of 1.2pp. Furthermore, the claims trend was adversely impacted by a higher level of claims in house insurance (burst waterpipes), motor (own damage), illness & accident, and on workers' compensation (lower real interest rates). However, the claims trend was positively impacted by a lower level of claims in the SME and agricultural business.

The expense ratio was 14.2 in Q3 2019 (Q3 2018: 14.3).

The combined ratio was 84.9 in Q3 2019 (Q3 2018: 81.6). Excluding run-off profits, the combined ratio was 88.6 (Q3 2018: 84.8).

Segment reporting

Private

The private segment offers policies to individual households in Denmark.

Premiums earned increased by 0.6% to DKK 3,847m. Premiums were negatively impacted by the termination of the distribution agreement with Danske Bank at the end of Q2 2019.

The technical result was DKK 638m in Q1-Q3 2019, representing a decrease of DKK 36m compared with Q1-Q3 2018.

The claims trend deteriorated 1.4pp to 68.1. Compared with Q1-Q3 2018, the claims trend was favourably influenced by a positive development in personal injuries within motor insurance and on theft. On the other hand, a higher level of claims on fire and burst waterpipes, and illness & accident, as well as a higher level of weather-related claims had a negative impact on the claims trend in Q1-Q3 2019. Furthermore, a lower discounting effect due to the lower interest rates also affected the claims trend.

Run-off profits of DKK 188m were DKK 32m higher than in Q1-Q3 2018 corresponding to an improvement in the claims trend of 0.9pp.

The expense ratio improved to 15.3 from 15.7 in Q1-Q3 2018.

The combined ratio was 83.4 (Q1-Q3 2018: 82.4).

Excluding run-off, the combined ratio deteriorated to 88.3 in Q1-Q3 2019 (Q1-Q3 2018: 86.5).

| Private (DKKm) | Full year 2018 | Q3 2018 | Q3 2019 | Q1-Q3 2018 | Q1-Q3 2019 |
|--|-------------------|------------|------------|---------------|---------------|
| Gross premiums earned | 5,056 | 1,285 | 1,275 | 3,826 | 3,847 |
| Claims incurred | (3,327) | (803) | (892) | (2,498) | (2,562) |
| Expenses | (806) | (180) | (175) | (601) | (590) |
| Net reinsurance | (79) | (19) | (12) | (53) | (58) |
| Technical result | 843 | 283 | 196 | 674 | 638 |
| Run-off profits, net of reinsurance | 235 | 70 | 65 | 156 | 188 |
| Gross loss ratio (%) | 65.8 | 62.5 | 70.0 | 65.3 | 66.6 |
| Net reinsurance ratio (%) | 1.6 | 1.5 | 0.9 | 1.4 | 1.5 |
| Claims trend (%) | 67.4 | 64.0 | 70.9 | 66.7 | 68.1 |
| Gross expense ratio (%) | 15.9 | 14.0 | 13.7 | 15.7 | 15.3 |
| Combined ratio (%) | 83.3 | 78.0 | 84.6 | 82.4 | 83.4 |
| Combined ratio excl. run-off profits (%) | 88.0 | 83.4 | 89.7 | 86.5 | 88.3 |

SME

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

Premiums earned increased by 4.6% to DKK 3,216m. The growth in premiums was favourably impacted by an indexation of premiums in workers' compensation of approx. 9%. Topdanmark continues to have positive momentum in new sales to SMEs and agricultural businesses.

The technical result increased by DKK 208m to DKK 622m in Q1-Q3 2019.

The claims trend improved by 5.9pp to 64.4. The improvement mainly derives from larger run-off profits (3.1pp). The claims trend in the agricultural business returned to a more normal level following Q1-Q3 2018 which was negatively impacted by an unusually high level

of fire claims due to dry weather. Furthermore, the claims trend in 2019 was favourably impacted by a lower level of large-scale claims. However, the claims trend was adversely impacted by a higher level of weather-related claims and a higher claims level on workers' compensation due to lower real interest rates, and a lower discounting effect.

Run-off profits were DKK 154m in Q1-Q3 2019 (Q1-Q3 2018: DKK 54m).

The expense ratio was 16.3 which was unchanged from Q1-Q3 2018.

The combined ratio improved to 80.7 in Q1-Q3 2019 (Q1-Q3 2018: 86.5).

Excluding run-off, the combined ratio improved to 85.5 in Q1-Q3 2019 (Q1-Q3 2018: 88.3).

| SME (DKKm) | Full year 2018 | Q3 2018 | Q3 2019 | Q1-Q3 2018 | Q1-Q3 2019 |
|--|-------------------|------------|------------|---------------|---------------|
| Gross premiums earned | 4,097 | 1,032 | 1,088 | 3,074 | 3,216 |
| Claims incurred | (2,739) | (739) | (708) | (2,128) | (1,928) |
| Expenses | (671) | (154) | (160) | (500) | (524) |
| Net reinsurance | (32) | 3 | (61) | (32) | (142) |
| Technical result | 656 | 142 | 159 | 414 | 622 |
| Run-off profits, net of reinsurance | 118 | 5 | 22 | 54 | 154 |
| Gross loss ratio (%) | 66.9 | 71.6 | 65.0 | 69.2 | 59.9 |
| Net reinsurance ratio (%) | 0.8 | (0.3) | 5.6 | 1.0 | 4.4 |
| Claims trend (%) | 67.6 | 71.3 | 70.6 | 70.3 | 64.4 |
| Gross expense ratio (%) | 16.4 | 14.9 | 14.7 | 16.3 | 16.3 |
| Combined ratio (%) | 84.0 | 86.2 | 85.3 | 86.5 | 80.7 |
| Combined ratio excl. run-off profits (%) | 86.9 | 86.8 | 87.3 | 88.3 | 85.5 |

New distribution agreement with Nordea

Topdanmark's previous distribution agreement with Danske Bank was terminated at the end of Q2 2019.

In itself, the termination of the distribution agreement with Danske Bank is expected to have an adverse effect of just under 0.5pp on Topdanmark's total non-life premiums in 2019. However, Topdanmark has strong sales momentum through its own sales channels and other distribution partners. Despite the termination of the Danske Bank agreement, Topdanmark expects higher premium growth in 2019 than the 1.7% growth in 2018.

Topdanmark and Nordea have entered into a new non-life agreement for distribution on the Danish market. The agreement comes into force on 1 January 2020.

It is a referral concept in which Nordea will refer costumers to Topdanmark, which will provide the final guidance and sale.

In the Q2-report 2019, it was announced that the terminated distribution agreement with Danske Bank was expected to have a negative impact of approx. 1pp on Topdanmark's total non-life premium growth in 2020.

The cooperation with Nordea is expected to compensate for the loss in growth in 2020 by approx. 0.5pp. From 2021, it is expected that the Nordea agreement in terms of premiums will compensate fully for the terminated distribution agreement with Danske Bank.

Crop insurance

On the agricultural market, Topdanmark has introduced a new type of insurance in Denmark. It is a crop insurance which covers for loss of crop yield due to climate related volatility, if rain, snow, frost, draught or storms damage the harvest.

The crop insurance covers up to 80% of the volume of crop yield, if the crop yield is below average – measured over 5 years.

The new product will only have a marginal positive impact on premiums in 2020.

Profit on life insurance activities comprises the profit on life insurance plus the investment return of Liv Holding.

Life insurance in Q1-Q3 2019

The result for life insurance is a profit of DKK 291m in Q1-Q3 2019 (Q1-Q3 2018: DKK 182m).

These profits were 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](#).

| Result of life insurance (DKKm) | Full year 2018 | Q3 2018 | Q3 2019 | Q1-Q3 2018 | Q1-Q3 2019 |
|---|----------------|-----------|-----------|------------|------------|
| Investment return on shareholders' equity | 110 | 32 | 16 | 88 | 163 |
| Sales and administration | (20) | 5 | 17 | (11) | 1 |
| Insurance risk | (2) | 4 | 4 | (5) | 21 |
| Risk return on shareholders' equity | 140 | 36 | 35 | 110 | 106 |
| Profit on life insurance | 228 | 77 | 72 | 182 | 291 |

Developments in Q1-Q3 2019

The profit improvement of DKK 109m comes primarily from investment return on shareholders' equity and insurance risk. Equity investment return improved as a result of developments in the financial markets, and the result of insurance risk has been improved owing to non-recurring adjustments and gains on annuities due to more deaths than expected.

The lower result in Q3 2019 is due to a more normal investment return on shareholders' equity compared with Q3 2018.

Gross premiums increased by 36.6% to DKK 3,148m in Q3 2019 of which premiums on unit-linked pension schemes were DKK 2,934m, a 44.1% increase compared with Q3 2018.

Trend in premiums

Gross premiums increased by 13.5% to DKK 8,114m in Q1-Q3 2019, of which premiums on unit-linked pension schemes were DKK 7,271m, representing a 18.1% increase compared with Q1-Q3 2018.

Regular premiums increased by 20.7% to DKK 761m in Q3 2019, whereas single premiums increased by 42.5% to DKK 2,387m.

Sales and administration were positively impacted by DKK 17m as reserves for future expenses were reduced.

Regular premiums increased by 12.5% to DKK 2,401m in Q1-Q3 2019. Single premiums were DKK 5,713m in Q1-Q3 2019, representing a 14.0% increase.

Adjusted for the termination of the distribution agreement with Nykredit, gross premiums increased by 15.4% and regular premiums by 15.9%.

Premiums on investment contracts are not included in the gross premiums in the income statement, but recognised in the balance sheet representing DKK 601m (Q1-Q3 2018: DKK 1,015m), which is a decrease of 40.8%.

The total gross premiums within life insurance, including premiums on investment contracts represent DKK 8,715m (Q1-Q3 2018: DKK 8,162m), which is an increase of 6.8%.

Life insurance in Q3 2019

Compared with the profit in Q3 2018, the profit for life insurance decreased by DKK 5m to DKK 72m.

Investment activities Topdanmark Group excl. life insurance

The investment return of the Topdanmark Group excluding life insurance was DKK 899m in Q1-Q3 2019 (Q1-Q3 2018: DKK 181m) while return on non-life insurance provisions represented a loss of DKK 951m in Q1-Q3 2019 (Q1-Q3 2018: loss of DKK 49m).

The investment return adjusted for return on non-life insurance provisions was DKK 51m (loss) and thus DKK 70m lower than the assumed return for Q1-Q3 when calculated using Topdanmark's forecast model at Q2 2019. The lower return was primarily due to the sharp fall in the yield curve which had a substantial impact on the Danish mortgage bond market. Mortgage bonds were pre-paid at an unprecedented scale, and new bonds issued with the lowest coupons ever. The hedge efficiency of the mortgage bond portfolio was strongly reduced in Q3, and the losses due to the poor match between assets and liabilities were only partly offset by high returns on equities, index linked bonds and properties.

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

The investment return in Q1-Q3 2019 on the most significant classes of assets is shown in the table below:

| Investment return | Portfolio 30 Sep | | | | | | Return | | Return | |
|---|------------------|---------|----------------|-------|----------------|-------|------------|-------|------------|-------|
| | 2018 | 2019 | Return Q3 2018 | | Return Q3 2019 | | Q1-Q3 2018 | | Q1-Q3 2019 | |
| | (DKKbn) | (DKKbn) | (DKKkm) | % | (DKKkm) | % | (DKKkm) | % | (DKKkm) | % |
| Danish equities | 0.3 | 0.3 | 5 | 1.8 | 1 | 0.3 | (1) | (0.3) | 32 | 14.0 |
| Foreign equities | 0.7 | 0.7 | 32 | 5.1 | 10 | 1.4 | 32 | 5.0 | 124 | 20.5 |
| Unlisted equities and hedge funds | 0.3 | 0.4 | 8 | 3.7 | 5 | 1.4 | 15 | 6.0 | 16 | 4.7 |
| Government and mortgage bonds | 15.8 | 16.7 | (9) | (0.1) | 150 | 0.9 | 27 | 0.2 | 562 | 3.3 |
| Credit bonds | 0.0 | 0.0 | (0) | (0.8) | (0) | (0.2) | (0) | (1.2) | 2 | 5.2 |
| Index linked bonds | 0.3 | 0.3 | (0) | (0.1) | 13 | 4.5 | 5 | 1.9 | 34 | 12.5 |
| CDOs | 0.6 | 0.6 | 20 | 3.2 | 3 | 0.4 | 43 | 7.4 | 24 | 4.3 |
| Properties | 1.2 | 1.3 | 11 | 1.0 | 11 | 0.8 | 35 | 3.2 | 75 | 6.2 |
| Money markets etc. | 2.3 | 1.7 | (1) | (0.0) | (1) | (0.1) | (5) | (0.2) | (3) | (0.2) |
| Subordinated loan capital | (1.7) | (1.7) | (12) | (0.7) | (12) | (0.7) | (35) | (2.0) | (35) | (2.0) |
| | 19.7 | 20.2 | 54 | 0.3 | 180 | 0.9 | 116 | 0.6 | 831 | 4.2 |
| Asset management | | | 21 | | 26 | | 65 | | 68 | |
| Investment return | | | 75 | | 206 | | 181 | | 899 | |
| Return and revaluations of non-life insurance provisions | | | 17 | | (253) | | (49) | | (951) | |
| Investment return after return on non-life insurance provisions | | | 92 | | (47) | | 132 | | (51) | |

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

The equity exposure was DKK 1,055m excluding associated companies, but including the impact of derivatives. The equity portfolios are well diversified with no large individual positions.

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

The class "Unlisted equities and hedge funds" includes private equity positions (DKK 39m) and positions in hedge funds where the investment mandates aim at positioning in the credit market (DKK 226m).

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

The class of "Government and mortgage bonds" comprises primarily Danish government and mortgage bonds. The interest rate sensitivity of this asset class is to a significant extent equivalent to the total interest rate sensitivity of the technical provisions in Topdanmark Forsikring, and the illness & accident provisions in Topdanmark Livsforsikring (the life insurance company). Consequently, the return on "Government and mortgage bonds" should be assessed in connection with return and revaluation of non-life insurance provisions.

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

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

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

The property portfolio mainly comprises owner-occupied properties (DKK 832m). The properties are valued in accordance with the rules of the Danish FSA (Danish Financial Supervisory Authority) i.e. at market value taking the level of rent and the terms of the tenancy agreements into consideration. 98% of the property portfolio is currently let when adjusting for properties under construction or being converted for other purposes.

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

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

Topdanmark uses the Solvency II discount curve with volatility adjustment (VA) for assessing insurance provisions. The VA-component comprises a corrective element for the development in pricing of Danish mortgage bonds, as well as a corrective element for the development in pricing of European business credits. EIOPA revised the methodology for the calculation of the Danish VA commencing at the end of Q1 2019.

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

The Danish VA fell further throughout Q2 2019 and was 6bp by the end of H1. The VA fluctuated throughout Q3 with some days reaching zero but ended the quarter at 6bp - the exact same level it started at. The revised methodology in assessing the Danish VA makes it positively correlated to changes in the yield curve. The substantial yield curve drop in 2019 and the subsequent prepayment activity on Danish mortgage bonds account for the major part of the difference between the return on government and mortgage bonds, and the return on non-life insurance provisions.

The VA will be floored at zero.

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 developed in-house to calculate the non-life risk.

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

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 at 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 | Q3 2018 | Q3 2019 |
|---------------------------|------------|------------|------------|------------|------------|
| Own funds | 6,348 | 6,370 | 6,509 | 7,513 | 7,592 |
| Solvency requirement | 3,643 | 3,116 | 3,322 | 3,200 | 4,098 |
| Solvency cover (%) | 174 | 204 | 196 | 235 | 185 |

Potential dividend has not been deducted from Topdanmark's own funds end of Q3 2018 and end of Q3 2019.

Parent company etc.

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

The profit of the parent company increased by DKK 6m to DKK 30m in Q1-Q3 2019.

Taxation

The tax charge was DKK 321m of the pre-tax profit of DKK 1,436m, corresponding to an effective tax rate of 22.3% (Q1-Q3 2018: 21.9%).

Profit forecast model

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

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

In the Q2 Report for 2019, it was stated that Topdanmark's post-tax model profit forecast for 2019 was DKK 1,250-1,350m.

Non-life insurance

For non-life insurance, Topdanmark assumed a pre-tax profit of DKK 1,250-1,350m. This model profit forecast was based on the following assumptions:

- Higher premium growth compared with the 1.7% premium growth in 2018
- A normal year as regards weather-related claims of DKK 170m, DKK 95m of them related to H2 2019
- Combined ratio for 2019 of 85-86, excl. run-off in H2 2019
- An interest level corresponding to the interest rate curve on 28 June 2019
- An annual 7.0% return on equities and unchanged foreign exchange rates from the level on 28 June 2019
- The adjustment of the VA was assumed to have a 0.8pp negative impact on the combined ratio in 2019.

After the model profit forecast for 2019 was published in the Q2 Report for 2019, the following assumptions have changed:

- In Q3 2019, there were run-off profits of DKK 86m, corresponding to a 0.9pp improvement of the combined ratio
- Weather-related claims were DKK 38m in Q3 2019, which is DKK 7m lower than assumed, corresponding to a 0.1pp improvement of the combined ratio for 2019
- The extent of large-scale claims was DKK 2m in Q3 2019 which is DKK 23m lower than assumed, corresponding to a 0.2pp improvement of the combined ratio
- Discounting rates (including changes in VA) have decreased relatively to the guidance for 2019 in the Q2 Report for 2019, representing a 0.1pp deterioration of the combined ratio
- From 28 June 2019 until 30 September 2019, the pre-tax investment return was DKK 80m lower than assumed.

The assumed combined ratio for 2019 improved from 85-86 to 84-85 excl. run-off in Q4 2019.

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

The overall assumed pre-tax result for non-life insurance is DKK 1,320-1,420m.

Life insurance

In the Q2 Report for 2019, Topdanmark assumed a pre-tax profit on life insurance of DKK 300-330m in 2019, based on the following assumptions:

- Around 10% increase in regular premiums
- Full recognition as income of risk return for shareholders' equity from all interest rate groups
- No profit from the shadow account
- In the Q2 Report, the assumed investment return for 2019 was upgraded by DKK 50m
- Furthermore, in the Q2 Report the result from sales, administration and insurance risk for 2019 was upgraded by DKK 25m.

Overall, the assumed pre-tax profit on life insurance has improved by DKK 20m to DKK 320-350m. The result is very sensitive to fluctuations particularly in the investment return. The risk return and shadow account will not be finally determined before year end.

Parent company

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

Taxation

Given a corporation tax rate of 22%, the tax charge is expected to be DKK 380-420m.

Total Group profit

Topdanmark's overall post-tax model profit forecast for 2019 is upgraded from DKK 1,250-1,350m to DKK 1,300-1,400m, representing an EPS of DKK 15.6. The assumed profit is exclusive of run-off in Q4 2019.

The profit forecast model assumes an annual 7.0% return on equities, and unchanged foreign exchange rates from the level as at 30 September 2019.

Furthermore, it is assumed that the return on interest-bearing assets hedging the discounted provisions exactly suffices to cover discounting and revaluation of the provisions, while the return on the remaining interest-bearing assets is assumed to be 1.25% (risk-free interest rate plus 2.0pp).

| Profit forecast 2019 (DKKm) | Results | | Forecast 2019 | | Forecast 2019 | |
|---|--------------|--------------|---------------|--------------|-------------------|----------------|
| | 2018 | | 28 June 2019 | | 30 September 2019 | |
| Non-life insurance | | | | | | |
| - Technical result | 1,499 | 1,300 | - | 1,350 | 1,450 | - 1,500 |
| - Investment return after return and revaluations of non-life insurance provisions etc. | (79) | (50) | - | 0 | (130) | - (80) |
| Profit on non-life insurance | 1,420 | 1,250 | - | 1,350 | 1,320 | - 1,420 |
| Life insurance | 228 | 300 | - | 330 | 320 | - 350 |
| Parent company etc. | 54 | 40 | - | 50 | 40 | - 50 |
| Pre-tax profit | 1,702 | 1,590 | - | 1,730 | 1,680 | - 1,820 |
| Taxation | (371) | (340) | - | (380) | (380) | - (420) |
| Profit for the year | 1,331 | 1,250 | - | 1,350 | 1,300 | - 1,400 |

Assumptions for profit forecast model for 2020

For 2020, the assumed premium growth in non-life will be on the same level as the premium growth in 2019. This is despite the fact that the net effect of the terminated distribution agreement with Danske Bank and the new distribution agreement with Nordea having a negative impact on the premium growth of approx. 0.5pp in 2020.

Topdanmark assumes a combined ratio of around 90, excluding run-off.

The profit forecast model is based upon the following assumptions among others:

- The termination of the distribution agreement with Danske Bank as of the end of Q2 2019 will have a negative impact on the premium growth of approx. 1pp
- The new distribution agreement with Nordea will have a positive impact on premium growth of approx. 0.5pp
- The automatic premium indexing in the private segment will be 2.0% in 2020. Approx. 70% of Topdanmark's premiums earned are comprised by automatic premium indexing. Thus, the premium effect of the automatic premium indexing on non-life insurance is approx. 1.4%
- Weather related claims of DKK 170m
- Large-scale claims (large-scale claims of a gross value exceeding DKK 5m) of DKK 100m
- An expense ratio of approx. 16
- A level of interest rates corresponding to the interest rate curve on 30 September 2019
- Compared with the assumed combined ratio of 89-90 excl. run-off for 2019 in the Q3 2018 report, the assumed combined ratio for 2020 is negatively impacted by 1.6pp due to lower interest rates.

Financial calendar

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

Disclaimer

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

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

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

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

Accounting policies

Topdanmark's interim report for Q1-Q3 2019 has been prepared in accordance with IAS 34 on interim reports for listed companies and additional Danish disclosure requirements on interim reports for listed financial services companies.

The interim report for Q1-Q3 of the parent company has been prepared in accordance with the executive order on financial reports presented by insurance companies and lateral pension funds issued by the Danish FSA.

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

Changes in accounting estimates and assessments

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

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

Besides this, accounting policies are unchanged compared with the financial statements for 2018, which include a full description of accounting policies for the Group.

This announcement has not been audited nor subjected to review.

Income statement • Group

| (DKK)m | Note | Full year 2018 | Q3 2018 | Q3 2019 | Q1-Q3 2018 | Q1-Q3 2019 |
|---|------|-------------------|----------------|----------------|----------------|-----------------|
| NON-LIFE INSURANCE | | | | | | |
| Gross premiums written | | 9,205 | 1,713 | 1,763 | 7,632 | 7,901 |
| Ceded reinsurance premiums | | (617) | (139) | (153) | (566) | (569) |
| Change in the provisions for unearned premiums | | 35 | 540 | 487 | (822) | (952) |
| Change in profit margin and risk margin | | (43) | 73 | 125 | 121 | 150 |
| Change in the reinsurers' share of the provisions for unearned premiums | | 10 | (12) | (2) | 120 | 111 |
| Premiums earned, net of reinsurance | | 8,590 | 2,175 | 2,221 | 6,484 | 6,641 |
| Claims paid | | (6,045) | (1,414) | (1,653) | (4,379) | (4,756) |
| Reinsurance cover received | | 362 | 69 | 74 | 223 | 202 |
| Change in the provisions for claims | | (23) | (149) | 57 | (244) | 261 |
| Change in risk margin | | 31 | 28 | 2 | 18 | 27 |
| Change in the reinsurers' share of the provisions for claims | | 56 | 44 | (12) | 83 | (5) |
| Claims incurred, net of reinsurance | 1 | (5,619) | (1,422) | (1,532) | (4,298) | (4,270) |
| Bonuses and rebates | | (62) | (14) | (17) | (45) | (49) |
| Acquisition costs | | (952) | (213) | (200) | (716) | (705) |
| Administrative expenses | | (501) | (114) | (128) | (367) | (389) |
| Reinsurance commission and share of profits | | 78 | 21 | 21 | 56 | 60 |
| Insurance operating expenses, net of reinsurance | | (1,375) | (306) | (308) | (1,027) | (1,034) |
| TECHNICAL RESULT FROM NON-LIFE INSURANCE | | 1,534 | 434 | 364 | 1,114 | 1,287 |
| LIFE INSURANCE | | | | | | |
| Gross premiums written | 2 | 10,111 | 2,305 | 3,148 | 7,147 | 8,114 |
| Ceded reinsurance premiums | | (1) | (0) | (0) | (0) | (1) |
| Premiums, net of reinsurance | | 10,111 | 2,305 | 3,148 | 7,147 | 8,114 |
| Allocated investment return, net of reinsurance | | (2,326) | 1,264 | 1,432 | 1,449 | 6,791 |
| Pension return tax | | 28 | (181) | (212) | (206) | (701) |
| Claims and benefits paid | | (4,088) | (921) | (1,174) | (2,997) | (3,125) |
| Reinsurance cover received | 3 | 3 | 0 | 2 | 3 | 3 |
| Claims and benefits paid, net of reinsurance | | (4,086) | (921) | (1,173) | (2,995) | (3,122) |
| Change in the life insurance provisions | | (3,318) | (2,365) | (3,096) | (5,092) | (10,751) |
| Change in the reinsurers' share | | (4) | (0) | (2) | (3) | (4) |
| Change in the life insurance provisions, net of reinsurance | | (3,321) | (2,365) | (3,098) | (5,095) | (10,755) |
| Change in profit margin | | (34) | (10) | 5 | (21) | (26) |
| Acquisition costs | | (143) | (33) | (32) | (107) | (110) |
| Administrative expenses | | (277) | (60) | (74) | (198) | (226) |
| Insurance operating expenses, net of reinsurance | | (420) | (93) | (106) | (306) | (335) |
| TECHNICAL RESULT FROM LIFE INSURANCE | | (48) | (0) | (4) | (26) | (34) |

Income statement • Group

| (DKKm) | Full year 2018 | Q3 2018 | Q3 2019 | Q1-Q3 2018 | Q1-Q3 2019 |
|--|-------------------|------------|------------|---------------|---------------|
| NON-TECHNICAL ACTIVITIES | | | | | |
| Technical result from non-life insurance | 1,534 | 434 | 364 | 1,114 | 1,287 |
| Technical result from life insurance | (48) | (0) | (4) | (26) | (34) |
| Income from associates | 161 | 19 | 17 | 63 | 69 |
| Income from investment properties | 45 | 17 | 57 | 38 | 106 |
| Interest income and dividends etc. | 1,803 | 474 | 811 | 1,392 | 1,885 |
| Revaluations | (3,871) | 932 | 852 | 414 | 5,986 |
| Interest charges | (81) | (23) | (19) | (62) | (56) |
| Expenses on investment activities | (47) | (12) | (14) | (35) | (37) |
| Total investment return | (1,990) | 1,408 | 1,705 | 1,810 | 7,953 |
| Return and revaluations of non-life insurance provisions | (86) | 17 | (253) | (49) | (951) |
| Investment return transferred to life insurance business | 2,326 | (1,264) | (1,432) | (1,449) | (6,791) |
| Other income | 23 | 5 | (6) | 16 | 15 |
| Other expenses | (58) | (9) | (3) | (45) | (43) |
| PRE-TAX PROFIT | 1,702 | 592 | 371 | 1,371 | 1,436 |
| Taxation | (371) | (133) | (86) | (300) | (321) |
| PROFIT FOR THE PERIOD | 1,331 | 459 | 285 | 1,071 | 1,115 |
| EPS (DKK) | 15.4 | 5.3 | 3.3 | 12.4 | 12.9 |
| EPS, diluted (DKK) | 15.4 | 5.3 | 3.3 | 12.4 | 12.8 |

Statement of comprehensive income • Group

| | | | | | |
|--|-------|-----|------|-------|-------|
| Profit for the period | 1,331 | 459 | 285 | 1,071 | 1,115 |
| Items which cannot subsequently be reclassified as profit or loss: | | | | | |
| Revaluation / Reversed revaluation on non-occupied properties | 1 | 0 | (18) | 1 | (18) |
| Taxation | 0 | 0 | 4 | 0 | 4 |
| Other comprehensive income | 1 | 0 | (14) | 1 | (14) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 1,332 | 459 | 271 | 1,072 | 1,102 |

Assets • Group

| (DKK)m | 31 Dec 2018 | 30 Sep 2018 | 30 Sep 2019 |
|---|----------------|----------------|----------------|
| INTANGIBLE ASSETS | 1,091 | 1,034 | 1,238 |
| Operating equipment | 116 | 115 | 115 |
| Owner-occupied properties | 853 | 853 | 832 |
| TOTAL TANGIBLE ASSETS | 969 | 968 | 947 |
| Investment properties | 3,830 | 3,720 | 3,887 |
| Equity investments in associates | 1,678 | 1,333 | 1,571 |
| Total investments in associates | 1,678 | 1,333 | 1,571 |
| Equity investments | 5,412 | 6,059 | 5,050 |
| Unit trusts | 6 | 8 | 6 |
| Bonds | 35,118 | 33,955 | 43,723 |
| Loans guaranteed by mortgages | 6 | 6 | 6 |
| Deposits with credit institutions | 4,380 | 5,145 | 2,076 |
| Derivatives | 86 | 93 | 689 |
| Total other financial investment assets | 45,010 | 45,265 | 51,550 |
| TOTAL INVESTMENT ASSETS | 50,518 | 50,318 | 57,009 |
| INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS | 27,890 | 29,325 | 34,105 |
| Reinsurers' share of the provisions for unearned premiums | 92 | 191 | 191 |
| Reinsurers' share of the life insurance provisions | 17 | 17 | 13 |
| Reinsurers' share of the provisions for claims | 527 | 554 | 529 |
| Total reinsurers' share of provisions | 635 | 762 | 732 |
| Receivables from policyholders | 262 | 315 | 310 |
| Receivables from insurance companies | 197 | 239 | 87 |
| Receivables from associates | 365 | 317 | 345 |
| Other receivables | 281 | 291 | 493 |
| TOTAL RECEIVABLES | 1,740 | 1,924 | 1,967 |
| Assets held temporarily | 0 | 0 | 3 |
| Current tax assets | 39 | 0 | 0 |
| Deferred tax assets | 17 | 17 | 21 |
| Liquid funds | 253 | 1,305 | 287 |
| Other | 199 | 164 | 83 |
| TOTAL OTHER ASSETS | 508 | 1,486 | 394 |
| Accrued interest and rent | 310 | 247 | 363 |
| Other prepayments and accrued income | 196 | 209 | 234 |
| TOTAL PREPAYMENTS AND ACCRUED INCOME | 506 | 455 | 597 |
| TOTAL ASSETS | 83,224 | 85,511 | 96,258 |

Shareholders' equity and liabilities • Group

| (DKK)m | Note | 31 Dec 2018 | 30 Sep 2018 | 30 Sep 2019 |
|--|------|----------------|----------------|----------------|
| Share capital | | 90 | 90 | 90 |
| Revaluation reserve | | 14 | 14 | 0 |
| Security fund | | 1,146 | 1,146 | 1,146 |
| Other reserves | | 67 | 67 | 72 |
| Total reserves | | 1,213 | 1,213 | 1,218 |
| Profit carried forward | | 3,349 | 4,425 | 4,636 |
| Proposed dividend | | 1,350 | 0 | 0 |
| TOTAL SHAREHOLDERS' EQUITY | | 6,016 | 5,742 | 5,945 |
| OTHER SUBORDINATED LOAN CAPITAL | | 1,746 | 1,746 | 1,747 |
| Provisions for unearned premiums | | 1,819 | 2,679 | 2,843 |
| Profit margin, non-life insurance contracts | | 807 | 641 | 644 |
| Products with guarantees and profitsharing | | 23,134 | 23,678 | 24,154 |
| Unit-linked products | | 33,117 | 34,051 | 43,073 |
| Total life insurance provisions | | 56,252 | 57,729 | 67,227 |
| Profit margin, life insurance and investment contracts | | 268 | 254 | 293 |
| Provisions for claims | | 13,003 | 13,260 | 13,356 |
| Risk margin, non-life insurance contracts | | 275 | 288 | 242 |
| Provisions for bonuses and rebates | | 152 | 143 | 151 |
| TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS | | 72,575 | 74,994 | 84,757 |
| Pensions and similar commitments | | 27 | 27 | 29 |
| Deferred tax liabilities | | 103 | 74 | 78 |
| Deferred tax on security funds | | 306 | 306 | 306 |
| TOTAL PROVISIONS | | 436 | 408 | 413 |
| DEPOSITS RECEIVED FROM REINSURERS | | 81 | 71 | 68 |
| Debt relating to direct insurance operations | | 373 | 341 | 59 |
| Debt relating to reinsurance operations | | 18 | 11 | 20 |
| Amounts due to credit institutions | | 242 | 102 | 695 |
| Current tax liabilities | | 1 | 222 | 219 |
| Derivatives | | 703 | 701 | 866 |
| Other debt | | 934 | 1,059 | 1,357 |
| TOTAL DEBT | | 2,271 | 2,436 | 3,217 |
| ACCRUALS AND DEFERRED INCOME | | 98 | 114 | 112 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 83,224 | 85,511 | 96,258 |
| Financial assets and liabilities | 3 | | | |
| Contingent liabilities | 4 | | | |
| Related parties | 5 | | | |
| Sale of affiliate | 6 | | | |

Cash flow statement • Group

| (DKK)m | Full year 2018 | Q1-Q3 2018 | Q1-Q3 2019 |
|---|-------------------|---------------|---------------|
| Cash flow from operations | | | |
| Gross premiums | 9,214 | 7,592 | 7,788 |
| Claims paid | (5,992) | (4,415) | (4,728) |
| Expenses paid | (1,352) | (1,050) | (1,069) |
| Reinsurance ceded | (255) | (324) | (225) |
| Cash flow from non-life insurance | 1,615 | 1,803 | 1,766 |
| Gross premiums | 10,164 | 7,139 | 7,756 |
| Claims and benefits | (4,094) | (3,000) | (3,111) |
| Pension return tax | (486) | (487) | (121) |
| Expenses paid | (425) | (294) | (312) |
| Reinsurance ceded | 1 | 2 | 34 |
| Cash flow from life insurance | 5,160 | 3,360 | 4,244 |
| Cash flow from insurance activities | 6,775 | 5,163 | 6,011 |
| Payments on investment contracts | 1,008 | 711 | 224 |
| Interest income and dividends etc. | 1,806 | 1,395 | 1,825 |
| Interest charges etc. | (124) | (84) | (88) |
| Corporation tax | (402) | (99) | (91) |
| Other items | (135) | (81) | (135) |
| Cash flow from operations | 8,929 | 7,005 | 7,746 |
| Investments | | | |
| Intangible assets, operating equipment | (243) | (158) | (201) |
| Properties | (257) | (175) | (317) |
| Sale of affiliate | 124 | 124 | 0 |
| Equity investments in associates | (249) | 4 | 0 |
| Dividends from associates | 17 | 11 | 175 |
| Equity investments | 147 | 147 | 1,265 |
| Unit trusts | (11) | (7) | 6 |
| Bonds | 626 | 1,961 | (8,281) |
| Loans | (5) | (8) | (2) |
| Derivatives | (427) | (271) | (257) |
| Investment activities related to unit-linked products | (6,537) | (4,620) | (1,671) |
| Balances with associates | (38) | 10 | 20 |
| Investments | (6,855) | (2,982) | (9,262) |
| Financing | | | |
| Dividend paid | (1,637) | (1,637) | (1,300) |
| Exercise of share options | 79 | 78 | 82 |
| Amounts due to credit institutions | 199 | 58 | 453 |
| Financing | (1,359) | (1,501) | (765) |
| Change in cash and cash equivalents | 715 | 2,522 | (2,281) |
| Cash and cash equivalents at 1 January | 3,941 | 3,941 | 4,634 |
| Revaluation of cash and cash equivalents | 0 | 8 | 10 |
| Cash and cash equivalents in sold affiliate | (22) | (22) | 0 |
| Cash and cash equivalents end of period | 4,634 | 6,449 | 2,363 |
| Cash and cash equivalents comprise: | | | |
| Liquid funds | 253 | 1,305 | 287 |
| Deposits with credit institutions | 4,380 | 5,145 | 2,076 |
| | 4,634 | 6,449 | 2,363 |

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

Statement of changes in equity • Group

(DKKm)

| | Share capital | Revaluation reserve | Security fund | Other reserves | Profit carried forward | Proposed dividend | Total |
|---|---------------|---------------------|---------------|----------------|------------------------|-------------------|--------------|
| 2018 | | | | | | | |
| Shareholders' equity at 31 December previous year | 90 | 13 | 1,146 | 64 | 3,168 | 1,710 | 6,191 |
| Profit for the year | | | | 3 | (23) | 1,350 | 1,331 |
| Other comprehensive income | | 1 | | 0 | 0 | | 1 |
| Total comprehensive income for the year | | 1 | | 3 | (23) | 1,350 | 1,332 |
| Dividend paid | | | | | 0 | (1,710) | (1,710) |
| Dividend, own shares | | | | | 73 | | 73 |
| Share-based payments | | | | | 48 | | 48 |
| Exercise of share options | | | | | 79 | | 79 |
| Taxation | | | | | 3 | | 3 |
| Other transactions | | | | | 203 | (1,710) | (1,507) |
| Shareholders' equity at 31 December 2018 | 90 | 14 | 1,146 | 67 | 3,349 | 1,350 | 6,016 |
| Q1-Q3 2018 | | | | | | | |
| Shareholders' equity at 31 December previous year | 90 | 13 | 1,146 | 64 | 3,168 | 1,710 | 6,191 |
| Profit for the period | | | | 3 | 1,068 | | 1,071 |
| Other comprehensive income | | 1 | | 0 | 0 | | 1 |
| Total comprehensive income for the period | | 1 | | 3 | 1,068 | | 1,072 |
| Dividend paid | | | | | 0 | (1,710) | (1,710) |
| Dividend, own shares | | | | | 73 | | 73 |
| Share-based payments | | | | | 36 | | 36 |
| Exercise of share options | | | | | 78 | | 78 |
| Taxation | | | | | 2 | | 2 |
| Other transactions | | | | | 189 | (1,710) | (1,521) |
| Shareholders' equity at 30 September 2018 | 90 | 14 | 1,146 | 67 | 4,425 | 0 | 5,742 |
| Q1-Q3 2019 | | | | | | | |
| Shareholders' equity at 31 December previous year | 90 | 14 | 1,146 | 67 | 3,349 | 1,350 | 6,016 |
| Profit for the period | | | | 5 | 1,110 | | 1,115 |
| Other comprehensive income | | (14) | | 0 | 0 | | (14) |
| Total comprehensive income for the period | | (14) | | 5 | 1,110 | | 1,102 |
| Dividend paid | | | | | 0 | (1,350) | (1,350) |
| Dividend, own shares | | | | | 50 | | 50 |
| Share-based payments | | | | | 46 | | 46 |
| Exercise of share options | | | | | 82 | | 82 |
| Taxation | | | | | (1) | | (1) |
| Other transactions | | | | | 177 | (1,350) | (1,173) |
| Shareholders' equity at 30 September 2019 | 90 | 0 | 1,146 | 72 | 4,636 | 0 | 5,945 |

Segment information • Group

Income statement

| (DKKm) | Private | SME | Elimin- ated | Non-life | Life | Parent etc. | Elimin- ated | Group |
|--|---------|---------|-----------------|----------|----------|----------------|-----------------|----------|
| Q1-Q3 2018 | | | | | | | | |
| Non-life insurance | | | | | | | | |
| Gross premiums earned | 3,826 | 3,074 | (14) | 6,886 | | | | 6,886 |
| Claims incurred | (2,498) | (2,128) | 12 | (4,615) | | | 11 | (4,604) |
| Expenses | (601) | (500) | 2 | (1,099) | | | 16 | (1,083) |
| Net reinsurance | (53) | (32) | (0) | (85) | | | | (85) |
| Technical result from non-life insurance | 674 | 414 | (0) | 1,088 | | | 27 | 1,114 |
| Life insurance | | | | | | | | |
| Gross premiums written | | | | | 7,147 | | | 7,147 |
| Allocated investment return | | | | | 1,449 | | | 1,449 |
| Pension return tax | | | | | (206) | | | (206) |
| Benefits and change in provisions | | | | | (8,110) | | | (8,110) |
| Expenses | | | | | (311) | | 5 | (306) |
| Net reinsurance | | | | | (1) | | | (1) |
| Technical result from life insurance | | | | | (31) | | 5 | (26) |
| Total investment return | | | | 123 | 1,533 | 57 | 97 | 1,810 |
| Pension return tax non-life insurance | | | | (2) | 2 | | | 0 |
| Return and revaluations of non-life insurance provisions | | | | (49) | | | | (49) |
| Transferred to technical result | | | | | (1,449) | | | (1,449) |
| Other items | | | | 4 | 129 | (33) | (129) | (29) |
| Pre-tax profit | | | | 1,164 | 182 | 24 | 0 | 1,371 |
| Taxation | | | | | | | | (300) |
| Profit | | | | | | | | 1,071 |
| Q1-Q3 2019 | | | | | | | | |
| Non-life insurance | | | | | | | | |
| Gross premiums earned | 3,847 | 3,216 | (14) | 7,050 | | | | 7,050 |
| Claims incurred | (2,562) | (1,928) | 12 | (4,477) | | | 9 | (4,468) |
| Expenses | (590) | (524) | 2 | (1,112) | | | 18 | (1,094) |
| Net reinsurance | (58) | (142) | (0) | (200) | | | | (200) |
| Technical result from non-life insurance | 638 | 622 | (0) | 1,260 | | | 27 | 1,287 |
| Life insurance | | | | | | | | |
| Gross premiums written | | | | | 8,114 | | | 8,114 |
| Allocated investment return | | | | | 6,791 | | | 6,791 |
| Pension return tax | | | | | (701) | | | (701) |
| Benefits and change in provisions | | | | | (13,902) | | | (13,902) |
| Expenses | | | | | (340) | | 4 | (335) |
| Net reinsurance | | | | | (1) | | | (1) |
| Technical result from life insurance | | | | | (38) | | 4 | (34) |
| Total investment return | | | | 856 | 6,908 | 61 | 128 | 7,953 |
| Pension return tax non-life insurance | | | | (50) | 50 | | | 0 |
| Return and revaluations of non-life insurance provisions | | | | (951) | | | | (951) |
| Transferred to technical result | | | | | (6,791) | | | (6,791) |
| Other items | | | | | 163 | (31) | (160) | (28) |
| Pre-tax profit | | | | 1,114 | 291 | 30 | 0 | 1,436 |
| Taxation | | | | | | | | (321) |
| Profit | | | | | | | | 1,115 |

Notes to the financial statements • Group

| (DKK m) | Full year 2018 | Q1-Q3 2018 | Q1-Q3 2019 |
|---------|-------------------|---------------|---------------|
|---------|-------------------|---------------|---------------|

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

| | | | |
|---|-----|-----|-----|
| Run-off result: | | | |
| Gross business | 319 | 205 | 321 |
| Reinsurance ceded | 34 | 5 | 22 |
| Run-off result, net of reinsurance (profit) | 353 | 210 | 343 |

Note 2. Gross premiums written - Life insurance

| | | | |
|--------------------------------------|---------------|--------------|--------------|
| Individual policies | 304 | 196 | 190 |
| Policies w hich are part of a tenure | 2,228 | 1,643 | 1,990 |
| Group life | 322 | 295 | 221 |
| Regular premiums | 2,855 | 2,133 | 2,401 |
| Individual policies | 1,856 | 1,336 | 1,124 |
| Policies w hich are part of a tenure | 5,401 | 3,678 | 4,589 |
| Single premiums | 7,257 | 5,013 | 5,713 |
| Gross premiums | 10,111 | 7,147 | 8,114 |

Note 3. Financial assets and liabilities

| | 31 Dec 2018 | 30 Sep 2018 | 30 Sep 2019 |
|--|----------------|----------------|----------------|
| Financial assets recorded at fair value based on non-observable input (level 3), comprises of a bond portfolio: | | | |
| 1 January | 692 | 692 | 469 |
| Purchases | 103 | 71 | 35 |
| Repayments | (334) | (297) | (128) |
| Foreign exchange adjustment | 9 | 6 | 7 |
| | 469 | 473 | 383 |

The portfolio consists of construction financing of property projects (DKK 195m) and Vindmøllepark (w ind farm) guaranteed by EKF (DKK 59m) and bonds (DKK 129m), for w hich current return depends on payment on life annuity contracts.

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

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

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

Note 4. Contingent liabilities

| | | | |
|--|-----|-------|-----|
| Contract liabilities | 398 | 447 | 202 |
| Adjustments to VAT liabilities | 105 | 93 | 120 |
| Other liabilities | 16 | 17 | 4 |
| Capital commitments made to loan funds and private equity funds etc. | 609 | 1,014 | 473 |

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

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

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

Notes to the financial statements • Group

(DKKm)

Note 5. Related parties

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

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

Note 6. Sale of affiliate

As of 1 April 2018, the Group has disposed of the shares in the subsidiary Nykredit Livsforsikring A/S for DKK 124m in cash. Thus, as per the time of sale, the balance sheet of the company was compounded as follows:

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

Income statement • Parent company

| (DKK)m | Full year 2018 | Q3 2018 | Q3 2019 | Q1-Q3 2018 | Q1-Q3 2019 |
|--------------------------------|-------------------|------------|------------|---------------|---------------|
| Income from affiliates | 1,372 | 467 | 295 | 1,103 | 1,146 |
| Interest charges | (11) | (3) | (3) | (8) | (8) |
| Total investment return | 1,361 | 465 | 292 | 1,095 | 1,138 |
| Other expenses | (42) | (9) | (10) | (33) | (31) |
| PRE-TAX PROFIT | 1,319 | 456 | 282 | 1,062 | 1,107 |
| Taxation | 12 | 2 | 3 | 9 | 9 |
| PROFIT FOR THE PERIOD | 1,331 | 459 | 285 | 1,071 | 1,115 |

Statement of comprehensive income • Parent company

| | | | | | |
|--|--------------|------------|------------|--------------|--------------|
| Profit for the period | 1,331 | 459 | 285 | 1,071 | 1,115 |
| Other comprehensive income from affiliates | 1 | 0 | (14) | 1 | (14) |
| Other comprehensive income | 1 | 0 | (14) | 1 | (14) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 1,332 | 459 | 271 | 1,072 | 1,102 |

Balance sheet • Parent company

| (DKK)m | 31 Dec 2018 | 30 Sep 2018 | 30 Sep 2019 |
|----------------------------------|----------------|----------------|----------------|
| Assets | | | |
| Operating equipment | 3 | 3 | 3 |
| TOTAL TANGIBLE ASSETS | 3 | 3 | 3 |
| Equity investments in affiliates | 6,188 | 5,907 | 5,976 |
| Total investment in affiliates | 6,188 | 5,907 | 5,976 |
| TOTAL INVESTMENT ASSETS | 6,188 | 5,907 | 5,976 |
| Receivables from affiliates | 639 | 867 | 1,002 |
| Other receivables | 2 | 0 | 0 |
| TOTAL RECEIVABLES | 641 | 868 | 1,002 |
| Current tax assets | 39 | 0 | 0 |
| Liquid funds | 2 | 2 | 3 |
| TOTAL OTHER ASSETS | 40 | 2 | 3 |
| TOTAL ASSETS | 6,873 | 6,780 | 6,984 |

Shareholders' equity and liabilities

| | | | |
|---|--------------|--------------|--------------|
| Share capital | 90 | 90 | 90 |
| Other reserves | 2,439 | 2,159 | 2,227 |
| Total reserves | 2,439 | 2,159 | 2,227 |
| Profit carried forward | 2,443 | 3,800 | 3,934 |
| Proposed dividend | 1,350 | 0 | 0 |
| TOTAL SHAREHOLDERS' EQUITY | 6,322 | 6,048 | 6,251 |
| OTHER SUBORDINATED LOAN CAPITAL | 398 | 398 | 398 |
| Amounts due to affiliates | 147 | 107 | 110 |
| Current tax liabilities | 0 | 221 | 218 |
| Other debt | 6 | 6 | 7 |
| TOTAL DEBT | 153 | 334 | 335 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 6,873 | 6,780 | 6,984 |

Statement by Management

The Board of Directors and the Executive Board have today considered and adopted the interim report for Q1-Q3 2019 for Topdanmark A/S.

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

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

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

Ballerup, 24 October 2019

Executive Board:

Peter Hermann
(CEO)

Thomas Erichsen

Brian Rothemejer Jacobsen

Lars Thykier

Board of Directors:

Ricard Wennerklint
(Chairman)

Jens Aaløse
(Deputy Chairman)

Elise Bundgaard

Anne Louise Eberhard

Mette Jensen

Cristina Lage

Ole Lomholt Mortensen

Petri Niemisvirta

Morten Thorsrud