

Topdanmark A/S

# ANNUAL REPORT 2013

# 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
- Efficient capital management
- Limited top line growth
- Profitable growth - in that order
- High net result
- Large share buy-back programme
- No protection against a take-over in the Articles of Association

---

Read more about Topdanmark's equity story on [www.topdanmark.com](http://www.topdanmark.com) → Investor → Share profile

Read also about value creation in Topdanmark on [www.topdanmark.com](http://www.topdanmark.com) → Investor → Value creation

# TOPDANMARK ANNUAL REPORT 2013

4 March 2014 Announcement No. 03/2014

## Key features of Annual Report 2013

- Post-tax profit of DKK 1,468m (2012: DKK 1,823m)
- This profit was higher than the assumed profit of DKK 1,300-1,400m in the Q1-Q3 2013 interim report
- Profit per share was DKK 12.5 (2012: DKK 14.2)
- Combined ratio was 91.5% (2012: 88.0%)
- Combined ratio excluding run-off profits was 95.0% (2012: 90.3%)
- Weather-related claims had a 3.9pp impact on the combined ratio (2012: 0.5pp)
- Premiums increased 1.5% in non-life insurance and 14.8% in life insurance
- Investment return declined to DKK 866m (2012: DKK 1,336m)
- Profit on life insurance increased to DKK 442m (2012: DKK 210m)
- Topdanmark bought back own shares of DKK 1,836m, representing a buy-back yield of 11.1%.

## Q4 2013

- Post-tax profit was DKK 251m (Q4 2012: DKK 453m)
- Combined ratio was 100.4% (Q4 2012: 88.2%)
- The two storms in Q4 had an adverse 14.6pp effect on the combined ratio
- Combined ratio excluding run-off profits was 104.9% (Q4 2012: 91.7%)
- Premiums increased 2.4% in non-life insurance and 30.9% in life insurance
- Investment return declined to DKK 283m (Q4 2012: DKK 343m).

## Profit forecast model for 2014

- Assumed combined ratio for 2014 unchanged at 91-92% excl. run-off
- Assumed premium growth in non-life insurance continues at 2-3%
- Post-tax profit forecast model is DKK 950-1,050m, excluding run-off, corresponding to DKK 9.4 profit per share.

## Share buy-back

- Share buy-back programme for 2014 of DKK 1.7bn representing a buy-back yield of 10.2%.

## Webcast

In a [webcast](#) today Topdanmark's CEO, Christian Sagild, will present the financial highlights and comment on the forecast.

## Conference call

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

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

UK dial in number: +44 (0)20 7162 0125

US dial in number: +1 334 323 6203

quoting reference 941928

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:

Christian Sagild  
Chief Executive Officer  
Direct tel.: +45 4474 4450

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

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

# Contents

## **Management's review**

- 1 Key features of Annual report
- 3 Financial highlights
- 4 Profit in 2013
- 4 Profit in Q4 2013
- 5 Non-life insurance
- 9 Life insurance
- 11 Investment activities
- 13 Parent company etc.
- 13 Taxation
- 13 Prospects for 2014
- 15 Share buy-back
- 16 Risk management
- 19 Solvency
- 21 Capital model
- 21 Capital structure and ownership
- 21 Board of Directors and Articles of Association
- 22 Severance pay
- 23 Remuneration structure
- 24 Corporate Governance
- 24 CSR
- 24 Investor Relations
- 26 Share split
- 26 Annual General Meeting
- 26 Financial calendar
- 27 Company announcements and trading reports
- 28 Board of Directors and Executive Board
- 32 Five-year summary – Group

## **Annual financial statements – Group**

- 33 Income statement
- 34 Statement of comprehensive income
- 35 Assets
- 36 Shareholders' equity and liability
- 37 Cash flow statement
- 38 Statement of changes in equity
- 39 Notes to the financial statements
- 70 Accounting policies

## **Annual financial statements – parent company**

- 79 Income statement
- 79 Statement of comprehensive income
- 80 Balance sheet
- 81 Statement of changes in equity
- 82 Notes to the financial statements

## **87 Disclaimer**

## **88 Statement by Management on the Annual Report**

## **Auditors' reports**

- 89 Internal audit's reports
- 90 Independent auditor's reports

# Financial highlights

(DKKm)	2009	2010	2011	2012	2013	Q4 2012	Q4 2013
<b>Premiums earned:</b>							
Non-life insurance	8,665	8,548	8,668	8,759	8,889	2,209	2,263
Life insurance	3,194	3,341	3,242	3,059	3,511	738	965
	<b>11,859</b>	<b>11,889</b>	<b>11,910</b>	<b>11,818</b>	<b>12,400</b>	<b>2,947</b>	<b>3,228</b>
<b>Results:</b>							
Non-life insurance	1,592	1,092	1,086	2,103	1,361	529	162
Life insurance	292	384	187	210	442	46	102
Parent company etc.	(21)	31	76	22	73	18	54
Pre-tax profit	1,863	1,506	1,349	2,335	1,875	593	318
Tax	(417)	(338)	(326)	(512)	(407)	(140)	(67)
<b>Profit</b>	<b>1,446</b>	<b>1,168</b>	<b>1,023</b>	<b>1,823</b>	<b>1,468</b>	<b>453</b>	<b>251</b>
Run-off profits, net of reinsurance	214	204	148	201	306	77	101
Shareholders' equity of parent company at 1 January	3,243	4,465	4,900	4,915	5,716	5,489	5,543
Profit	1,446	1,168	1,023	1,823	1,468	453	251
Share buy-back	(376)	(892)	(1,159)	(1,200)	(1,836)	(272)	(331)
Share-based payments	150	159	150	177	142	46	28
Other movements in shareholders' equity	2	1	1	2	0	1	(1)
<b>Shareholders' equity of parent company end of period</b>	<b>4,465</b>	<b>4,900</b>	<b>4,915</b>	<b>5,716</b>	<b>5,490</b>	<b>5,716</b>	<b>5,490</b>
Deferred tax on security funds	(348)	(348)	(348)	(348)	(306)	(348)	(306)
<b>Shareholders' equity of Group end of period</b>	<b>4,117</b>	<b>4,553</b>	<b>4,567</b>	<b>5,368</b>	<b>5,184</b>	<b>5,368</b>	<b>5,184</b>
Capital base, parent company*)	4,868	5,305	5,319	6,122	5,897	6,122	5,897
Total assets, parent company	5,467	5,712	6,408	6,895	6,485	6,895	6,485
Total assets, Group	56,554	57,542	61,013	59,435	61,092	59,435	61,092
Provisions for insurance and investment contracts:							
Non-life insurance	14,478	15,139	16,228	16,251	16,721	16,251	16,721
Life insurance	28,882	31,166	30,618	32,553	33,640	32,553	33,640
<b>Financial ratios (parent company)</b>							
Post-tax profit as a % of shareholders' equity	36.6	24.1	21.1	33.9	26.0	8.0	4.5
Post-tax profit per share (DKK)	9.2	7.7	7.4	14.2	12.5	3.6	2.2
Post-tax profit per share, diluted (DKK)	9.2	7.7	7.4	14.1	12.3	3.6	2.2
Net asset value per share, diluted (DKK)	28.7	33.8	36.8	45.8	48.3	45.8	48.3
Share buy-back per share, diluted (DKK)	2.4	5.9	8.4	9.3	15.4	2.2	2.9
Listed share price end of period	70.3	73.8	89.5	121.3	142.8	121.3	142.8
Average number of shares ('000)	156,881	151,307	137,409	128,276	117,904	124,606	113,695
Average number of shares, diluted ('000)	157,688	151,587	138,023	129,367	119,131	125,924	114,758
Number of shares end of period ('000)	154,959	144,724	133,319	123,940	112,632	123,940	112,632
<b>Ratios non-life insurance (%)</b>							
Gross loss ratio	73.1	75.5	78.2	70.0	80.4	69.7	114.1
Net reinsurance ratio	3.1	2.4	(3.6)	2.2	(5.0)	2.5	(29.7)
Claims trend	76.2	77.9	74.6	72.2	75.4	72.2	84.3
Gross expense ratio	14.9	15.4	15.7	15.8	16.2	16.0	16.0
Combined ratio	91.1	93.3	90.3	88.0	91.5	88.2	100.4
Operating ratio	90.1	92.7	89.6	87.8	91.4	88.1	100.3
Combined ratio excl. run-off profits	93.6	95.7	92.0	90.3	95.0	91.7	104.9

\*) Shareholders' equity and loan capital

The comparatives for premiums earned life insurance and financial ratios have been restated: see accounting policies

## Profit in 2013

Topdanmark's post-tax profit was DKK 1,468m (2012: DKK 1,823m). This 19.5% decline was due to a higher

level of weather-related claims in 2013 and an extraordinarily high investment return in 2012.

Profit per share declined 12.0% to DKK 12.5.

Results and profit forecast model results (DKKm)	Forecast 2013			Results 2013
	Results 2012	as in Q1-Q3 interim report		
Non-life insurance				
- Technical result	1,068	720	- 770	765
- Investment return after transfer to technical result etc.	1,036	520	- 570	595
Profit on non-life insurance	2,103	1,240	- 1,340	1,361
Life insurance	210	400	- 430	442
Parent company etc.	22	30	- 40	73
Pre-tax profit	2,335	1,670	- 1,810	1,875
Taxation	(512)	(370)	- (410)	(407)
<b>Profit for the year</b>	<b>1,823</b>	<b>1,300</b>	<b>- 1,400</b>	<b>1,468</b>

Pre-tax profit declined DKK 460m to DKK 1,875m.

The technical result declined DKK 303m, particularly due to two storms in Q4 which, after reimbursement from the reinsurance companies etc., cost Topdanmark DKK 330m net. On the other hand, the technical result benefited DKK 105m from higher run-off profits.

The investment return after transfer to the technical result declined DKK 441m to DKK 595m. As referred to above, the investment return was extraordinarily high in 2012. Even though the investment return was lower in 2013 than in 2012, it was higher than a normal level.

Profit on life insurance increased DKK 232m to DKK 442m, particularly due to a transfer of DKK 171m from the shadow account in 2013, while in 2012 DKK 117m was transferred to the shadow account: see [Life insurance](#).

Profit of the parent company etc. increased DKK 51m to DKK 73m due to a higher performance allowance in Topdanmark Kapitalforvaltning (asset management) and a DKK 25m write-down of a property in 2012.

The DKK 1,468m profit was better than the DKK 1,300-1,400m assumed in the most recent profit forecast model for 2013 in the interim report for Q1-Q3 2013. The improvement, which was achieved in spite of another storm after the forecast date, was due to a higher than assumed investment return and run-off profits in Q4.

## Profit in Q4 2013

Post-tax profit was DKK 251m in Q4 (Q4 2012: DKK 453m).

Pre-tax profit declined DKK 275m to DKK 318m.

The technical result declined DKK 270m mostly due to the two storms.

The investment return after transfer to the technical result declined DKK 97m to DKK 169m.

Profit on life insurance increased DKK 56m to DKK 102m primarily due to a transfer of DKK 22m from the shadow account in Q4 2013, while in Q4 2012 DKK 28m was transferred to the shadow account.

Profit of the parent company etc. increased DKK 36m to DKK 54m due to, among other factors, the higher performance allowance in Topdanmark Kapitalforvaltning (asset management).

Trend in profit (DKKm)	Q4 2012	Q4 2013
Non-life insurance		
- Technical result	263	(7)
- Investment return after transfer to technical result etc.	266	169
Profit on non-life insurance	529	162
Life insurance	46	102
Parent company etc.	18	54
Pre-tax profit	593	318
Tax	(140)	(67)
<b>Profit</b>	<b>453</b>	<b>251</b>

## Non-life insurance

### Danish non-life insurance market

In 2013 the Danish non-life insurance market was characterised as follows:

- Lower average premium in motor insurance
- Around 1% growth in premiums
- Increase in claims trend for contents insurance
- Two storms in Q4
- Lower interest rates
- Increase in the combined ratio from 90% to around 93%
- Run-off profits had a 3-4pp positive impact on the combined ratio.

Automatic price indexation in the personal and SME markets was 1.8%, which is estimated to have an overall effect of around 1.3% for the entire market. Also in 2013 prices in the industrial market were under pressure due to, among other factors, competition from foreign companies.

The average premium in motor insurance declined around 3% in 2013 due to new cars being smaller and more roadworthy than old cars and consequently a lower average insurance premium for new cars. At the same time the total number of cars in Denmark increased 2.0% in 2013.

Overall growth in gross premiums earned is estimated to be around 1%.

In contents insurance, the recent years' trend of declining claims frequency but increasing average claims continued into 2013. Efforts by the police to get closer to the public have helped reduce the number of thefts. On the other hand, the size of average claims, primarily for house customers, increased due to, among other factors, more organised burglary behaviour and an increase in the share of more valuable objects such as jewellery, watches, silverware, designer furniture and the like. Overall, the claims trend in contents insurance is estimated to have increased.

Denmark was not hit by significant rainstorms during the summer, but on the other hand by two storms in Q4. The two storms are estimated to have caused gross expenses of DKK 4-5bn. After reimbursement from the reinsurance companies, the two storms are estimated to have had an adverse effect of around 3pp on the combined ratio. Together with the storm in December, Denmark was hit by a flood, i.e. flooding from seas, lakes and streams. Flood damage is not covered by the insurance policy, but by the national flood scheme. The insurance companies manage the claims handling of flood claims on behalf of the Danish Storm Council. There seems to be a general willingness to increase the cover for this scheme.

As provisions for outstanding claims are discounted to present value, lower interest rates will increase the claims expenses. Interest rates were lower in 2013 than in 2012 which, depending on the composition of the portfolio, increased the combined ratio by around 0.5pp.

It is estimated that the overall combined ratio, excluding any run-off profits / losses, increased from 90% to a level of around 93% for the entire Danish market in 2013. However, there are significant differences between the combined ratios of the individual companies.

The run-off profits are estimated to have had a favourable effect of 3-4pp on the combined ratio (2012: 4pp). The run-off profits in 2012 and 2013, which are estimated to be higher than normally, are typically in workers' compensation, accident and motor liability. Here, there are also significant differences between the companies.

### Result of non-life insurance in Topdanmark

#### Premiums earned

Premiums earned increased 1.5 % to DKK 8,889m in 2013, which was in line with the assumed premium growth of 1-2%. The personal segment accounted for 2.4 % of the growth and the SME and Industrial segment for 0.3 %.

Premiums earned benefited from automatic price indexation of 1.8%, which had an effect of around 1.3% on overall premiums earned.

In 2013 Topdanmark held a strong competitive position in the personal market, the agricultural market and the lower SME market partly due to increased market pressure through both own sales channels and Danske Bank, and partly a reduction in the loss of customers.

The profitability of insuring major industrial enterprises does not in all cases meet Topdanmark's return requirements, which generated a loss of some major unprofitable customer relationships in 2013, particularly in workers' compensation insurance.

#### Claims trend

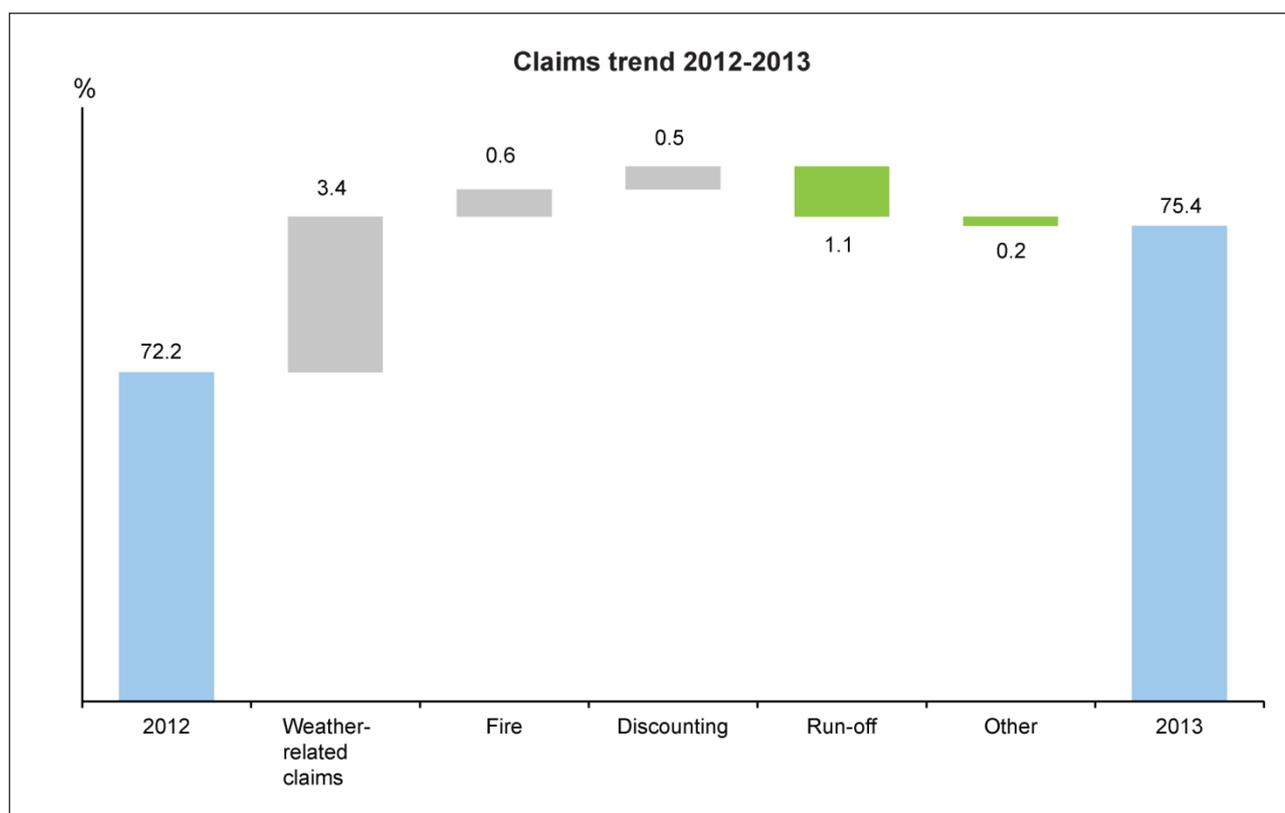
The claims trend deteriorated to 75.4% (2012: 72.2%) primarily due to an increase in weather-related claims. Weather-related claims increased to DKK 350m net of reinsurance in 2013 (2012: DKK 48m,) representing a 3.4pp deterioration of the claims trend. The two storms in Q4 2013 caused just over 50,000 claims generating gross claims expenses of around DKK 1bn. After reimbursement from the reinsurance companies, payment of reinstatement premium and expenses on claims handling etc., net expenses on the two storms were DKK

330m. Topdanmark assumes a normal level of DKK 170m net of reinsurance for weather-related claims. This year weather-related claims were DKK 180m higher than the normal level, with a 2.0pp effect on the claims trend.

The claims trend in fire insurance was DKK 57m poorer than in 2012, which caused the claims trend to deteriorate 0.6pp. In H1 2013 the personal segment was hit by a higher level of fire claims while in H2 2013 mainly the agricultural area was hit.

The interest rate curve used to discount the provisions for outstanding claims was lower in 2013 than in 2012, which had a 0.5pp adverse effect on the claims trend.

Run-off profits net of reinsurance were DKK 306m in 2013 (2012: DKK 201m), which represented a 1.1pp improvement of the claims trend. Primarily illness/accident insurance (DKK 139m), motor third-party and comprehensive insurance (DKK 93m) and workers' compensation insurance (DKK 63m) generated run-off profits.



### Expense ratio

The expense ratio increased to 16.2% (2012: 15.8%) due to investment in increased sales power in the personal market, the agricultural market and the lower SME market. This investment in sales power generated an increase in new business, which in turn increased the payment of sales commission as compared to 2012.

Excluding run-off profits, the combined ratio was 95.0% (2012: 90.3%).

Weather-related claims in 2013 had a 3.9pp effect on the claims trend, which was 2.0pp higher than the normal level.

### Combined ratio

Overall expenses on claims, reinsurance, sales and administration as a percentage of premiums earned (combined ratio) was 91.5% (2012: 88.0%).

Financial highlights – Non-life insurance (DKKm)	Q4 2012	Q4 2013	2012	2013
Gross premiums earned	2,209	2,263	8,759	8,889
Technical interest	2	2	20	14
Claims incurred	(1,541)	(2,581)	(6,131)	(7,145)
Expenses	(353)	(363)	(1,388)	(1,438)
Net reinsurance	(54)	672	(193)	445
Technical result	263	(7)	1,068	765
Investment return after transfer to technical result	260	165	1,015	575
Other items	6	3	20	20
<b>Profit on non-life insurance</b>	<b>529</b>	<b>162</b>	<b>2,103</b>	<b>1,361</b>
Run-off profits, net of reinsurance	77	101	201	306
Gross loss ratio (%)	69.7	114.1	70.0	80.4
Net reinsurance ratio (%)	2.5	(29.7)	2.2	(5.0)
Claims trend (%)	72.2	84.3	72.2	75.4
Gross expense ratio (%)	16.0	16.0	15.8	16.2
Combined ratio (%)	88.2	100.4	88.0	91.5
Operating ratio (%)	88.1	100.3	87.8	91.4
Combined ratio excl. run-off profits (%)	91.7	104.9	90.3	95.0

## Developments in Q4

Premiums earned in Q4 2013 increased 2.4 % to DKK 2,263m.

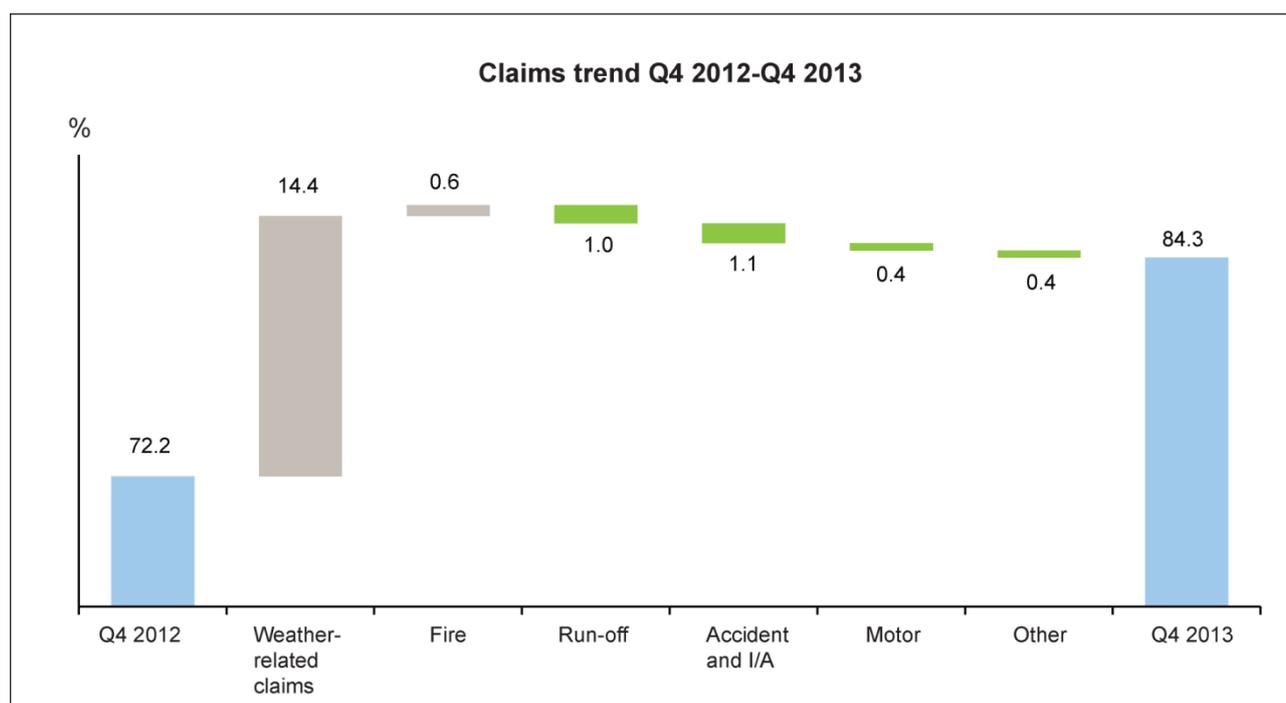
The claims trend increased to 84.3% (2012: 72.2%). This trend was mainly due to two storms which caused a DKK 326m deterioration of the size of weather-related claims, with a 14.4pp adverse effect on the claims trend. Furthermore, there was an increase in fire claims (0.6pp). On the other hand, the claims trend benefited from higher run-off profits (1.0pp) and an improved trend in the

following areas: accident (0.6pp), illness/accident (0.5pp) and motor insurance (0.4pp).

The expense ratio was unchanged at 16.0%.

The overall combined ratio was 100.4% in Q4 2013 (Q4 2012: 88.2%). Excluding run-off profits the combined ratio was 104.9% in Q4 2013 (Q4 2012: 91.7%).

The two storms in Q4 had a 14.6pp effect on the claims trend which was 12.4pp higher than the expected normal level.



## Segment reporting

### Personal

The Personal segment sells policies for individual households in Denmark.

Premiums earned increased 2.4 % to DKK 4,881m reflecting growth in primarily house and contents insurance. Premiums earned in motor insurance increased 1.7% in spite of a 2.2% decline in average premium. Premiums earned in Q4 2013 increased 3.0 % from Q4 2012.

The technical result increased DKK 33m to DKK 547m.

The claims trend improved 1.1pp to 72.1% due to higher run-off profits representing a 3.3pp improvement of the

claims trend. The storms in Q4 caused a 2.0pp deterioration of the claims trend. Fire claims had a 0.5pp adverse effect on the claims trend.

The expense ratio increased to 16.9% (2012: 16.2%) due to the increased investment in distribution power and higher sales commission.

The combined ratio improved to 88.9% in 2013 (2012: 89.4%). Excluding run-off profits, it increased to 92.9% (2012: 90.1%).

Personal (DKKm)	Q4	Q4	2012	2013
	2012	2013		
Gross premiums earned	1,206	1,242	4,767	4,881
Technical interest	1	1	10	7
Claims incurred	(855)	(1,086)	(3,464)	(3,638)
Expenses	(201)	(208)	(774)	(823)
Net reinsurance	(40)	179	(24)	120
<b>Technical result</b>	<b>111</b>	<b>128</b>	<b>514</b>	<b>547</b>
Run-off profits / (losses), net of reinsurance	(5)	92	31	192
Gross loss ratio (%)	70.9	87.5	72.7	74.5
Net reinsurance ratio (%)	3.3	(14.4)	0.5	(2.5)
Claims trend (%)	74.2	73.1	73.2	72.1
Gross expense ratio (%)	16.6	16.7	16.2	16.9
Combined ratio (%)	90.9	89.8	89.4	88.9
Operating ratio (%)	90.8	89.7	89.2	88.8
Combined ratio excl. run-off profits	90.5	97.2	90.1	92.9

### SME and Industrial

The SME and Industrial segment offers policies for Danish-based SME, agricultural and industrial businesses.

Premiums earned increased 0.3 % to DKK 4,025m in 2013. This low growth was due to the loss of a major customer in workers' compensation and negative premium adjustments following a favourable claims trend in a few schemes which provide that premiums paid by customers are dependent on the claims trend. Premiums earned increased 2.1% in Q4.

The technical result declined DKK 335m to DKK 217m.

The claims trend deteriorated 8.2pp to 79.4% mainly due to the storms in Q4 which had a 5.8pp adverse effect on the claims trend. Furthermore, there were declining run-off profits, representing a 1.4pp deterioration of the claims trend. Finally the claims trend in fire insurance deteriorated, representing 0.8pp primarily as a consequence of the high level of agricultural claims in H2.

The expense ratio increased marginally to 15.4%.

The combined ratio deteriorated to 94.8% in 2013 (2012: 86.5%). Excluding run-off profits, it increased to 97.6% (2012: 90.8%).

SME and Industrial (DKKm)	Q4	Q4	2012	2013
	2012	2013		
Gross premiums earned	1,006	1,027	4,011	4,025
Technical interest	1	1	11	7
Claims incurred	(688)	(1,498)	(2,686)	(3,522)
Expenses	(152)	(156)	(615)	(618)
Net reinsurance	(14)	492	(169)	325
<b>Technical result</b>	<b>152</b>	<b>(134)</b>	<b>552</b>	<b>217</b>
Run-off profits, net of reinsurance	82	10	170	114
Gross loss ratio (%)	68.4	145.8	67.0	87.5
Net reinsurance ratio (%)	1.4	(47.9)	4.2	(8.1)
Claims trend (%)	69.8	97.9	71.2	79.4
Gross expense ratio (%)	15.1	15.2	15.3	15.4
Combined ratio (%)	85.0	113.1	86.5	94.8
Operating ratio (%)	84.9	113.0	86.3	94.6
Combined ratio excl. run-off profits (%)	93.1	114.0	90.8	97.6

## Life insurance

### Danish life and pension market

In 2013 the Danish life and pension market was characterised as follows:

- Movement from with-profits to unit-linked schemes
- New legislation
- 2012 tax reform

There is an increased trend towards new business being written in unit-linked schemes and customers moving their existing pension savings from with-profits to unit-linked schemes. In 2013, several companies offered their customers a share of their unallocated provisions if they chose to move their pension schemes from with-profits to unit-linked schemes.

The many new legislative rules etc. in the industry have made heavy demands on process and system development and required considerable resources. Examples of new legislation in the industry are the 2012 tax reform, individual solvency, consistent customer protection, interest rate agreement, adjustment of openness and transparency and the cost request.

As a result of the tax reform, which was adopted in 2012, the deductibility of payments into capital pension schemes was removed with effect from 1 January 2013.

In this connection companies were given the opportunity to offer a new product, an old-age insurance policy, with no deductibility of payments into the scheme, but tax-free payouts instead. Furthermore, it was made possible to pay tax on existing capital pension schemes in 2013 at a lower tax rate than if the tax was paid on the expiry of the policy (37.3% against 40.0%). In the spring of 2013 this possibility of paying a lower tax rate was extended to be applicable also in 2014. The industry has spent time on establishing the old age insurance and on advising customers on old age insurance and any tax payment.

### Profit on life insurance in Topdanmark

In 2013 life insurance made a profit of DKK 442m (2012: DKK 210m) primarily due to the recognition as income of DKK 171m from the shadow account (2012: DKK 117m transfer to the shadow account).

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

Result of life insurance (DKKm)	Q4	Q4	2012	2013
	2012	2013		
Investment return	29	29	144	100
Risk return	37	46	165	164
Transferred, shadow account	(28)	22	(117)	171
Other	8	5	18	7
<b>Profit on life insurance</b>	<b>46</b>	<b>102</b>	<b>210</b>	<b>442</b>
<b>Maximum shadow account end of period</b>			236	72
<b>Estimated value of shadow account end of period</b>			210	10

Investment return in Topdanmark Liv Holding and result of Nykredit Livsforsikring have been moved from "Other" to "Investment return". Comparatives have been restated.

The remaining amount on the shadow account is due to the cost and risk groups. DKK 10m of this amount is expected to be included in income in a subsequent period where a profit is generated in the relevant contribution groups.

"Other" comprises primarily profit on policies outside of contribution.

### Trend in premiums

Gross premiums increased 14.8 % to DKK 3,511m in 2013 (2012: DKK 3,059m).

Regular premiums declined 1.0% to DKK 2,134m in 2013, which was in line with the decline assumed in the interim report for Q1-Q3 2013.

Single premiums increased 52.6 % to DKK 1,377m in 2013 (2012: DKK 902m) due to the transfer of pension schemes generated by Topdanmark's improved competitiveness.

Overall premiums included premiums on unit-linked products of DKK 1,881m in 2013 (2012: DKK 1,178m) representing an increase of 59.7 %. This increase was mostly due to an increase in single premiums to DKK 1,166m in 2013 (2012: DKK 607m).

Unit-linked products represented 70.1 % of new business in 2013 (2012: 60.6 %).

### Merger

In order to simplify the group structure, the life insurance companies Topdanmark Link Livsforsikring A/S, Topdanmark Livsforsikring II A/S, Topdanmark Livsforsikring III A/S, Topdanmark Livsforsikring V A/S and Topdanmark Livsforsikring A/S have merged with the latter as the continuing company. The merger took effect from 1 January 2013.

### Rate of interest on policyholders' savings

In the full year 2013 the rate of interest, before pension return tax, on policyholders' savings was 2.0% in the new business interest rate group, 1.8 % in the interest rate groups with low guarantees and 4.35% in the interest rate groups with high guarantees.

In 2014 the rates of interest on policyholders' savings are further differentiated between each interest rate group. The rate of interest on policyholders' savings, before pension return tax, continues to be 2.0% in the new business interest rate group, in the interest rate groups with low guarantees it is between 1.8% and 2.0% and in the interest rate groups with high guarantees up to 6%.

As in previous years these rates may be subject to change if the development in the financial markets deviates significantly from expectations.

### Developments in Q4 2013

Profit on life insurance increased to DKK 102m in Q4 2013 (Q4 2012: DKK 46m) mostly due to recognition of income from the shadow account. Overall premiums increased 30.9% to DKK 965m in Q4 due to a 119% growth in single premiums to DKK 434m.

Sources of gross premiums (DKKm)	Q4		Q4	
	2012	2013	2012	2013
Individual schemes	132	113	330	294
Corporate schemes	201	168	855	720
Group life	37	38	399	404
Unit-linked schemes	169	211	572	715
<b>Regular premiums</b>	<b>539</b>	<b>531</b>	<b>2,157</b>	<b>2,134</b>
Individual schemes	7	17	54	54
Corporate schemes	65	52	242	157
Unit-linked schemes	127	365	607	1,166
<b>Single premiums</b>	<b>199</b>	<b>434</b>	<b>902</b>	<b>1,377</b>
<b>Gross premiums</b>	<b>738</b>	<b>965</b>	<b>3,059</b>	<b>3,511</b>

## Investment activities

### Topdanmark Group excluding life insurance

The investment return in the Topdanmark Group excluding life insurance was DKK 866m in 2013 including a revaluation of provisions and income from associated companies but before the transfer to the technical result (2012: DKK 1,336m).

It is Topdanmark's policy to accept a certain level of financial risk, given its strong liquid position and stable, high earnings from insurance operations. Topdanmark has invested in, among others, equities, properties and CDOs in order to improve the average investment return. The return in Q4 2013 and in 2013 on the most significant classes of assets is disclosed in the following table:

Investment return	Portfolio 31 dec		Return Q4 2012		Return Q4 2013		Return 2012		Return 2013	
	2012	2013	Return	%	Return	%	Return	%	Return	%
	(DKKbn)		(DKKm)		(DKKm)		(DKKm)		(DKKm)	
Danish equities	0.4	0.5	(13)	(3.6)	34	7.7	44	12.9	120	33.2
Foreign equities	0.7	0.8	28	3.3	53	6.2	112	15.1	137	17.1
Government and mortgage bonds	11.4	11.0	140	1.2	59	0.5	525	4.4	176	1.6
Credit bonds	0.6	0.5	28	5.2	1	0.2	98	21.2	38	6.8
CDOs	0.8	0.9	85	11.8	53	6.5	305	51.6	205	28.4
Properties	1.4	1.4	(7)	(0.5)	15	1.1	33	2.4	75	5.4
Assets related to I/A	2.1	2.0	56	2.8	29	1.4	192	10.1	98	4.8
Money market etc.	2.3	2.5	(12)	(0.3)	(16)	(0.5)	7	0.2	(35)	(1.1)
Subordinated loan capital	(1.2)	(1.2)	(15)	(1.4)	(18)	(1.6)	(63)	(5.4)	(61)	(5.3)
Interest-bearing debt	(0.4)	(0.7)	(2)	(0.2)	1	0.1	(11)	(0.6)	(5)	(0.8)
	18.2	17.6	289	1.6	212	1.2	1,241	6.9	748	4.1
Asset management			54		71		95		118	
<b>Total investment return</b>			<b>343</b>		<b>283</b>		<b>1,336</b>		<b>866</b>	

#### Transferred return technical provisions

Discounting	(49)	(47)	(217)	(168)
Technical interest	(2)	(2)	(20)	(14)

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 government and mortgage bonds and assets related to I/A (illness/accident) includes revaluations of claims provisions.

The investment return after the transfer to the technical result was DKK 684m, which was somewhat higher than the expected return given Topdanmark's current risk profile. This higher return should be viewed in the light of the highly positive investment year 2013 when the returns on equities and credit products were high.

The post-tax equity exposure was DKK 801m (pre-tax: DKK 1,068m) 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 2013) and MSCI World in the original currency for foreign equities.

The Group's investments have no significant concentration of credit risk except for AAA-rated Danish mortgage bonds which are considered to be particularly safe assets according to the Danish Financial Business Act.

Since 31 October 2008, Danish insurance companies and pension funds have calculated the value of provisions by using a discount rate representing the combined weighting of the swap rate and the option-adjusted Danish mortgage credit rate. With effect from June 2012, the curve was adjusted as convergence towards a fixed forward interest rate of 4.2% was incorporated from the 20-year point. Therefore, the value of long-tail provisions is less sensitive to changes in the market rate for long-term assets.

Most of the portfolio comprises high-quality mortgage bonds, which ensures a linkage between the investment return and the discount rate. The class of government and mortgage bonds comprises primarily Danish mortgage bonds and revaluation of technical provisions. In addition, there are government bonds mainly from European core countries, covered bonds and derivatives. Covered bonds are mortgage bonds where the size of the loan may not exceed 70% of the value of the security. If the value of the security declines so much that the requirement is not fulfilled, the issuer will provide further security.

Credit bonds with a rating lower than BBB (DKK 130m) comprise high yield bonds, part of which are convertible, and subordinated bank capital issued by EU banks. Credit bonds with a rating of BBB and A (DKK 338m) are ordinary and convertible corporate bonds, subordinated bank capital issued by EU banks and annuity policies.

The underlying assets of CDOs are mostly senior secured bank loans, while the remainder are primarily CDOs with investment grade investments as the underlying assets.

The maturity of the CDO investments is dependent on any changes in the payments made by the underlying assets, which in turn are dependent on changes in the

general economy and, therefore, it is not possible to outline the maturity distribution for the portfolio.

<b>CDOs – Group excl. life insurance</b>				
(DKKm)	Q4 12	Q4 13	2012	2013
<b>Return</b>				
AAA and AA	6	1	13	7
Lower than AA	79	53	292	198
<b>Total return</b>	<b>85</b>	<b>54</b>	<b>305</b>	<b>205</b>
Interest	26	37	134	140
Revaluations	59	17	171	66
<b>Total return</b>	<b>85</b>	<b>54</b>	<b>305</b>	<b>205</b>
<b>Book value 31 December</b>				
AAA and AA			99	48
Lower than AA			719	816
<b>Total book value</b>			<b>818</b>	<b>865</b>

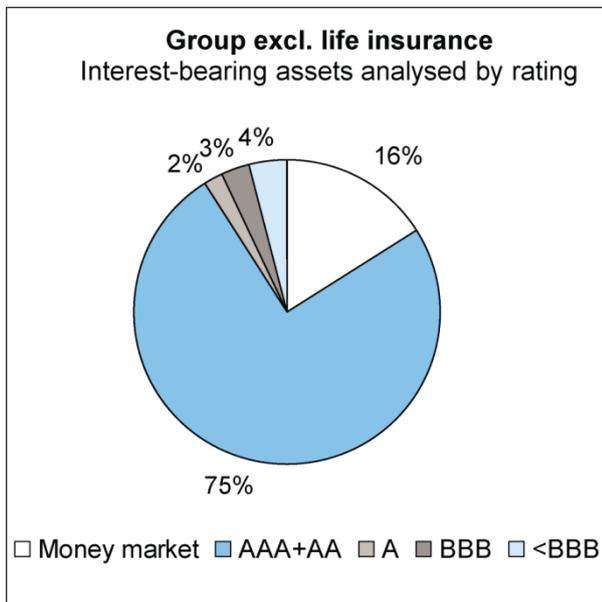
The property portfolio comprises mainly owner-occupied property (DKK 869m), rental property (DKK 367m), rental office property (DKK 68m) and property rented for hotel use (DKK 96m). The tenancies for the residential and hotel properties are subject to a short termination notice. Re-letting of the residential properties is not considered to be a problem, but any re-letting of the hotels could be affected by the state of the market and local conditions. The office property is rented under contracts with no option to terminate prior to 2015. 99% of the property portfolio is currently let. The properties are valued in accordance with the rules of the DFSA i.e. at market value taking into account the level of rent and the terms of the tenancy agreements.

The class of "Assets related to I/A" (Illness / Accident) comprises the investments in Topdanmark Livsforsikring corresponding to the size of the I/A provisions.

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

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

"Interest-bearing debt" comprises other debt.



## Parent company etc.

The parent company Topdanmark A/S does not perform any independent activities. The result of the parent company etc. includes the results of subsidiaries, excluding the insurance business (primarily Topdanmark Kapitalforvaltning, the asset management company) and finance costs.

Profit increased from DKK 22m in 2012 to DKK 73m in 2013 due to an improvement in the profit generated by the asset management company and a 25m write-down of a property in 2012.

## Taxation

The tax charge was DKK 407m of a pre-tax profit of DKK 1,875m, corresponding to an effective tax rate of 21.7% (2012: 21.9%). The deviation from the nominal tax rate of 25% was primarily due to Topdanmark's utilisation of an uncapitalised equity loss carried forward. After Q4 2013 the uncapitalised equity loss carried forward was DKK 131m. Practically all tax is paid in Denmark: see [www.topdanmark.com](http://www.topdanmark.com) → About Topdanmark → CSR → Resumé and data → [Social accounting](#).

## Prospects for 2014

### Expected trend in Danish non-life insurance market

It is expected that in 2014 the Danish non-life insurance market will be characterised as follows:

- Increasing, but continued low financial growth
- Automatic indexation of 1.3%
- Selective price increases
- Continued declining average premium in motor insurance

- 1-2% growth in premiums
- Around 0.5pp adverse impact on the combined ratio due to increase in expenses on recourse, reinsurance and payroll tax
- Run-off profits for 2014 are expected to be lower than in 2013.

Increasing, but continued low financial growth is expected in 2014. BNP growth in Denmark is expected to increase from around 0.4% to around 1.5%.

In the personal and SME markets, automatic indexation, which allows for claims inflation, is typically 1.3 % (though 3.2% for workers' compensation insurance), which is estimated to have an overall effect of around 0.9% on the overall market.

Selective measures such as changes in conditions and price increases are expectable in areas, for example, with a poor claims trend such as contents policies, and companies with high combined ratios.

The decline in average premium for motor insurance is expected to continue into 2014 because the decline in claims frequency is expected to continue to decline due to, among other things, more roadworthy cars.

Overall growth in gross premiums earned is estimated to be 1-2%.

Insurance is a low-interest product, and the low expense ratio (17-18%) is a significant entry barrier for start-up companies.

Accordingly, all of the six largest non-life insurance companies, representing a market share of 71%, are quoted on the stock exchange or owned by quoted companies. Additionally, the low interest rates will continue to motivate the companies to ensure profitability of their primary operations.

A number of factors will have an adverse impact on the combined ratio. The Finance Act Agreement for 2014 expects the municipalities to generate additional income of DKK 100m due to a tightening up of the recourse procedures in respect of insurance companies in the area of cash assistance and unemployment benefits. Furthermore, the two storms in Q4 2013 are expected to increase reinsurance expenses. Finally, the payroll tax will increase from 10.9% to 11.4%. Overall, these factors are expected to have an adverse effect of around 0.5pp on the combined ratio.

The claims trend in 2013 was affected by two storms in Q4. If the level of weather-related claims is normal in 2014, the claims trend will improve around 2pp from the 2013 level.

Run-off profits improved the combined ratio by around 3-4pp in 2013. Run-off profits are expected to be lower in 2014 than in 2013.

## Expected trend in Danish life and pension market

It is expected that in 2014 the life and pension market will be characterised as follows:

- Continued intensive competition
- Increased need for pension saving
- Movement from with-profits to unit-linked schemes
- Legislation on unallocated provisions in the event of transfer of a pension scheme.

Topdanmark expects that, like the previous years, 2014 will be affected by intensive competition in the life and pension market. Competition is expected to concentrate on the conditions of taking out the policy and the size of cover of the products.

The low returns on pension savings increase the need for saving because the savings do not grow as fast as previously. Therefore, the increase in life expectancy and the lower returns will increase pension customers' need for saving.

There is an increased trend towards new business being written in unit-linked schemes and customers moving their pension savings from with-profits to unit-linked schemes.

Several companies are offering their customers a grant or a share of the unallocated provisions if they choose to move their pension schemes from with-profits to unit-linked schemes. In January 2014, the DFSA prepared a bill on re-selection bonus binding the companies to ensure that those customers who, at the company's request, re-select, take the financial value of their pension schemes with them.

## Topdanmark's profit forecast model for 2014

Traditionally Topdanmark does not publish actual profit forecasts but instead the expected level of results if a number of assumptions of the return in the financial markets are met. As the return in the financial markets changes on a daily basis, Topdanmark's profit forecast model will already deviate from actual expectations by the time it is published. Therefore, set out in [Risk scenarios](#) is 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 of the return.

## Non-life insurance

In the interim report for Q1-Q3 2013 Topdanmark assumed premium growth of 2-3 % and a combined ratio of 91-92% in 2014 based on the following assumptions:

- Premium growth in the personal segment is expected to be higher than the assumed 2-3 % overall premium growth for Topdanmark. Correspondingly, premium growth in the SME and industrial segment is expected to be lower than 2-3 %
- A normal year for weather-related claims of DKK 170m, broken down by quarter:
  - Q1: DKK 50m
  - Q2: DKK 25m
  - Q3: DKK 45m
  - Q4: DKK 50m
- A level of interest rates corresponding to the interest rate curve on 8 November 2013
- An expense ratio of around 16%.

Since the Q1-Q3 2013 interim report was published, the following assumptions have changed:

- An expense ratio lower than 16%
- Interest rates have declined corresponding to a marginally higher combined ratio.

The assumed growth in premiums continues to be 2-3% and the combined ratio 91-92, excluding run-off.

Overall the pre-tax profit on non-life insurance is assumed to be DKK 1,020-1,120m.

## Life insurance

The demand for lifelong pension savings is expected to increase in 2014. Topdanmark's alliance partners are also expected to increase their sales of lifelong pension savings. Given these expectations, growth in regular premiums is assumed to be 0-5% in 2014. At this time of the year it is not appropriate to assume a level of growth in single premiums.

In the profit forecast model for 2014, it is assumed that the investment return will be sufficiently high to include a risk return of DKK 140-150m in income. At the same time, a few cost and risk groups are expected to incur a loss of around DKK 30m, which will be transferred to the shadow account. Subsequently, the shadow account including interest will be DKK 100-110m at the end of 2014.

The DFSA has announced that the concept of shadow account will be removed. Previously, the change was expected to take effect on 1 January 2014. Now the DFSA expects it to be on 1 January 2015. It is not clear how the shadow account will be removed. One possibility is that the amount of the shadow account balance that could reasonably be expected to be recognised as income in keeping with the relevant rules will be posted to shareholders' equity on 1 January 2015. In such a

scenario, it is assessed that Topdanmark would recognise around DKK 10m as income from the shadow account, while the remaining DKK 90-100m is not assumed to be recognised as income.

The results are highly sensitive to fluctuations in the investment return. The risk allowance and shadow account are not finally calculated until the preparation of the 2014 Annual Report.

Overall the pre-tax result of life insurance is assumed to be DKK 200-230m.

### Parent company

The profit forecast model for the parent company including subsidiaries outside of the insurance group assumes a pre-tax profit of DKK 20-30m.

### Taxation

Given a corporation tax rate of 24.5%, the tax charge is expected to be DKK 290-330m.

### Total Group profit

The overall post-tax profit forecast model is assumed to be DKK 950-1,050m in 2014 representing a profit per share of DKK 9.4.

This profit forecast model is subject to an annual 7.0% return on equities and unchanged foreign exchange rates from the level on 21 February 2014. Furthermore it is assumed that the return on interest-bearing assets hedging the discounted provisions is just sufficient to cover discounting and revaluation of the provisions, while the return on the remaining interest-bearing assets will be 2.31% (risk-free interest rate plus 2.0pp).

Profit forecast 2014 (DKKm)	Results 2013	Forecast 2014 21 Februar 2014		
Non-life insurance				
- Technical result	765	770	-	820
- Investment return after transfer to technical result etc.	595	250	-	300
Profit on non-life insurance	1,361	1,020	-	1,120
Life insurance	442	200	-	230
Parent company etc.	73	20	-	30
Pre-tax profit	1,875	1,240	-	1,380
Taxation	(407)	(290)	-	(330)
<b>Profit for the year</b>	<b>1,468</b>	<b>950</b>	<b>-</b>	<b>1,050</b>

### Share buy-back

In the Q1-Q3 interim report for 2013 it was announced that the share buy-back for 2013 had been increased by DKK 50m to DKK 2,250m.

The actual buy-back for 2013 was DKK 1,836m, representing a buy-back yield of 11.1%.

The reduction in shareholders' equity of DKK 1,836m was partly offset by DKK 142m strengthening of shareholders' equity by issue and exercise of share options.

In 2014 it is intended to buy back own shares of DKK 1,700m including the buy-back of DKK 414m transferred from 2013. The buy-back of DKK 1,700m assumes a profit in line with the profit forecast model of DKK 950-1,050m for 2014.

The share buy-back programme for 2014 represents a buy-back yield of 10.2% (calculated on the basis of the price of Topdanmark's shares on 21 February 2014).

To date in 2014 Topdanmark has bought back own shares of DKK 218m, which leaves a balance of DKK 1,482m of the 2014 programme. If Topdanmark buys back own shares for less than DKK 1,700m in 2014, the

balance will be transferred to the buy-back programme for 2015.

On 21 February 2014 Topdanmark's share capital comprised 125,000,000 shares, of which Topdanmark held 13,900,000 own shares. If before the AGM on 10 April 2014, contrary to expectation, no further shares are bought back, the number of voting shares will be 111,100,000 shares.

Since 1998 when Topdanmark started buying back own shares, it has been decided to cancel DKK 11.8bn of own shares representing a 69.7 % write-down of the share capital, with an average price of DKK 41 per share that has been written down.

In the years 2000-2013 the annual average buy-back yield has been 9.5 %.

Topdanmark's buy-back programme is managed by Topdanmark Kapitalforvaltning (asset management). It is believed that Topdanmark Kapitalforvaltning is able to carry out the buy-back programme at lower prices than by using a safe harbour solution.

Topdanmark does not buy back own shares in those periods where the Company would be considered an insider and during the three weeks immediately preceding the announcement of interim and annual reports.

Furthermore, it does not buy back own shares during the period of five banking days after the announcement of a quarterly report as this is the period in which the executives may exercise their share options. Below is a table of the periods when Topdanmark is allowed to buy back own shares.

Share buy-back allowable		
12 Mar 2014	–	28 Apr 2014
28 May 2014	–	28 Jul 2014
27 Aug 2014	–	27 Oct 2014

Share buy-back not allowable		
11 Feb 2014	–	11 Mar 2014
29 Apr 2014	–	27 May 2014
29 Jul 2014	–	26 Aug 2014
28 Oct 2014	–	25 Nov 2014

## 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 the Company has, for a number of years, identified and reduced or eliminated those 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 reduced.

In this light it is Topdanmark's opinion that the Company's future annual results will, with a very high probability, be positive even in the event of, for example, another collapse in the financial markets as in 2008.

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 CEO of Topdanmark Livsforsikring and the heads of the primary risk areas: 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.

In 2013 the internal model was amended to meet the requirements of use in solvency calculations in accordance with the new Danish solvency rules in 2014 and the future EU Solvency II rules. The model is used for, among other things, optimising the reinsurance programme, cost of capital, forecast balancing and calculating capital requirements.

In 2013 the risk management function implemented an ORSA process identifying risks across the business, quantifying these risks and collecting them in the Risk register. Additionally, the principles of solvency calculation were reviewed and the risk management process was updated. An ORSA report was prepared, which together with the Risk register and risk management process, was considered at a Board meeting in the autumn of 2013.

The risk management function has addressed the new executive order on solvency for insurance companies, which sets out new rules for solvency calculation. Furthermore, it has prompted an adjustment of the process for calculation of solvency to ensure that the solvency calculation at the end of 2013 follows the calculation principles of the new executive order on solvency.

## Review

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

- Non-life insurance
- Life insurance
- Market
- Credit and counterparty
- Operational
- Strategic.

The most important risks are described in the following survey. A more detailed description is available in Note [50](#).

## Risk survey – Topdanmark Group

<b>Non-life insurance risks</b>		
Personal, liability and property insurance for the personal, SME, industrial and agricultural markets		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
<p>Underwriting risk</p> <ul style="list-style-type: none"> <li>• Acceptance policy</li> <li>• Follow-up policy</li> </ul> <p>Provisioning risk</p> <p>Disaster risks</p> <ul style="list-style-type: none"> <li>• Storm and rainstorm</li> <li>• Fire</li> <li>• Terror</li> <li>• Cumulative risk</li> <li>• Workers' comp</li> </ul>	<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 damage by using reinsurance</p>	<p>Risk-based price models allowing for market situation</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 pricing and calculation of provisions</p>

<b>Life insurance risks</b>		
Life insurance contracts with bonus entitlement, unit-linked contracts with no investment guarantees and group life		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
<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, in that the benefits have been guaranteed until expiry</p> <p>Lifetime, where customers with life dependent policies, primarily annuities, 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 and shadow account</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>Bonus potential on paid-up benefits is protected by loss participation schemes</p> <p>Reinsurance</p> <p>Guaranteed interest rates are hedged in portfolios with high guaranteed benefits. In portfolios with low guaranteed benefits, movements in interest rates are followed and risk reducing actions are performed as required</p>

<b>Market risks</b>		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
<p>Interest rate risk</p> <p>Equity risk</p> <p>Property 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 and scenario based requirements on the overall maximum loss</p> <p>Compliance with these limits is regularly controlled</p>

<b>Credit and counterparty risks</b>		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
Reinsurance  Investment	To obtain efficient and secure reinsurance cover which is price competitive, a certain level of counterparty concentration is required  A certain level of credit risk is accepted as an element of the creation of return. Counterparty risk is due to the use of derivatives which are primarily used to control and reduce market risk	Counterparty risk is limited by mainly buying hedging from reinsurance companies which as a minimum have a rating of A-  Credit 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

<b>Operational risks</b>		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
IT  Errors in internal processes, human errors insurance fraud and deceit	Generally, operational risks are to be reduced to an acceptable level	Risk assessment, IT security policy, guidelines, controls and IT emergency plans based on ISO27001  Group IT security department  Policy for routines, process descriptions, controls and division of duties

<b>Strategic risks</b>		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
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 probability, be positive even in the event of another collapse in the financial markets as in 2008. The results of the Company 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  In a situation where Topdanmark's solvency might come under pressure, the share buy-back will be stopped. Additionally, the cancellation of own shares bought under the buy-back programme will be effected with a certain delay giving Topdanmark the opportunity to increase its solvency capital by selling own shares

## Risk scenarios

The Group's risk factors are illustrated in the following table on the most significant risk factors. 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.

In the calculation of the effect on the results it is assumed that the bonus reserves and the individual bonus potential in the life insurance group could offset adverse fluctuations at the levels described as the overall collective bonus potential was DKK 1,472m at 31 December 2013 (2012: DKK 768m) and the bonus potential on paid-up benefits DKK 2,364m (2012: 1,849m).

<b>Risk scenarios</b> (DKKm) after taxation and pension return tax			
		2012	2013
<b>Non-life insurance</b>			
Underwriting risk			
Combined ratio – 1pp increase		(66)	(67)
Provisioning risk			
Provisions on own account – 1% increase		(96)	(94)
Storm claims up to DKK 5,100m (Plus reinstatement premium etc.)		(75)	(75)
<b>Life insurance</b>			
Disability intensity - 10% increase		0	0
Mortality intensity - 10% decline		(8)	(22)
<b>Market risk</b>			
Interest-bearing assets	1 pp increase	(509)	(464)
Provisions for claims and benefits etc.	in effective interest rate	498	441
Index-linked bonds	5% loss	(30)	(27)
Equities	10% loss	(73)	(82)
CDOs < AA	10% loss	(72)	(79)
Properties	10% loss	(172)	(182)
Annual currency loss with an up to 2.5% probability		(19)	(21)

## Solvency

Danish insurance companies are subject to European and Danish solvency rules ensuring that the companies hold sufficient capital relative to the risks they accept. The most important rule sets are:

- Solvency I – the current European solvency rules
- Individual solvency requirement
- Traffic light rules.

Those rules imposing the greatest requirements on the Group's capital are the rules on individual solvency requirement, and Topdanmark's capital planning is based on these rules.

It is expected that future EU Solvency II rules will take effect on 1 January 2016. These rules will replace the three sets of rules listed above.

## Individual solvency requirement

Individual solvency requirement is a set of Danish rules in force until the Solvency II rules take effect. Each insurance company is to calculate a solvency requirement representing their minimum required capital based on the risks they accept. Additionally, the companies are required to provide documentation for how they identify, manage, limit and calculate risks.

On 1 January 2014 a new executive order on solvency took effect. This new order is based on all Danish insurance companies using the same rules when calculating their solvency, while the method was optional up to and including 2013. The rules of the new executive order are close to the expected future Solvency II rules.

For several years Topdanmark's policy for calculating solvency requirements has been to match the rules which are expected under Solvency II, and, therefore, the solvency calculation has regularly been aligned with the Solvency II expectations. In this calculation Topdanmark uses an internal model for calculation of the non-life risk.

The most significant changes in the new rules from the most recent solvency calculation of the Topdanmark Group are:

- Change in the calculation of life insurance provisions, including recognition of surrender probabilities
- Recognition as loss-absorbing buffer in the solvency calculation of a tax asset due to a negative 200-year-event.

The solvency calculation for Topdanmark Livsforsikring (life Insurance) has been adjusted in keeping with the relevant rules. Particularly, loss absorption is now calculated in accordance with the Solvency II rules and not the Danish accounting rules. For this purpose a model has been developed, which recognises best estimate for the utilisation of a portfolio of its surrender and paid-up options. The calculation of the effect of all the company's risks is now based on this model.

Transitional rules related to the new executive order on solvency require that the calculation of the capital base is substantially, but not fully, adapted to the new solvency rules.

Significant transitional rules which are included in the calculation of capital base:

- Provision for capital costs, calculated in accordance with the Solvency II principles, is deducted from the capital base
- If the accounting provisions for outstanding claims exceed best estimate, the surplus amount is added to the capital base
- Recognition of an expected profit on non-life insurance contracts, concluded for the remaining period of cover.

Significant expected Solvency II elements which are not included in the calculation of capital base according to the transitional rules:

- Recognition of subordinated loan capital, where in 2014 Topdanmark will not be able to recognise the full subordinated loan capital. Full recognition is expected in accordance with new rules as of 2015
- The rules on subsidiaries in the parent company's solvency and capital base will be changed in 2015. The new rules are not expected to bring about further capital requirements.

A new accounting order is also expected, which will take effect as of 2015. These accounting rules will be amended to comply with the Solvency II principles. The new accounting rules are not expected to materially change the solvency or capital base from the solvency and capital base Topdanmark announced at the end of 2013.

Insurance holding companies are also covered by the new executive order on solvency for insurance companies. According to these rules, Topdanmark A/S is an insurance holding company. These rules do not require the calculation of solvency requirement for Topdanmark A/S, but they require the calculation of a capital base which must be positive after deduction of the solvency requirements for the subsidiaries.

## Solvency II

Solvency II is the future EU regulation for insurance companies setting requirements for solvency calculations, capital base and risk management. In addition there are requirements for detailed reporting on risk management to supervisory authorities and for publication. Solvency II is expected to take effect on 1 January 2016.

### Solvency calculation and capital requirements

An important goal of Solvency II is to promote good risk management based on market values and actual risk calculations. Solvency II will include a standard model for calculation of solvency requirements which will be common to all insurance companies in the EU. Although the model will provide the opportunity for company-specific values for some variables, the standard model

will not provide a fair view of all the risk elements of all companies.

Therefore, Solvency II gives the companies the opportunity to fully or partially develop their own risk model (internal model) for the solvency calculation. However, the DFSA must approve the model that is used for the calculation of Solvency II capital requirements. Today Topdanmark uses a risk model it has developed in-house to calculate the non-life risk. The inclusion of non-life risks in Topdanmark's calculation of the individual solvency requirement has been based on this model.

Topdanmark is in constant dialogue with the DFSA on the model. It is expected that the application for the Solvency II approval will be submitted to the DFSA in 2014 and that the model will be approved before Solvency II takes effect.

So far, the size of the necessary solvency capital has been calculated to be DKK 4,700m. This amount is the forecast solvency requirement under Solvency II plus an adequate buffer, ensuring that usual fluctuations in earnings will not result in insufficient solvency cover.

The new rules seem to indicate a modest easing of the capital requirement as compared to previous expectations. However, so far a solvency capital cover of DKK 4,700m, as a minimum, is maintained from the solvency capital elements, shareholders' equity reduced by intangible assets, (DKK 4,050m), hybrid capital (DKK 400m) and subordinated loan capital (DKK 250m): see [www.topdanmark.com](http://www.topdanmark.com) → Investor → [Capital model](#). If the capital requirement is higher than expected, the difference will be covered by issuing further supplementary loan capital. At the end of 2013, the calculated solvency capital was DKK 5,527m.

Topdanmark Forsikring has already issued additional subordinated loan capital of DKK 500m. This amount is not included in the necessary capital but is a safety margin to the DKK 4,700m.

The necessary capital of DKK 4,700m, as stated above, has been based on an expected approval of Topdanmark's internal model for non-life insurance risk. If it is not approved, the necessary capital will increase by around DKK 800m. This potential increase in the capital requirement can be covered by the safety margin of DKK 500m referred to above supplemented by an adjustment of the financial risk.

### Topdanmark's Solvency II project

Topdanmark is preparing for Solvency II by having employees from claims actuarial services, life actuarial services, asset management, financial and compliance departments, IT, Group Development and others working together on a project reporting to the CFO.

Topdanmark has well-advanced in its preparations, and areas like organisation and data are practically in place.

There are two important outstanding sub-projects, partly the new, very detailed external reports to the DFSA and for publication on the website, partly the approval as partial internal model of Topdanmark's own risk model for non-life risk to be used under Solvency II.

## Capital model

Topdanmark pursues a policy of keeping its shareholders' equity at a relatively low level and paying out to shareholders any amounts in excess of the conservatively estimated shareholders' equity sufficient to support the underlying business.

In spite of this policy Topdanmark has decided on a capital model that has a relatively high proportion of shareholders' equity. This ensures that any regulatory requirements on solvency capital in excess of expectations could be covered solely by issuing further supplementary capital.

Detailed information on, among other subjects, Topdanmark's capital structure model and model for calculation of share buy-back potential is available on [www.topdanmark.com](http://www.topdanmark.com) → Investor Relations → [Capital Model](#).

## Capital structure and ownership

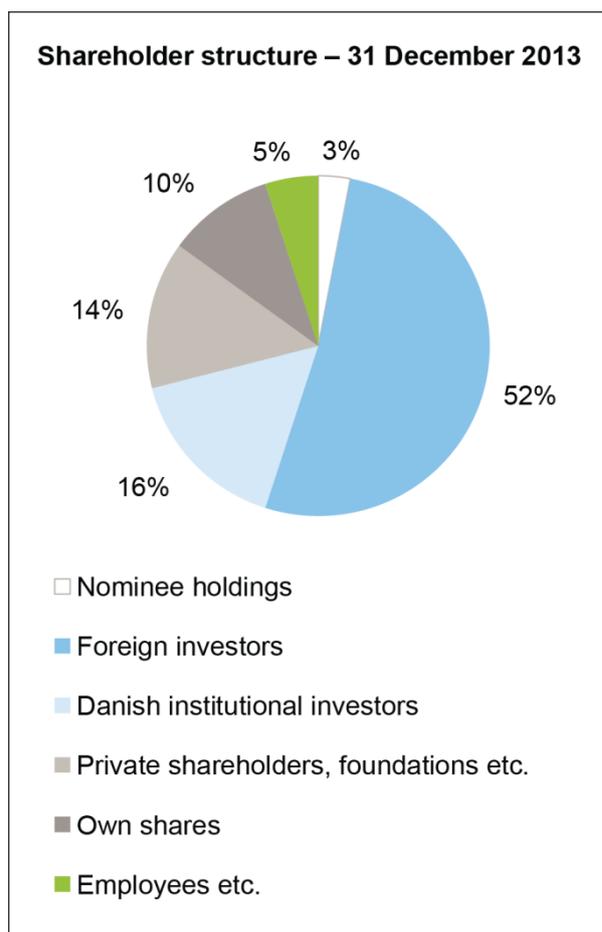
Topdanmark's Board of Directors has an authorisation granted in the Articles of Association to increase the Company's share capital, to raise convertible loans and / or issue warrants. The issues may be with or without pre-emptive rights for the Company's shareholders. The authorisations are limited to a total of 2,500,000 shares. They expire on 17 April 2018.

Furthermore, for the period until the Annual General Meeting in 2015, the Board of Directors is authorised to acquire own shares of up to 15% of the share capital for the purpose of ownership or security. The shares can be acquired at a minimum market price of DKK 1.05 per share and a maximum price of current market value plus 10%. It is a standing authorisation which, subject to the approval of the general meeting, is renewed regularly.

At 31 December 2013 Topdanmark's share capital totalled DKK 125,000,000 divided into 125,000,000 shares of DKK 1 each, corresponding to 125,000,000 voting rights. As of 4 March 2014, Topdanmark holds 13,900,000 of own shares representing 11.1% of the share capital, of which 3,321,736 shares are earmarked to cover Management's share option scheme.

## Shareholders

At 31 December 2013 Topdanmark had 47,963 shareholders registered by name.



The following shareholder owns more than 5% of the share capital (25.18 %):

If P & C Insurance Holding Ltd (publ)  
Barks Väg 15, Solna  
10680 Stockholm  
Sverige

## 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 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 high importance or unusual in nature to the Company.

Topdanmark's Board of Directors comprises nine members, six of them elected by at the AGM 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 should be equivalent to no fewer than half the number of those elected by shareholders in 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 age limit for Board members is 70 and the term of office for members elected by shareholders at the general meeting is one year, while in accordance with legislation, it is four years for members elected by employees.

Board members are elected individually, and no Board member may be appointed by any individual shareholder.

Topdanmark has no fixed general selection criteria. It believes that, by imposing very specific requirements on the Board of Directors, it may prevent the election of an evidently qualified Board candidate who does not fully meet the requirements. Instead an individual decision will be made on each Board candidate based upon an overall consideration of their qualifications, the Company's present needs and the composition of the rest of the Board of Directors. Topdanmark believes that in a company like Topdanmark, among them its Board members ought to possess skills within accounting, finance, financing, insurance operations, reinsurance and marketing and sales in the personal and professional markets. With its current composition Topdanmark's Board of Directors possesses all these skills.

## Diversity

Topdanmark's current Board of Directors reflects diversity in many areas including professional background and education, sex 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 and competence on [www.topdanmark.com](http://www.topdanmark.com) → About Topdanmark → [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 general meeting and two by Topdanmark's employees. In 2013 the number of female Board members elected at the AGM increased from one to two. Consequently, Topdanmark meets its goal: that the Board members elected at the AGM comprise a minimum of two 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 our 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 have access to executive positions at all levels. In 2013 Topdanmark's Board of Directors adopted a policy for diversity. Detailed information on diversity including "Women in management" is available in the [CSR Report](#).

## Amendments to the Company's Articles of Association

The general meeting is Topdanmark's chief decision-making vehicle. Decisions at general meetings are made 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 decisions on the alteration of 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

As stated in the remuneration policy adopted at the AGM it is part of the contracts for the Executive Board and three other members of the top management team that, under certain circumstances, they will receive compensation in the form of an extended period of notice and an increased severance pay if Topdanmark is taken over by or merges with a company outside of the Group, or if one or more owners take control of Topdanmark. The maximum amount of compensation will represent two years' salary.

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 is in control of Topdanmark. By extension of this decision, the Executive Board earns a compensation representing six months' salary in each of the years 2013-2015. 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. In accordance with Section 77(d) of the Danish Financial Business Act and Section 139 of the Danish Companies Act, the AGM has adopted "Remuneration policy of the Topdanmark Group including general guidelines for performance-related pay."

Besides salary policy, the remuneration policy also includes Topdanmark's general guidelines for performance-related pay, its pension policy and its guidelines for the granting of severance pay. The remuneration policy covers Topdanmark's Board of Directors, Executive Board, 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 Friday Team") and certain other employees, at the discretion of the Board of Directors. The remuneration policy etc., as adopted by the AGM, is available on [www.topdanmark.com](http://www.topdanmark.com) → Investor Relations → Corporate Governance → [Remuneration structure](#).

The share price reflects expected value creation potential at group level. This is one of the reasons why Topdanmark believes that share options rather than the receipt of individual bonuses encourage the executives to be more holistic in their approach to value creation.

The remuneration package of the Executive Board, the Friday Team and significant risk takers is based upon a fixed basic salary, 10% of which is paid as share options. Individual bonuses or other types of variable salary are not paid. The determination of the fixed basic salary paid

to the Executive Board and the Friday Team 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, significant risk takers and the Friday Team as part of their fixed salaries, the Executive Board may grant a total of up to 200,000 options to employees who are expected to make a special effort or otherwise contribute extraordinarily to value creation in the Company in that year of granting.

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 Friday Team and 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 by them.

## Share options

For 2014 Topdanmark has granted 281,436 share options to its Executive Board and a number of executives. The strike price of DKK 157 was fixed at 110% of the market price of Topdanmark's shares on 30 December 2013 (average of all trades).

Besides the revolving scheme referred to above, a further 200,000 share options have been granted for 2014 to a number of other executives who are expected to make a special effort or otherwise contribute extraordinarily to value creation in the Company.

Share options granted	Executive Board	Senior Executives	Total
2010	373,000	1,127,000	1,500,000
Market value of those options granted (DKKm)	4	12	16
2011	132,220	495,490	627,710
Market value of those options granted (DKKm)	1	6	7
2012	126,690	474,920	601,610
Market value of those options granted (DKKm)	2	6	7
2013	107,150	439,590	546,740
Market value of those options granted (DKKm)	2	7	9
2014	86,950	394,486	481,436
Market value of those options granted (DKKm)	2	8	10

The options granted for 2014 may not be exercised any earlier than subsequent to the publication of the 2016 Annual Report in 2017 and no later than subsequent to the publication of the 2018 Annual Report in 2019. In the intervening period the options can only be exercised up to three banking days subsequent to Topdanmark's publication of annual and interim reports.

The market value of the options for 2014 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 142.95, an interest rate corresponding to the zero coupon rate based on the swap curve on 30 December 2013, 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 2013 the exposure of the options held by the Executive Board represented 0.7% of the number of outstanding shares.

Detailed information on Topdanmark's option scheme is available on [www.topdanmark.com](http://www.topdanmark.com) → Investor Relations → Corporate Governance → [Remuneration structure](#)

## Corporate Governance

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

## CSR

Topdanmark's "Statutory report on Corporate Social Responsibility, see Section 132 of Executive Order on Financial Reports for insurance Companies and Lateral Pension Funds", is available on [www.topdanmark.com](http://www.topdanmark.com) → Investor Relations → Reports and presentations → [CSR reports](#) (<http://inv.topdanmark.com/csr.cfm>).

## Investor Relations

Topdanmark wishes to openly and sufficiently inform investors, analysts and other stakeholders on the Group's matters in order to ensure that as far as possible:

- Value creating activities are reflected in a fair price for Topdanmark's shares
- Topdanmark's shares are not traded at a discount due to lack of liquidity
- There is a high level of confidence in Topdanmark's shares
- The provision of uniform and consistent information helps ensure low volatility in Topdanmark's shares.

Communication to investors and analysts is performed through the following information channels:

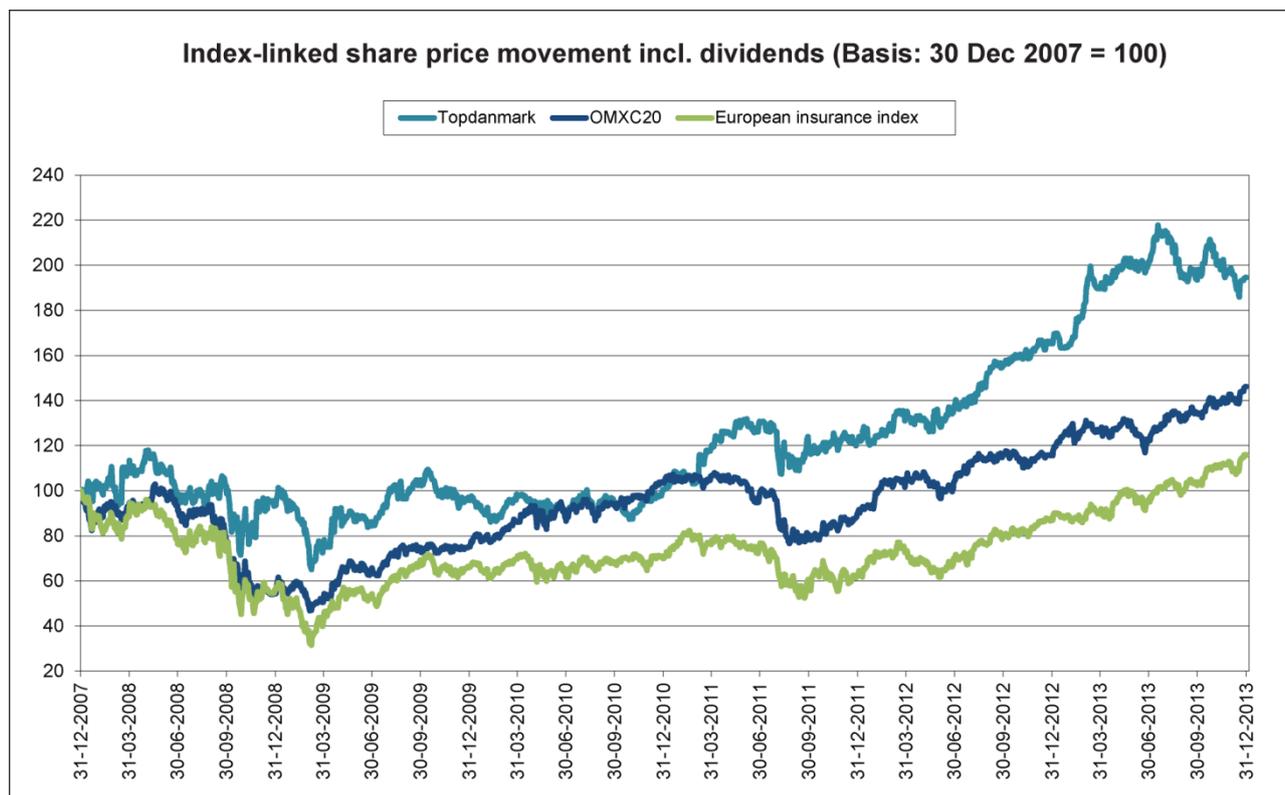
- Investor meetings
- Telephone meetings
- Conference calls
- Webcasts
- Investment and insurance conferences.

The regular contact with investors and analysts is supported by Topdanmark's website [www.topdanmark.com](http://www.topdanmark.com).

## Shares

Topdanmark's shares are listed on NASDAQ OMX Copenhagen and included in a number of share indices, one of them being the OMX Copenhagen 20 index (OMXC20).

## Share price movement



### Distribution policy

Topdanmark's policy is to pay out to shareholders all surplus capital by way of share buy-backs.

Since the buy-back programme was initiated in 1998, Topdanmark has cancelled DKK 11.8bn of own shares representing a 69.7% write-down of the share capital. In the years 2000-2013 the average buy-back yield has been 9.5%.

### Trading in Topdanmark's shares

Daily share trading on NASDAQ OMX Copenhagen was DKK 52m in 2013 (2012: DKK 33m). NASDAQ OMX Copenhagen continues to be the primary stock exchange for trading in Topdanmark's shares with a market share of 70% in 2013 (2012: 81%). Consequently, the share of the trading was 30% on other trading platforms such as BATS, Chi-x and Turquoise.

#### Most active brokers at NASDAQ

OMX Copenhagen in 2013		%
Nordea		33
Danske Bank		14
Credit Suisse		6
Merrill Lynch		6
Morgan Stanley		5
Deutsche Bank		4
SEB		4
ABG		3
Société Générale		2
UBS		2

Topdanmark is monitored by 20 analysts. Share analysts' recommendations of Topdanmark's shares are available on Topdanmark's investor site [www.topdanmark.com](http://www.topdanmark.com) → Investor Relations → Share profile → [Analysts](#).

## Share split

In order to increase the liquidity of its shares Topdanmark reduced the denomination from DKK 10 per share to DKK 1 per share with effect from 13 March 2013.

This was the second time Topdanmark effected a share split. The first time was on 20 October 1999 when the share was split from DKK 100 per share to DKK 10 per share. On 20 October 1999 the price of a one krone share was DKK 13.9.

## Annual General Meeting

The AGM will be held on 10 April 2014, 15:00 (CET) at:

Tivoli Hotel & Congress Center  
Arni Magnussons Gade  
1577 Copenhagen V

All of Topdanmark's Board members elected at the AGM are up for election. Jens Maaløe is not standing for re-

election. The Board of Directors proposes that Torbjörn Magnusson is elected as a new member of the Board; all other members of the Board are proposed for re-election.

The Board of Directors proposes the election of:

- Anders Colding Friis
- Torbjörn Magnusson
- Birgitte Nielsen
- Michael Pram Rasmussen
- Annette Sadolin
- Søren Thorup Sørensen

## Financial Calendar

AGM	10 Apr 2014
Q1 2014 Interim Report	20 May 2014
2014 Half-year Report	19 Aug 2014
Q1-Q3 2014 Interim Report	18 Nov 2014

## Company announcements and trading reports

### Company announcements

Topdanmark submits announcements to Nasdaq OMX, Copenhagen 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](http://www.topdanmark.com) → Investor Relations → [Company announcements](#).

#### 2014

06 Jan 02/2014: CORRECTION: Topdanmark increases its holding of own shares

06 Jan 02/2014: Topdanmark increases its holding of own shares

02 Jan 01/2014: Issue of options

#### 2013

19 Nov 15/2013: Topdanmark's Interim Report Q1-Q3 2013

20 Aug 14/2013: Topdanmark's 2013 Half-Year Report

28 Jun 13/2013: Share capital and voting rights in Topdanmark

24 Jun 12/2013: Letter of notification filed with the EU Commission

18 Jun 11/2013 If's shareholding in Topdanmark concentrated in If Holding

07 Jun 10/2013: Topdanmark's holding of own shares is 5%

07 Jun 09/2013: If owns more than 25% of Topdanmark

07 Jun 08/2013: Write-down of Topdanmark's share capital – Topdanmark's holding of own shares below 10%

21 May 07/2013 Topdanmark's Interim Report Q1 2013

17 Apr 06/2013: Annual General Meeting of Topdanmark – 17 April 2013

20 Mar 05/2013: Notice convening AGM of Topdanmark A/S

19 Mar 04/2013 Resignation of employee elected to the Boards of Directors

05 Mar 03/2013: Topdanmark Annual Report 2012

03 Jan 02/2013: Topdanmark increases its holding of own shares

02 Jan 01/2013: Issue of options

### Trading Reports

#### 2014

02 Jan 01/2014: CORRECTION: Trading in Topdanmark's shares by insiders

02 Jan 01/2014: Trading in Topdanmark's shares by insiders

#### 2013

26 Nov 05/2013: Trading in Topdanmark's shares by insiders

27 Aug 04/2013: Trading in Topdanmark's shares by insiders

28 May 03/2013: Trading in Topdanmark's shares by insiders

13 Mar 02/2013: Trading in Topdanmark's shares by insiders

02 Jan 01/2013: Trading in Topdanmark's shares by insiders

# Board of Directors and Executive Board

## Board of Directors

### **Michael Pram Rasmussen, Chairman\***, \*\*\*, \*\*\*\*, \*\*\*\*\*

DOB: 14 January 1955  
Joined Topdanmark's Board of Directors: 2006  
Current position held: Chairman  
Previous positions held: 1979-1982: Nye Danske Lloyd A/S  
1982-1984: Baltica Forsikring A/S  
1984-1986: Deputy General Manager, Baltica Forsikring A/S  
1986-1988: General Manager, Baltica Forsikring A/S  
1988-1995: Group Managing Director, Baltica Forsikring A/S  
1995-1996: Group Managing Director, Tryg-Baltica Forsikring A/S  
1996-2006: CEO of Topdanmark A/S and Topdanmark Forsikring A/S

Education: Law degree, University of Copenhagen  
Offices held: Member of the Boards of Directors of:

- A.P. Møller-Mærsk A/S (Chairman)  
– and one subsidiary
- Coloplast A/S (Chairman)
- Semler Holding A/S (Chairman)  
and one subsidiary
- Louisiana Museum of Modern Art

Member of: International Council JP Morgan Chase  
Independence: Michael Pram Rasmussen meets the definition of independence set out by the Committee on Corporate Governance

### **Søren Thorup Sørensen, Deputy Chairman\***, \*\*\*, \*\*\*\*, \*\*\*\*\*

DOB: 29 September 1965  
Joined Topdanmark's Board of Directors: 2010  
Current position held: CEO of KIRKBI A/S  
Previous positions held: 1987-2006: KPMG Denmark and UK  
2006-2009: Group CFO and member of Group Executive Board, A.P. Møller-Mærsk A/S

Education: MSc (Business Administration and Auditing), CBS, Denmark  
State-authorized public accountant  
Advanced Management Programme, Harvard Business School, USA

Offices held: Member of the Boards of Directors of:

- TDC A/S
- LEGO A/S
- 4 subsidiaries of KIRKBI A/S
- Koldingvej 2, Billund A/S
- KIRKBI AG
- Merlin Entertainments Plc
- Falck Holding A/S  
– and two subsidiaries
- Boston Holding A/S

Independence: Søren Thorup Sørensen meets the definition of independence set out by the Committee on Corporate Governance

**Anders Colding Friis\***

DOB: 25 August 1963  
 Joined Topdanmark's Board of Directors: 2012  
 Current position held: Group CEO of Scandinavian Tobacco Group A/S  
 Previous positions held: 1987-1989: Marketing trainee, Mölnlycke Kemtekniske Produkter  
 1989-1991: Product Manager, Mölnlycke Kemtekniske Produkter Göteborg  
 1991-1992: Product Group Manager, Mölnlycke Kemtekniske Produkter Allerød  
 1992-1994: Market Manager, Estrella A/S  
 1994-1996: Sales and Marketing Manager, Schulstad Brød A/S  
 1996-1998: Sales and Marketing Manager, Schulstad Gruppen A/S  
 1998-1999: Group Managing Director, Schulstad Gruppen A/S and CEO, Schulstad Brød A/S  
 1999-2006: Group Managing Director, Skandinavisk Tobakskompagni A/S and CEO, House of Prince A/S

Education: MSc  
 Offices held: Member of the Boards of Directors of:
 

- Monberg & Thorsen A/S (Chairman)
- Industrial Employers in Copenhagen (Deputy Chairman)
- IC Companys A/S (Deputy Chairman)
- The Foundation of Ejnar and Meta Thorsen
- Executive Committee and Governing Body of DI (The Confederation of Danish Industry)

Independence: Anders Colding Friis meets the definition of independence set out by the Committee on Corporate Governance

**Charlotte Hougaard\*\***

DOB: 1 October 1964  
 Joined Topdanmark's Board of Directors: 2007  
 Current position held: Chairman of Topdanmark's staff association

**Jens Maaløe\***

DOB: 10 January 1955  
 Joined Topdanmark's Board of Directors: 2003  
 Current position held: CEO of TERMA A/S  
 Previous positions held: 1983-1990: Development / Sales Manager, NKT Elektronik A/S  
 1991-1993: CEO, NKT Dedicom A/S  
 1994-1995: Managing Director, DSC Communications A/S  
 1995-1997: Regional Manager, Tele Danmark A/S  
 1997-2002: CEO, NetTest Danmark A/S

Education: MSc (Engineering), DTU  
 Licentiate (Tech.), thesis: radar technology and optical communication

Offices held: Member of the Boards of Directors of:
 

- The Research and Education Committee of DI (The Confederation of Danish Industry) (Chairman)
- Grundfos Holding A/S
- The Poul Due Jensen Foundation
- NKT A/S
- Governing Body of DI (The Confederation of Danish Industry)
- FAD (Danish Defence and Aerospace Industry)
- PA (Federation of Employers in the Provincial Industry)

Independence: Jens Maaløe meets the definition of independence set out by the Committee on Corporate Governance

**Per Mathiesen\*\***

DOB: 2 June 1966  
 Joined Topdanmark's Board of Directors: 2013  
 Current position held: Customer Advisor

**Birgitte Nielsen\***

DOB: 13 September 1963  
 Joined Topdanmark's Board of Directors: 2013  
 Current position held: Professional Board Member  
 Previous positions held: 1986-1989: Dealer, Danske Banks arbitrage, commercial paper and liquidity risk management  
 1989-1990: Danske Bank New York Branch, implementing risk management system  
 1990-1992: Vice President, Danske Bank, interest rate derivatives trading  
 1992-1996: Treasury Manager, FLS Industries A/S  
 1996-1999: Group Financial Officer, Vice President, FLS Industries A/S  
 1999-2000: Group Corporate Control, Vice President, FLS Industries A/S  
 2000-2003: CFO, FLS Industries A/S  
 2003-2006: Independent consultancy, Nielsen + Axelsson Aps

Education: Banking education  
 B.Com Degree (HD), International Trade, CBS  
 B.Com Degree (HD), Accounting and Financial Management, CBS  
 General Management Program, CEDEP/INSEAD

Offices held: Member of the Boards of Directors of:

- Kirk Kapital A/S
- Finansiell Stabilitet
- Arkil A/S
- Gigtforeningen (the Danish Rheumatoid Arthritis Society)
- Matas A/S
- De Forenede Ejendomsselskaber

Independence: Birgitte Nielsen meets the definition of independence set out by the Committee on Corporate Governance

**Annette Sadolin\*, \*\*\***

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 Executive Board, 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 Boards of Directors of:

- DSB
- DSV A/S
- Ratos AB(Sweden)
- Blue Square Re (Holland)
- Skodsborg Kurhotel & Spa A/S

Independence: Annette Sadolin meets the definition of independence set out by the Committee on Corporate Governance

**Desirée Schultz\*\***

DOB: 11 May 1952  
 Joined Topdanmark's Board of Directors: 2011  
 Current position held: Head of department  
 Offices held: Chairman of Topdanmark's Senior Officers' Association

\*Elected at the AGM, \* Elected by employees, \*\*\* Member of Topdanmark's Audit committee,

\*\*\*\*Member of Topdanmark's Remuneration committee, \*\*\*\*\*Member of Topdanmark's Nomination committee

## Executive Board

### **Christian Sagild**

CEO of Topdanmark A/S

DOB 1959, joined Topdanmark in 1996, joined Topdanmark's Executive Board on 1 January 2006

Education:

MSc in insurance science

Managerial responsibilities:

- Life insurance
- HR
- IT
- Group Development
- Communications, IR, CSR
- Group Secretariat, Corporate Legal Matters

Member of the Boards of Directors of:

The Danish Insurance Association (Chairman)

Ambu A/S

Bruhn Holding ApS

GoBike International A/S

### **Kim Bruhn-Petersen**

COO of Topdanmark A/S

DOB 1956, joined Topdanmark in 1989, joined Topdanmark's Executive Board on 1 January 2006

Education:

MA (Laws), Diploma

Managerial responsibilities:

- Personal
- SME and Industrial
- Marketing
- Claims Administration

Member of the Boards of Directors of:

Forsikringsakademiet A/S (Danish Insurance Academy)

Bornholms Brandforsikring A/S

The Danish Employers' Association for the Financial Sector

### **Lars Thykier**

CFO of Topdanmark A/S

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

Education:

MSc

Managerial responsibilities:

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

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)	2009	2010	2011	2012	2013
<b>NON-LIFE INSURANCE</b>					
Gross premiums earned*	8,707	8,622	8,709	8,823	8,963
Technical interest	102	58	65	20	14
Gross claims incurred	(6,324)	(6,444)	(6,759)	(6,122)	(7,132)
Bonuses and rebates	(42)	(74)	(41)	(64)	(74)
Total operating expenses	(1,272)	(1,298)	(1,340)	(1,372)	(1,415)
Net reinsurance	(266)	(204)	312	(193)	445
<b>TECHNICAL PROFIT ON NON-LIFE INSURANCE</b>	<b>905</b>	<b>660</b>	<b>945</b>	<b>1,092</b>	<b>801</b>
<b>LIFE INSURANCE</b>					
Gross premiums written	3,194	3,341	3,242	3,059	3,511
Allocated investment return, net of reinsurance	2,443	2,233	579	2,364	2,031
Claims and benefits	(1,407)	(2,815)	(3,626)	(3,149)	(3,871)
Change in the life insurance provisions	(2,845)	(960)	370	(738)	1,635
Bonus	(118)	(369)	14	(228)	(704)
Change in the provisions for unit-linked contracts	(837)	(914)	(233)	(978)	(1,968)
Total operating expenses	(305)	(302)	(308)	(324)	(337)
Net reinsurance	(2)	0	1	3	(1)
<b>TECHNICAL PROFIT ON LIFE INSURANCE</b>	<b>123</b>	<b>214</b>	<b>38</b>	<b>7</b>	<b>297</b>
<b>Profit on investment activities after transfer to technical results</b>	<b>878</b>	<b>668</b>	<b>359</b>	<b>1,263</b>	<b>813</b>
Other income	5	11	47	12	19
Other expenses	(48)	(47)	(40)	(40)	(54)
<b>PRE-TAX PROFIT</b>	<b>1,863</b>	<b>1,506</b>	<b>1,349</b>	<b>2,335</b>	<b>1,875</b>
Taxation	(417)	(338)	(326)	(512)	(407)
<b>PROFIT FOR THE YEAR</b>	<b>1,446</b>	<b>1,168</b>	<b>1,023</b>	<b>1,823</b>	<b>1,468</b>
Run-off profits, net of reinsurance	214	204	148	201	306
Provisions for insurance and investment contracts:					
Non-life insurance	14,478	15,139	16,228	16,251	16,721
Life insurance	28,882	31,166	30,618	32,553	33,640
Total insurance assets	656	768	1,184	797	1,458
Total shareholders' equity	4,117	4,553	4,567	5,368	5,184
Total assets	56,554	57,542	61,013	59,435	61,092
Gross loss ratio (%)	73.1	75.5	78.2	70.0	80.4
Net reinsurance ratio (%)	3.1	2.4	(3.6)	2.2	(5.0)
Claims trend (%)	76.2	77.9	74.6	72.2	75.4
Gross expense ratio (%)	14.9	15.4	15.7	15.8	16.2
Combined ratio (%)	91.1	93.3	90.3	88.0	91.5
Operating ratio (%)	90.1	92.7	89.6	87.8	91.4
Relative run-off profits, net of reinsurance (%)	2.1	1.8	1.3	1.6	2.4
Return on shareholders' equity (%)	40.1	26.0	22.7	36.3	27.8
Solvency ratio (%)	71.0	75.1	60.7	72.6	74.4

\* Before deducting bonuses and rebates

Following the merger of the Group's life insurance companies, intra-group custody account transfers are no longer included in premiums and benefits. The comparatives have been restated.

## Income statement • Group

(DKKm)	Note	2012	2013
<b>NON-LIFE INSURANCE</b>			
Gross premiums written	3	8,851	9,018
Reinsurance ceded		(660)	(726)
Change in the provisions for unearned premiums, gross	3	(29)	(56)
Change in the reinsurers' share of the provisions for unearned premiums		8	12
<b>Premiums earned, net of reinsurance</b>		<b>8,170</b>	<b>8,248</b>
<b>Technical interest, net of reinsurance</b>	4	<b>20</b>	<b>14</b>
Gross claims paid		(6,682)	(6,510)
Reinsurance cover received		791	424
Change in the provisions for claims, gross		560	(622)
Change in the reinsurers' share of the provisions for claims		(407)	653
<b>Claims incurred, net of reinsurance</b>	5	<b>(5,738)</b>	<b>(6,055)</b>
<b>Bonuses and rebates</b>		<b>(64)</b>	<b>(74)</b>
Acquisition costs		(853)	(947)
Administrative expenses		(519)	(468)
Reinsurance commission and share of profits		76	83
<b>Total operating expenses, net of reinsurance</b>		<b>(1,297)</b>	<b>(1,332)</b>
<b>TECHNICAL PROFIT ON NON-LIFE INSURANCE</b>	6	<b>1,092</b>	<b>801</b>
<b>LIFE INSURANCE</b>			
Gross premiums written	7	3,059	3,511
Reinsurance ceded		(4)	(5)
<b>Premiums, net of reinsurance</b>		<b>3,054</b>	<b>3,506</b>
<b>Allocated investment return, net of reinsurance</b>		<b>2,364</b>	<b>2,031</b>
Claims and benefits paid	8	(3,146)	(3,860)
Reinsurance cover received		7	8
Change in the provisions for claims and benefits		(3)	(11)
<b>Claims and benefits paid, net of reinsurance</b>		<b>(3,142)</b>	<b>(3,862)</b>
Change in the life insurance provisions	9	(738)	1,635
Change in the reinsurers' share		1	(4)
<b>Change in the life insurance provisions, net of reinsurance</b>		<b>(738)</b>	<b>1,631</b>
<b>Bonus</b>		<b>(228)</b>	<b>(704)</b>
<b>Change in provisions for unit-linked contracts</b>		<b>(978)</b>	<b>(1,968)</b>
Acquisition costs		(108)	(115)
Administrative expenses		(217)	(222)
<b>Total operating expenses, net of reinsurance</b>		<b>(325)</b>	<b>(337)</b>
<b>TECHNICAL PROFIT ON LIFE INSURANCE</b>		<b>7</b>	<b>297</b>

## Income statement • Group

(DKKm)	Note	2012	2013
<b>NON-TECHNICAL ACTIVITIES</b>			
Technical profit on non-life insurance		1,092	801
Technical profit on life insurance		7	297
Income from associated companies		26	57
Income from investment properties	10	200	144
Interest income and dividends etc.		1,877	1,676
Revaluations	11	2,291	1,543
Interest charges		(89)	(78)
Expenses on investment business		(43)	(45)
<b>Total investment return</b>		<b>4,261</b>	<b>3,298</b>
Technical interest transferred to non-life insurance business		(238)	(182)
Pension return tax		(396)	(272)
Investment return transferred to life insurance business		(2,364)	(2,031)
Other income		12	19
Other expenses	12	(40)	(54)
<b>PRE-TAX PROFIT</b>		<b>2,335</b>	<b>1,875</b>
Taxation	13	(512)	(407)
<b>PROFIT FOR THE YEAR</b>		<b>1,823</b>	<b>1,468</b>
Profit per share, DKK	14	14.2	12.5
Profit per share, diluted DKK	14	14.1	12.3

## Statement of comprehensive income • Group

Profit for the year	1,823	1,468
Items which can subsequently be reclassified as profit or loss:		
Exchange rate adjustment of foreign business	1	0
Items which cannot subsequently be reclassified as profit or loss:		
Deferred tax on security funds (change in the tax percentage)	0	42
Revaluation of owner-occupied properties	1	2
Other comprehensive income	2	43
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,825</b>	<b>1,511</b>

## Assets • Group

(DKKm)	Note	2012	2013
<b>INTANGIBLE ASSETS</b>	15	652	620
Machinery and equipment		146	116
Owner-occupied properties		861	869
<b>TOTAL TANGIBLE ASSETS</b>	16	1,007	985
Investment properties	17	3,983	3,951
Shares in associated companies	18	928	892
Loans to associated companies	19	173	416
Total investment in associated companies		1,101	1,309
Shares		5,805	7,786
Bonds		36,882	34,577
Loans guaranteed by mortgages		8	6
Other loans		1	0
Deposits with credit institutions		1,657	1,047
Derivatives		1,450	1,056
Total other financial investment assets		45,803	44,471
<b>TOTAL INVESTMENT ASSETS</b>		50,887	49,731
<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED CONTRACTS</b>	20	4,313	6,673
Reinsurers' share of the provisions for unearned premiums	21	75	87
Reinsurers' share of the life insurance provisions		38	34
Reinsurers' share of the provisions for claims and benefits	22	683	1,337
Total reinsurers' share of provisions		797	1,458
Amounts due from policyholders		390	346
Amounts due from insurance companies		157	65
Amounts due from associated companies		22	36
Other debtors		193	121
<b>TOTAL DEBTORS</b>		1,559	2,026
Assets held temporarily		1	2
Deferred tax assets	23	20	22
Liquid funds		368	420
Other		101	75
<b>TOTAL OTHER ASSETS</b>		491	520
Accrued interest and rent		376	373
Other prepayments and accrued income		151	164
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>		527	537
<b>TOTAL ASSETS</b>		59,435	61,092

## Shareholders' equity and liabilities • Group

(DKKm)	Note	2012	2013
Share capital		138	125
Revaluation reserve		18	20
Security fund		1,104	1,146
Other reserves		29	34
Total reserves		1,133	1,180
Profit carried forward		4,079	3,860
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>5,368</b>	<b>5,184</b>
<b>SUBORDINATED LOAN CAPITAL</b>	24	<b>1,153</b>	<b>1,155</b>
Provisions for unearned premiums	25	2,713	2,769
Guaranteed pension benefits		21,402	19,231
Bonus potential on future premiums		3,689	3,387
Bonus potential on paid-up benefits		1,849	2,364
Total life insurance provisions	26	26,941	24,982
Provisions for claims and benefits	27	13,521	13,929
Collective bonus potential	28	768	1,472
Provisions for bonuses and rebates		105	121
Provisions for unit-linked contracts	29	4,757	7,088
<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>		<b>48,804</b>	<b>50,361</b>
Pensions and similar commitments		33	30
Deferred tax liabilities	23	109	86
Deferred tax on security funds		348	306
<b>TOTAL LIABILITIES PROVIDED</b>		<b>489</b>	<b>422</b>
<b>DEPOSITS RECEIVED FROM REINSURERS</b>		<b>141</b>	<b>143</b>
Creditors arising out of direct insurance operations		95	93
Creditors arising out of reinsurance operations		35	115
Bond loans		74	58
Amounts due to credit institutions		2,007	2,159
Amounts due to associated companies		7	5
Current tax liabilities		54	15
Derivatives		22	170
Other creditors		1,097	1,115
<b>TOTAL CREDITORS</b>		<b>3,390</b>	<b>3,731</b>
<b>ACCRUALS AND DEFERRED INCOME</b>		<b>89</b>	<b>96</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>59,435</b>	<b>61,092</b>

## Cash flow statement • Group

(DKKm)	2012	2013
<b>Cash flow from operations</b>		
Gross premiums written	8,827	8,964
Claims paid	(6,596)	(6,428)
Expenses paid	(1,248)	(1,343)
Reinsurance ceded	99	(55)
Cash flow from non-life insurance	1,082	1,137
Gross premiums written	3,050	3,569
Claims and benefits	(3,203)	(3,852)
Expenses paid	(318)	(320)
Reinsurance ceded	33	6
Cash flow from life insurance	(438)	(599)
Total cash flow from insurance business	644	538
Payments made and received on investment contracts	42	39
Dividends from associated companies	65	0
Interest income and dividends etc.	2,181	1,833
Interest charges etc.	(131)	(120)
Pension return tax	(227)	(322)
Corporation tax	(506)	(472)
Other items	(28)	(32)
<b>Total cash flow from operations</b>	<b>2,040</b>	<b>1,465</b>
<b>Investments</b>		
Intangible assets, machinery and equipment	(105)	(95)
Properties	(58)	45
Shares in associated companies	(86)	(9)
Shares	481	(920)
Bonds	3,696	1,849
Loans	1	2
Derivatives	(560)	534
Investment assets related to unit-linked contracts	(582)	(1,686)
Balances with associated companies	21	(172)
<b>Total investments</b>	<b>2,809</b>	<b>(451)</b>
<b>Financing</b>		
Shares bought back	(1,200)	(1,836)
Exercise of share options	123	133
Bond loans	0	(16)
Amounts due to credit institutions	(3,990)	152
<b>Total financing</b>	<b>(5,067)</b>	<b>(1,567)</b>
Change in cash and cash equivalents	(218)	(554)
Cash and cash equivalents at 1 January	2,266	2,025
Revaluation of cash and cash equivalents	(22)	(20)
Purchase of associated company	0	15
Cash and cash equivalents at 31 December	2,025	1,467
Cash and cash equivalents comprise:		
Liquid funds	368	420
Deposits with credit institutions	1,657	1,047
	2,025	1,467

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	Total
<b>2012</b>						
Shareholders' equity at 31 December prior year	148	17	1,104	22	3,275	4,567
Profit for the year				7	1,816	1,823
Other comprehensive income		1	0	0	0	2
Total comprehensive income for the year		1	0	7	1,817	1,825
Cancellation of own shares	(11)				11	0
Share buy-back					(1,200)	(1,200)
Sale of employee shares					43	43
Issue of share options					7	7
Exercise of share options					123	123
Taxation					3	3
Other transactions	(11)				(1,013)	(1,024)
<b>Shareholders' equity at 31 December 2012</b>	<b>138</b>	<b>18</b>	<b>1,104</b>	<b>29</b>	<b>4,079</b>	<b>5,368</b>
<b>2013</b>						
Shareholders' equity at 31 December prior year	138	18	1,104	29	4,079	5,368
Profit for the year				5	1,463	1,468
Other comprehensive income		2	42	0	0	43
Total comprehensive income for the year		2	42	5	1,463	1,511
Cancellation of own shares	(13)				13	0
Share buy-back					(1,836)	(1,836)
Issue of share options					9	9
Exercise of share options					133	133
Taxation					(1)	(1)
Other transactions	(13)				(1,683)	(1,695)
<b>Shareholders' equity at 31 December 2013</b>	<b>125</b>	<b>20</b>	<b>1,146</b>	<b>34</b>	<b>3,860</b>	<b>5,184</b>

## Notes to the financial statements • Group

Segment information income statement	1
Segment information balance sheet	2
Gross premiums earned - non-life insurance	3
Technical interest, net of reinsurance - non-life insurance	4
Claims incurred, net of reinsurance - non-life insurance	5
Technical result - non-life insurance	6
Gross premiums written - life insurance	7
Claims and benefits paid - life insurance	8
Change in life insurance provisions	9
Income from investment properties	10
Revaluations	11
Other expenses	12
Taxation	13
Profit per share	14
Intangible assets	15
Tangible assets	16
Investment properties	17
Shares in associated companies	18
Loans to associated companies	19
Investment assets related to unit-linked contracts	20
Reinsurers' share of the provisions for unearned premiums	21
Reinsurers' share of the provisions for claims	22
Deferred tax	23
Subordinated loan capital	24
Provisions for unearned premiums	25
Life insurance provisions	26
Provisions for claims	27
Collective bonus potential	28
Provisions for unit-linked contracts	29
Technical basis for risk allowance and shadow account	30
Expenses	31
Auditors' fee	32
Staff costs	33
Related parties	34
Financial assets	35
Financial liabilities	36
Settlement of assets and liabilities	37
Analysis of assets and their return - life insurance	38
Exposure information	39
Shares analysed by industry and region (%) - life insurance	40
Leasing	41
Core capital and capital base	42
Number of shares	43
Own shares	44
Provision of security	45
Contingent liabilities	46
Comparatives	47
Companies	48
Other disclosures	49
Risk factors	50
Accounting policies	51

## Notes to the financial statements • Group

(DKKm)

### Note 1. Segment information income statement

	Per- sonal	SME and Indus- trial	Eli- min- ated	Non-life	Life	Parent etc.	Eli- min- ated	Group
<b>2012</b>								
<b>Non-life insurance</b>								
Gross premiums earned	4,767	4,011	(19)	8,759				8,759
Technical interest*	10	11	0	20				20
Claims incurred	(3,464)	(2,686)	19	(6,131)			9	(6,122)
Expenses	(774)	(615)	1	(1,388)			16	(1,372)
Net reinsurance	(24)	(169)	0	(193)				(193)
Technical profit on non-life insurance	514	552	1	1,068			25	1,092
<b>Life insurance</b>								
Gross premiums written					3,059			3,059
Allocated investment return					2,364			2,364
Benefits and change in provisions					(5,093)			(5,093)
Expenses					(328)		4	(324)
Net reinsurance					3			3
Technical profit on life insurance					4		4	7
Total investment return				1,281	2,889	56	36	4,261
Pension return tax				(28)	(368)			(396)
Transferred to technical result				(238)	(2,364)			(2,601)
<b>Investment return</b>				1,015	157	56	36	1,263
Other items				20	50	(34)	(64)	(28)
<b>Pre-tax profit</b>				2,103	210	22	0	2,335
Taxation								(512)
<b>Profit for the year</b>								1,823
<b>2013</b>								
<b>Non-life insurance</b>								
Gross premiums earned	4,881	4,025	(17)	8,889				8,889
Technical interest*	7	7	0	14				14
Claims incurred	(3,638)	(3,522)	15	(7,145)			13	(7,132)
Expenses	(823)	(618)	3	(1,438)			23	(1,415)
Net reinsurance	120	325	0	445				445
Technical profit on non-life insurance	547	217	1	765			36	801
<b>Life insurance</b>								
Gross premiums written					3,511			3,511
Allocated investment return					2,031			2,031
Benefits and change in provisions					(4,908)			(4,908)
Expenses					(343)		6	(337)
Net reinsurance					(1)			(1)
Technical profit on life insurance					291		6	297
Total investment return				751	2,409	115	23	3,298
Pension return tax				5	(278)			(272)
Transferred to technical result				(182)	(2,031)			(2,213)
<b>Investment return</b>				575	100	115	23	813
Other items				20	50	(42)	(64)	(35)
<b>Pre-tax profit</b>				1,361	442	73	0	1,875
Taxation								(407)
<b>Profit for the year</b>								1,468
<b>Amortisations:</b>								
2012	79	65		143	1	0		145
2013	79	64		142	1	0		144

\*After discounting DKK 168m (2012: DKK 217m)

## Notes to the financial statements • Group

(DKKm)

### Note 2. Segment information balance sheet

	Non-life	Life	Parent etc.	Elimin- ated	Group
<b>2012</b>					
Intangible assets	646	5	0		652
Tangible assets	995	8	3		1,007
Investment properties	429	3,425	129		3,983
Loans to affiliated companies	300	0	0	(300)	0
Shares in associated companies	60	868	0		928
Loans to associated companies	0	173	0		173
Other financial investment assets	16,766	29,036	1		45,803
Investment assets related to unit-linked contracts	0	4,313	0		4,313
Reinsurers' share of provisions	758	38	0		797
Amounts due from affiliated companies	1,718	103	12	(1,833)	0
Other assets	984	782	14		1,779
<b>Total assets</b>	<b>22,656</b>	<b>38,752</b>	<b>160</b>	<b>(2,133)</b>	<b>59,435</b>
Subordinated loan capital	747	300	406	(300)	1,153
Total provisions for insurance and investment contracts	16,251	32,553	0		48,804
Amounts due to affiliated companies	157	1,368	308	(1,833)	0
Other liabilities	1,529	2,423	156		4,109
<b>Total liabilities</b>	<b>18,685</b>	<b>36,644</b>	<b>871</b>	<b>(2,133)</b>	<b>54,067</b>
Purchase of tangible and intangible assets	159	6	0		165
Results from associated companies	7	19	0		26
<b>2013</b>					
Intangible assets	600	20	0		620
Tangible assets	971	11	3		985
Investment properties	429	3,396	126		3,951
Loans to affiliated companies	300	0	0	(300)	0
Shares in associated companies	58	834	0		892
Loans to associated companies	0	416	0		416
Other financial investment assets	15,545	28,925	1		44,471
Investment assets related to unit-linked contracts	0	6,673	0		6,673
Reinsurers' share of provisions	1,424	34	0		1,458
Amounts due from affiliated companies	2,505	3	16	(2,524)	0
Other assets	957	655	12		1,625
<b>Total assets</b>	<b>22,791</b>	<b>40,968</b>	<b>158</b>	<b>(2,824)</b>	<b>61,092</b>
Subordinated loan capital	748	300	407	(300)	1,155
Total provisions for insurance and investment contracts	16,721	33,640	0		50,361
Amounts due to affiliated companies	19	2,301	204	(2,524)	0
Other liabilities	2,097	2,195	100		4,391
<b>Total liabilities</b>	<b>19,586</b>	<b>38,436</b>	<b>711</b>	<b>(2,824)</b>	<b>55,908</b>
Purchase of tangible and intangible assets	87	19	0		106
Results from associated companies	6	52	0		57

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)	2012	2013
<b>Note 3. Gross premiums earned - non-life insurance</b>		
Gross premiums written	8,851	9,018
Change in gross provisions for unearned premiums	(29)	(56)
<b>Gross premiums earned</b>	<b>8,823</b>	<b>8,963</b>
Gross premiums earned, direct business, by location of the risk:		
Denmark	8,818	8,958
Other EU-countries	4	4
Other countries	1	1
	8,823	8,963

### Note 4. Technical interest, net of reinsurance - non-life insurance

Calculated interest	238	182
Discounting (annual amortisation) of technical provisions and reinsurers' share	(217)	(168)
<b>Technical interest, net of reinsurance</b>	<b>20</b>	<b>14</b>

### Note 5. Claims incurred, net of reinsurance - non-life insurance

Run-off profit:		
Gross business	201	387
Reinsurance ceded	1	(81)
Run-off profit, net of reinsurance	201	306
Specification of run-off profit in Note 6.		
Claims incurred include revaluation of derivatives hedging the inflation risk in workers' compensation and illness / accident insurance	(32)	(163)

### Note 6. Technical result - non-life insurance

Gross premiums written	8,851	9,018
Gross premiums earned	8,823	8,963
Gross claims incurred	(6,122)	(7,132)
Bonuses and rebates	(64)	(74)
Gross operating expenses	(1,372)	(1,415)
Net reinsurance	(193)	445
Technical interest, net of reinsurance	20	14
Technical profit	1,092	801
Gross loss ratio (%)	70.0	80.4
Combined ratio (%)	88.0	91.5
Run-off profits, net of reinsurance	201	306
Claims provisions, net of reinsurance	12,750	12,494
Number of claims incurred ('000)	393	462
Average value of claim (DKK '000)	16	16
Annual frequency of claims	108	123

The loss ratio and the combined ratio have been calculated before elimination of internal rent.

The annual frequency of claims has been calculated as a per thousand value.

Technical profit / (loss) analysed by industry is disclosed on the next page.

## Notes to the financial statements • Group

(DKKm)

<b>Note 6. Technical result - non-life - continued</b>	2012	2013	2012	2013	2012	2013
					Workers'	
	Illness and accident		Health insurance		compensation	
Gross premiums written	1,157	1,160	126	108	729	715
Gross premiums earned	1,144	1,153	126	124	766	712
Gross claims incurred	(828)	(683)	(92)	(102)	(533)	(605)
Bonuses and rebates	(5)	(11)	(3)	3	(5)	(5)
Gross operating expenses	(161)	(166)	(9)	(10)	(95)	(93)
Net reinsurance	9	(9)	0	0	(16)	(8)
Technical interest, net of reinsurance	3	2	0	0	2	2
Technical profit	162	286	22	15	119	3
Gross loss ratio (%)	72.7	59.9	74.4	80.3	70.2	85.7
Combined ratio (%)	86.2	75.4	81.7	88.4	84.9	100.2
Run-off profits / (losses), net of reinsurance	34	139	(1)	(6)	148	63
Claims provisions, net of reinsurance	3,002	2,916	48	49	5,882	5,642
Number of claims incurred ('000)	22	22	15	16	11	11
Average value of claim (DKK '000)	39	38	7	6	63	64
Annual frequency of claims	23	23	464	448	216	204
	Motor third-party liability		Motor own damage		Fire and property Personal	
Gross premiums written	799	799	1,478	1,514	1,877	1,930
Gross premiums earned	807	810	1,465	1,486	1,853	1,919
Gross claims incurred	(726)	(726)	(773)	(786)	(1,361)	(1,690)
Bonuses and rebates	(3)	(3)	(5)	(5)	(5)	(5)
Gross operating expenses	(151)	(157)	(202)	(204)	(279)	(296)
Net reinsurance	(11)	2	(4)	14	(15)	121
Technical interest, net of reinsurance	2	1	4	3	5	3
Technical profit / (loss)	(82)	(72)	484	507	197	52
Gross loss ratio (%)	90.5	90.1	53.0	53.1	73.7	88.4
Combined ratio (%)	110.8	109.6	67.3	66.2	89.9	97.8
Run-off profits / (losses), net of reinsurance	30	85	(4)	7	24	(7)
Claims provisions, net of reinsurance	1,690	1,697	157	114	608	633
Number of claims incurred ('000)	27	30	85	93	107	144
Average value of claim (DKK '000)	28	27	9	9	13	12
Annual frequency of claims	47	49	177	187	160	210
	Fire and property SME		Liability		Other insurance	
Gross premiums written	1,765	1,833	368	370	551	589
Gross premiums earned	1,761	1,814	370	368	531	578
Gross claims incurred	(1,136)	(1,854)	(242)	(249)	(431)	(438)
Bonuses and rebates	(29)	(34)	(2)	(3)	(8)	(12)
Gross operating expenses	(315)	(320)	(61)	(67)	(99)	(103)
Net reinsurance	(109)	347	(29)	(14)	(17)	(8)
Technical interest, net of reinsurance	3	2	1	1	1	1
Technical profit / (loss)	176	(45)	37	37	(23)	18
Gross loss ratio (%)	65.7	104.4	65.9	68.1	82.5	77.4
Combined ratio (%)	90.3	103.1	90.6	90.5	104.7	97.0
Run-off profits / (losses), net of reinsurance	28	22	(11)	(2)	(47)	4
Claims provisions, net of reinsurance	574	644	533	528	256	272
Number of claims incurred ('000)	26	45	7	8	92	94
Average value of claim (DKK '000)	45	43	33	33	4	5
Annual frequency of claims	149	241	89	93	147	145

## Notes to the financial statements • Group

(DKKm)	2012	2013
<b>Note 7. Gross premiums written - life insurance</b>		
Individual policies	365	345
Policies which are part of a tenure	1,392	1,385
Group life	399	404
<b>Regular premiums</b>	<b>2,157</b>	<b>2,134</b>
Individual policies	138	206
Policies which are part of a tenure	764	1,171
<b>Single premiums</b>	<b>902</b>	<b>1,377</b>
<b>Gross premiums</b>	<b>3,059</b>	<b>3,511</b>
Gross premiums written, direct business, by the policyholders' location:		
Denmark	3,032	3,481
Other EU-countries	24	27
Other countries	3	4
	<b>3,059</b>	<b>3,511</b>
Proportion of gross premiums represented by premiums related to unit-linked contracts not eligible for bonus investment risk is taken by the policyholder.		
	1,178	1,881
All other gross premiums relate to bonus eligible insurance contracts.		
Number of policyholders at 31 December ('000):		
Individual policies	53	50
Policies which are part of a tenure	85	81
Group life	171	162
<b>Note 8. Claims and benefits paid - life insurance</b>		
Claims payable on death	138	118
Claims payable on maturity	174	480
Pension and annuity payments	576	584
Surrenders	1,979	2,417
Bonuses paid in cash	279	260
<b>Claims and benefits paid</b>	<b>3,146</b>	<b>3,860</b>
<b>Note 9. Change in life insurance provisions</b>		
Guaranteed benefits	(1,224)	1,847
Bonus potential on future premiums	29	302
Bonus potential on paid-up benefits	456	(515)
<b>Change in life insurance provisions</b>	<b>(738)</b>	<b>1,635</b>
<b>Note 10. Income from investment properties</b>		
Rental income	262	219
Operating expenses from properties rented out	(50)	(55)
Operating expenses from properties not rented out	(4)	(10)
Gross profit	207	153
Administrative expenses	(8)	(9)
<b>Income from investment properties</b>	<b>200</b>	<b>144</b>

## Notes to the financial statements • Group

(DKKm)	2012	2013
<b>Note 11. Revaluations</b>		
Held for trading:		
Shares	694	1,060
Bonds	1,508	(456)
Loans guaranteed by mortgages	0	(1)
Derivatives	28	(45)
Total held for trading	2,230	559
Designated at fair value:		
Deposits with credit institutions	1	0
Investment assets related to unit-linked contracts:		
Shares	206	569
Unit trusts	78	64
Bonds	130	(9)
Derivatives	34	49
Total designated at fair value	449	674
Revaluations of financial assets and liabilities at fair value through profit or loss	2,679	1,233
Of which revaluation of derivatives transferred to claims incurred	32	163
Investment properties	(52)	(64)
Provisions for unearned premiums	(4)	1
Provisions for claims and benefits	(343)	231
Reinsurers' share	6	(1)
Liquid funds	(23)	(20)
Other	(4)	1
<b>Revaluations</b>	<b>2,291</b>	<b>1,543</b>
<b>Note 12. Other expenses</b>		
Holding expenses	33	41
Other	7	13
<b>Other expenses</b>	<b>40</b>	<b>54</b>
<b>Note 13. Taxation</b>		
Current tax	577	436
Change in deferred tax	(20)	(24)
Change in deferred tax on security funds	0	(42)
Prior year adjustment	(49)	(1)
Tax in foreign companies	2	(2)
Tax for the year	509	367
Tax taken to other comprehensive income	0	42
Tax taken to shareholders' equity	3	(1)
<b>Taxation</b>	<b>512</b>	<b>407</b>
Calculated tax on profit for the year (25%)	584	469
Adjusted for the tax effect of:		
Returns on shares etc. not liable to tax	(22)	(47)
Non-deductible expenses / income not liable to tax	(9)	(5)
Change in rate of taxation	0	(8)
Prior year adjustment	(40)	(2)
	512	407
Effective rate of taxation	21.9	21.7
<b>Note 14. Profit per share</b>		
Profit for the year	1,823	1,468
Average number of shares ('000)	128,276	117,904
Diluting impact of options ('000)	1,092	1,227
Average number of shares, diluted ('000)	129,367	119,131
Profit per share, DKK	14.2	12.5
Profit per share, diluted DKK	14.1	12.3

## Notes to the financial statements • Group

(DKKm)

### Note 15. Intangible assets

	Goodwill	software	Completed IT developm't projects	Developm't projects under con- struction	Total
<b>2012</b>					
Cost / valuation at 1 January	441	168	416	32	1,057
Purchased	0	24	0	9	33
Transferred	0	0	34	(34)	0
Disposals	0	(6)	0	0	(6)
Cost / valuation at 31 December	441	186	450	8	1,085
Impairment and amortisation at 1 January	0	(136)	(218)	0	(355)
Amortisation for the year	0	(20)	(64)	0	(84)
Disposals	0	6	0	0	6
Impairment and amortisation at 31 December	0	(151)	(282)	0	(433)
<b>Intangible assets 2012</b>	441	35	168	8	652
<b>2013</b>					
Cost / valuation at 1 January	441	186	450	8	1,085
Purchased	0	13	0	43	56
Transferred	0	0	2	(2)	0
Cost / valuation at 31 December	441	199	452	48	1,140
Impairment and amortisation at 1 January	0	(151)	(282)	0	(433)
Amortisation for the year	0	(22)	(65)	0	(87)
Impairment and amortisation at 31 December	0	(173)	(347)	0	(520)
<b>Intangible assets 2013</b>	441	26	105	48	620

Completed development projects includes primarily the Group's new claims system. Amortisation of intangible assets is mainly included in claims incurred and operating expenses.

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

The future cash flows are based on three years' expected technical result and a terminal value of the segments to which goodwill and development projects under constructions relate. The pre-tax discount rate used is 12% (2012: 12%) corresponding to 9% (2012: 9%) post-tax. Goodwill relates to the personal segment.

### Note 16. Tangible assets

	Machinery & equip- ment	Owner- occupied properties	Total
<b>2012</b>			
Cost / revaluation at 1 January	587	818	1,404
Additions, including improvements	89	43	132
Disposals	(197)	0	(197)
Revaluation taken to other comprehensive income	0	1	1
Transferred on revaluation	0	(1)	(1)
Cost / revaluation at 31 December	479	861	1,340
Impairment and amortisation at 1 January	(461)	0	(461)
Amortisation for the year	(60)	(1)	(61)
Transferred on revaluation	0	1	1
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	187	0	187
Impairment and amortisation at 31 December	(333)	0	(333)
<b>Tangible assets 2012</b>	146	861	1,007

## Notes to the financial statements • Group

(DKKm)

### Note 16. Tangible assets - continued

	Machinery & equip- ment	Owner- occupied properties	Total
<b>2013</b>			
Cost / revaluation at 1 January	479	861	1,340
Additions, including improvements	42	8	50
Disposals	(108)	0	(108)
Revaluation taken to other comprehensive income	0	2	2
Transferred on revaluation	0	(2)	(2)
Cost / revaluation at 31 December	413	869	1,282
Impairment and amortisation at 1 January	(333)	0	(333)
Amortisation for the year	(55)	(2)	(56)
Transferred on revaluation	0	2	2
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	91	0	91
Impairment and amortisation at 31 December	(297)	0	(297)
<b>Tangible assets 2013</b>	116	869	985

2012 2013

Owner-occupied properties are measured at a revalued amount corresponding to fair value (level three).  
The measurement is based on an expected annual return on operations and a return requirement.  
A general 0.25pp increase in the return requirement will cause a decline of DKK 40m in the overall fair value of owner-occupied properties.

Average return requirement	5.3%	5.3%
Cost of revalued owner-occupied properties	739	747
Machinery and equipment includes assets under finance leases of	15	0

### Note 17. Investment properties

Fair value at 1 January	4,104	3,983
Additions - improvements	15	40
Disposals	(87)	(4)
Fair value revaluation for the year taken to to revaluations	(49)	(68)
<b>Investment properties</b>	3,983	3,951
Non-residential	3,160	3,124
Residential and part residential	823	828
	3,983	3,951

Investment properties are measured at fair value (level three).  
The measurement is based on an expected annual return on operations and a return requirement.  
A general 0.25pp increase in the return requirement will cause a decline of DKK 182m in the overall fair value of investment properties.

Average return requirement		
Non-residential	6.0%	5.8%
Residential and part residential	4.7%	4.7%

## Notes to the financial statements • Group

(DKKm) 2012      2013

### Note 18. Shares in associated companies

Book value at 1 January		385	928
Additions		582	0
Disposals		0	(92)
Share of profit		26	57
Share of other comprehensive income		1	0
Dividends received		(65)	0
<b>Shares in associated companies</b>		<b>928</b>	<b>892</b>

2012	Percentage share	Share-holders' equity	Assets	Liabilities	Income	Result
Bornholms Brandforsikring A/S, Rønne	27	119	223	104	101	11
Captives, Luxembourg	10-40	81	439	359	157	(1)
EjendomsSelskabet af Januar 2002 A/S, Copenhagen	25	402	479	77	24	(27)
Dantop Ejendomme ApS, Copenhagen	50	157	195	37	7	7
Det Tyske Ejendomsselskab P/S, Ballerup	50	1,206	1,489	284	-	45
Margrethholm P/S, Hellerup	50	172	172	0	0	0
		2,137	2,997	861	289	35

### 2013

Bornholms Brandforsikring A/S, Rønne	27	137	231	94	107	18
Captives, Luxembourg	10-20	69	532	463	148	3
EjendomsSelskabet af Januar 2002 P/S, Copenhagen	25	442	479	37	23	40
Dantop Ejendomme P/S, Copenhagen	50	166	186	20	7	9
Det Tyske Ejendomsselskab P/S, Ballerup	50	1,281	1,580	300	-	75
Margrethholm P/S, Hellerup	50	0	507	507	0	0
		2,095	3,515	1,420	284	145

Bornholms Brandforsikring A/S has been recognised on the basis of the most recent financial information at 30 September. The financial information is according to the companies' most recent annual reports.

### Note 19. Loans to associated companies

Average effective interest rate	1.7%	0.5%
---------------------------------	------	------

### Note 20. Investment assets related to unit-linked contracts

Shares	1,741	2,896
Unit trusts	905	1,113
Bonds	1,642	2,650
Deposits with credit institutions	8	14
Derivatives	18	0
<b>Investment assets related to unit-linked contracts</b>	<b>4,313</b>	<b>6,673</b>

### Note 21. Reinsurers' share of the provisions for unearned premiums

Reinsurers' share at 1 January	68	75
Reinsurance ceded	660	726
Reinsurance earned	(652)	(714)
<b>Reinsurers' share of the provisions for unearned premiums at 31 December</b>	<b>75</b>	<b>87</b>

## Notes to the financial statements • Group

(DKKm)	2012	2013
<b>Note 22. Reinsurers' share of the provisions for claims</b>		
<b>Non-life insurance</b>		
Reinsurers' share at 1 January	1,079	683
Reimbursement of claims relating to previous years	(683)	(268)
Change in expected income relating to previous years	1	(81)
Reimbursement of claims relating to this year	(108)	(157)
Expected income relating to this year	383	1,157
Discounting effect (annual amortisation)	6	3
Revaluation	6	(1)
<b>Reinsurers' share of the provisions for claims at 31 December</b>	<b>683</b>	<b>1,337</b>

<b>Note 23. Deferred tax</b>	2011	2012	2013
Properties	(63)	(65)	(71)
Machinery and equipment	(41)	(35)	(16)
Provisions	(17)	(9)	0
Liabilities provided	10	8	7
Other	3	13	16
<b>Deferred tax</b>	<b>(109)</b>	<b>(88)</b>	<b>(64)</b>
Recognised as:			
Deferred tax assets	12	20	22
Deferred tax liabilities	(121)	(109)	(86)
	(109)	(88)	(64)
Changes relating to the year		20	24
Non-capitalised balance of equity losses that can be carried forward		317	131

### Note 24. Subordinated loan capital

	Hybrid core capital	Subordinated loan capital	Subordinated loan capital
Borrower	<b>Topdanmark A/S</b>	<b>Topdanmark Forsikring A/S</b>	
Principal	EUR 55m	DKK 350m	DKK 400m
Date of issue	July 2007	June 2010	June 2011
Maturity	Bullet	18 June 2018	24 June 2019
If permitted by the DFSA, the borrower can give notice of termination from	15 Sep 2017	18 June 2015	24 June 2016
Interest rate	EURIBOR 3 months+1.90% to 2017	7.150% to 2015	6.633% to 2016
Subsequently	EURIBOR 3 months+2.90%	Cibor 3 months+625bp	Cibor 3 months+525bp
		2012	2013
Interest charges		63	61
Hybrid core capital has been fully included in the parent company's capital base		406	407
Subordinated loan capital of Topdanmark Forsikring A/S has been included in the Company's capital base at up to 25% of the solvency margin		252	256

## Notes to the financial statements • Group

(DKKm)	2012	2013
<b>Note 25. Provisions for unearned premiums</b>		
Provisions for unearned premiums at 1 January	2,678	2,713
Gross premiums written	8,851	9,018
Premiums earned	(8,823)	(8,963)
Discounting	2	1
Revaluation	4	(1)
<b>Provisions for unearned premiums at 31 December</b>	<b>2,713</b>	<b>2,769</b>

### Note 26. Life insurance provisions

Life insurance provisions at 1 January	26,257	26,941
Accumulated revaluation at 1 January	(897)	(1,803)
Retrospective provisions at 1 January	25,360	25,138
Gross premiums written	1,880	1,630
Accrued interest	555	563
Claims and benefits	(2,478)	(3,279)
Expense loading inclusive of expense bonus	(165)	(142)
Risk gain after allocating policyholders' risk bonus	(28)	(95)
Other	68	45
Intra-group transfers	(54)	(323)
Retrospective provisions at 31 December	25,138	23,537
Accumulated revaluation at 31 December	1,803	1,445
Life insurance provisions at 31 December	26,941	24,982
Guaranteed benefits	21,402	19,231
Bonus potential on future premiums	3,689	3,387
Bonus potential on paid-up benefits	1,849	2,364
<b>Life insurance provisions</b>	<b>26,941</b>	<b>24,982</b>

Reduction in bonus potential on paid-up benefits when allocating "Technical basis for risk allowance" in Topdanmark Livsforsikring A/S

89 0

Increase in guaranteed benefits as life insurance provisions must not be lower than the guaranteed surrender value

5 4

The increases have been calculated excluding surrender probabilities.

Portfolios analysed by capitalisation rates	Capitalisation rate	Guaranteed benefits	Bonus potential on future premiums	Bonus potential on paid-up benefits
<b>2012</b>				
Interest rate group 9 and 10	1%	213	809	119
Interest rate group 1 and 3	]1%-2%]	8,334	2,473	1,493
Interest rate group 2 and 4	]2%-3%]	4,219	279	190
Interest rate group 5	]3%-4%]	1,294	26	8
Interest rate group 6	]4%-5%[	6,202	101	22
Interest rate group 7	5%	237	2	2
Group Life		245	0	0
U74-life annuities		444	0	0
Other		214	0	15
<b>Total 2012</b>		<b>21,402</b>	<b>3,689</b>	<b>1,849</b>

## Notes to the financial statements • Group

(DKKm)

### Note 26. Life insurance provisions - continued

Portfolios analysed by capitalisation rates	Capitalisation rate	Guaranteed benefits	Bonus potential on future premiums	Bonus potential on paid-up benefits
<b>2013</b>				
Interest rate group 9 and 10	1%	211	850	197
Interest rate group 1 and 3	]1%-2%]	7,421	2,155	1,763
Interest rate group 2 and 4	]2%-3%]	3,746	266	350
Interest rate group 5	]3%-4%]	1,258	36	10
Interest rate group 6	]4%-5%[	5,560	77	21
Interest rate group 7	5%	211	3	1
Group Life		237	0	0
U74-life annuities		366	0	0
Other		222	0	22
<b>Total 2013</b>		<b>19,231</b>	<b>3,387</b>	<b>2,364</b>

The provisions include an allowance for risk corresponding to the percentage which would be demanded by an arms-length purchaser of the company's portfolio of life insurance policies to compensate for the risk of fluctuations in the expected payments. The overall allowance for risk is an estimate calculated as the interest rate used less 5%.

### Note 27. Provisions for claims

	2012	2013
<b>Non-life insurance:</b>		
<b>Gross</b>		
Provisions at 1 January	13,461	13,434
Claims paid relating to previous years	(3,642)	(3,130)
Change in expected claims payments relating to previous years	(201)	(387)
Claims paid relating to this year	(3,040)	(3,379)
Expected claims payments relating to this year	6,323	7,519
Inflation hedging	(32)	(163)
Discounting (annual amortisation)	221	169
Revaluation	343	(231)
Gross provisions at 31 December	13,434	13,831
<b>Net of reinsurance</b>		
Provisions at 1 January	12,382	12,750
Claims paid relating to previous years	(2,958)	(2,863)
Change in expected claims payments relating to previous years	(201)	(306)
Claims paid relating to this year	(2,932)	(3,223)
Expected claims payments relating to this year	5,939	6,361
Inflation hedging	(32)	(163)
Discounting (annual amortisation)	215	166
Revaluation	338	(229)
Non-life insurance, net of reinsurance, at 31 December	12,750	12,494
Life insurance	87	98
Provisions for claims, net of reinsurance	12,837	12,592
Provisions for workers' compensation insurance, net of reinsurance	5,882	5,642
Average period of settlement	7 years	8 years
Illness / accident insurance, net of reinsurance, administered by the life insurance business	2,020	1,946
Average period of settlement	14 years	14 years

## Notes to the financial statements • Group

(DKKm)

### Note 27. Provisions for claims - continued

#### Claims liabilities analysed by claims year

Gross	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	Total
End of year	7,549	6,414	7,203	6,814	6,730	6,559	6,400	6,122	7,079	5,888	
1 year later		6,439	7,347	6,834	6,526	6,753	6,426	5,934	6,776	5,677	
2 years later			7,282	6,952	6,585	6,769	6,473	5,778	6,612	5,574	
3 years later				6,926	6,583	6,887	6,492	5,682	6,538	5,611	
4 years later					6,513	6,851	6,576	5,718	6,465	5,652	
5 years later						6,735	6,576	5,737	6,499	5,638	
6 years later							6,537	5,721	6,476	5,656	
7 years later								5,699	6,482	5,661	
8 years later									6,433	5,651	
9 years later										5,632	65,745
Less paid incl. inflation hedging	3,382	4,542	5,881	5,740	5,668	5,752	5,725	5,228	6,094	5,314	53,325
Provisions before discounting at 31 December	4,167	1,897	1,402	1,185	845	983	812	472	339	319	12,420
Discounting	(32)	(18)	(10)	(6)	(3)	(2)	(1)	0	0	0	(73)
	4,136	1,879	1,391	1,179	841	981	811	471	339	319	12,348
Provisions relating to previous years at 31 December											1,484
Gross provisions at 31 December 2013 - non-life insurance											13,831
<b>Net of reinsurance</b>											
End of year	6,387	6,028	6,164	6,385	6,389	6,227	6,073	5,813	5,733	5,316	
1 year later		6,098	6,268	6,433	6,191	6,429	6,096	5,651	5,455	5,057	
2 years later			6,218	6,564	6,286	6,467	6,148	5,505	5,321	4,936	
3 years later				6,553	6,295	6,594	6,168	5,407	5,252	4,949	
4 years later					6,226	6,556	6,249	5,451	5,192	4,983	
5 years later						6,446	6,247	5,470	5,226	4,962	
6 years later							6,210	5,456	5,213	4,981	
7 years later								5,436	5,224	4,986	
8 years later									5,174	4,983	
9 years later										4,959	59,706
Less paid incl. inflation hedging	3,225	4,303	4,889	5,410	5,425	5,491	5,405	4,969	4,839	4,666	48,622
Provisions before discounting at 31 December	3,161	1,795	1,329	1,143	801	955	805	466	335	293	11,085
Discounting	(28)	(17)	(10)	(6)	(3)	(2)	(1)	0	0	0	(66)
	3,133	1,778	1,319	1,138	798	954	804	466	335	293	11,019
Provisions relating to previous years at 31 December											1,475
Provisions, net of reinsurance, at 31 December 2013 - non-life insurance											12,494
Reconciliation:											
Provisions for claims											13,929
Less amount relating to life insurance											(98)
Less reinsurers' share of provisions											(1,337)
Provisions, net of reinsurance, at 31 December 2013 - non-life insurance											12,494
Composition of expected payments, net of reinsurance:											
Original payment	6,397	5,991	6,062	6,379	6,361	6,148	6,068	5,807	5,714	5,264	60,191
Loss / (gain) on settlement		79	12	43	(349)	(76)	(222)	(636)	(741)	(556)	(2,446)
Discounting / revaluation											
workers' compensation insurance and illness / accident	(10)	27	144	131	213	375	365	264	201	251	1,960
	6,387	6,098	6,218	6,553	6,226	6,446	6,211	5,435	5,174	4,959	59,706

The table shows the historical development in the estimated final liability (the sum of claims payments and provisions) for each claims year from 2004. Significant proportions of the liabilities shown have been calculated without discounting which to a great extent eliminates changes in discounting rates and methods after the change to IFRS. However, workers' compensation and illness / accident administered by the life insurance business are included at discounted values.

## Notes to the financial statements • Group

(DKKm)

### Note 28. Collective bonus potential

	Capitalisation rate	Bonus ratio		2012	2013
		2012	2013		
Interest rate group 9	1%	3.3%	7.1%	26	65
Interest rate group 10	1%	5.0%	5.9%	19	21
Interest rate group 1	]1%-2%]	0.0%	3.4%	0	373
Interest rate group 3	]1%-2%]	6.9%	8.8%	29	45
Interest rate group 2	]2%-3%]	0.0%	0.6%	0	23
Interest rate group 4	]2%-3%]	5.5%	10.6%	26	51
Interest rate group 5	]3%-4%]	7.2%	10.6%	82	124
Interest rate group 6	]4%-5%[	9.2%	12.9%	438	572
Interest rate group 7	5%	22.9%	30.2%	40	48
Risk groups				103	143
Cost groups				6	8
<b>Collective bonus potential</b>				<b>768</b>	<b>1,472</b>

### Note 29. Provisions for unit-linked contracts

	Insurance contracts	Investment contracts	Total
<b>2012</b>			
Gross provisions at 1 January	3,335	402	3,737
Retrospective provisions at 1 January	3,335	402	3,737
Gross premiums written	1,178	69	1,247
Return	466	52	518
Claims and benefits	(671)	(82)	(752)
Expense loading inclusive of expense bonus	(36)	(5)	(40)
Risk gain after addition of risk bonus	3	0	3
Premiums waived transferred to life insurance provisions	(12)	0	(12)
Other	2	0	2
Intra-group transfers	53	1	54
Retrospective provisions at 31 December	4,320	437	4,757
<b>Provisions for unit-linked contracts 2012</b>	<b>4,320</b>	<b>437</b>	<b>4,757</b>
<b>2013</b>			
Gross provisions at 1 January	4,320	437	4,757
Retrospective provisions at 1 January	4,320	437	4,757
Gross premiums written	1,881	134	2,015
Return	657	65	722
Claims and benefits	(592)	(95)	(687)
Expense loading inclusive of expense bonus	(31)	(4)	(35)
Risk gain after addition of risk bonus	5	0	5
Premiums waived transferred to life insurance provisions	(14)	0	(14)
Other	1	0	1
Intra-group transfers	306	17	323
Retrospective provisions at 31 December	6,534	554	7,088
<b>Provisions for unit-linked contracts 2013</b>	<b>6,534</b>	<b>554</b>	<b>7,088</b>

	2012	2013
Number of customers with investment contracts	2,728	2,981
The contracts written do not have guarantees.		

## Notes to the financial statements • Group

(DKKm)	2012	2013			
<b>Note 30. Technical basis for risk allowance and shadow account</b>					
Customers' share of technical basis for risk allowance	954	1,362			
Share of technical basis for risk allowance allocated to shareholders' equity	102	78			
Insurance technical result	1,057	1,440			
The allocation of the technical basis for risk allowance to policyholders is in accordance with the order on contribution principle.					
Shadow account at 1 January	114	236			
Return	5	7			
Provided/(used)	117	(171)			
Shadow account at 31 December	236	72			
Shadow account by interest rate, risk and cost groups:					
	Capitalisation rate	Maximum value	Expected future recognition as income		
		2012	2013	2012	2013
Interest rate group 1	]1%-2%]	150	0	150	0
Interest rate group 2	]2%-3%]	53	0	53	0
Risk groups		17	29	7	10
Cost groups		16	43	0	0
Total shadow account		236	72	210	10
<b>Note 31. Expenses</b>					
Expenses by their nature:					
Commission - non-life insurance	228	253			
Commission - life insurance	45	47			
Staff costs (excl. commission)	1,662	1,718			
Other staff costs	107	118			
Premises costs etc.	172	153			
IT operations and maintenance	156	162			
Impairment and amortisation	145	144			
Other expenses	120	151			
Total expenses	2,634	2,746			
These expenses have been disclosed in:					
Non-life insurance:					
Acquisition costs	853	947			
Administrative expenses	519	468			
Claims paid (claims handling and assessment)	793	820			
	2,165	2,235			
Life insurance:					
Acquisition costs	108	115			
Administrative expenses	217	222			
	324	337			
Income from investment properties (administration and operation)	62	75			
Expenses on investment business	43	45			
Other expenses	40	54			
Total expenses	2,634	2,746			
<b>Note 32. Auditors' fee</b>					
Fee to the auditors elected at the Annual General Meeting					
Deloitte:					
Fee for statutory audit of the annual accounts	4	4			
Fee for other assurance engagements	0	0			
Fee for tax advice	0	0			
Fee for services, other than audit work*	10	4			
	14	9			

\*Primarily fee for one-off services related to the acquisition of an IT system in the life insurance group.

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

## Notes to the financial statements • Group

(DKKm)	2012	2013
<b>Note 33. Staff costs</b>		
Salaries	1,387	1,475
Pensions	227	234
Social security costs	39	41
Payroll tax	171	189
Share options	6	7
Employee shares	42	-
	1,871	1,947
Average number of full-time employees	2,572	2,616

### Share options

Topdanmark's share option scheme is for its 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 can be exercised 3-5 years subsequent to the granting. The scheme is settled by shares (equity instruments). The table below is categorised by the option holders' current standing:

Total number of options ('000)	Strike price	Executive Board	Senior executives	Resigned	Total
<b>2012</b>					
Outstanding at 1 January		1,373	4,086	998	6,457
Granted	99	127	475	0	602
Expired		(263)	(797)	(420)	(1,480)
Exercised		(175)	(1,032)	(347)	(1,554)
Outstanding at 31 December 2012		1,062	2,732	231	4,024
Average strike price at 31 December 2012		80	82	77	
<b>2013</b>					
Outstanding at 1 January		1,062	2,732	231	4,024
Granted	133	107	440	0	547
Transferred		0	(67)	67	0
Exercised		(388)	(1,161)	(175)	(1,725)
Lost		0	0	(6)	(6)
Outstanding at 31 December 2013		781	1,942	118	2,840
Average strike price at 31 December 2013		82	85	82	
Per granting:	Exercise period				
2009	March 2012 - March 2014	76	69	106	190
2010	March 2013 - March 2015	78	346	492	889
2011	March 2014 - March 2016	81	132	462	613
2012	March 2015 - March 2017	99	127	458	602
2013	March 2016 - March 2018	133	107	425	547
Outstanding at 31 December 2013		781	1,942	118	2,840
Average strike price exercised options 2012		80	79	80	79
Average strike price exercised options 2013		77	77	76	77
Average current price on date of exercise 2012					105
Average current price on date of exercise 2013					133
Fair value of granting 2012		2	6		7
Fair value of granting 2013		2	7		9
Fair value at 31 December 2012		43	107	10	160
Fair value at 31 December 2013		42	94	6	142

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a price of DKK 142.95 (2012: DKK 89.78) 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% (2012: 22%) p.a. and a pattern of exercise similar to Topdanmark's previous granting of share options. The volatility has been calculated on the basis of previous years' volatility, which continues to be Management's best estimate of future volatility.

	2012	2013
Number of options which could be exercised on 31 December ('000)	1,314	1,079

### Employee shares

In 2012 Topdanmark issued 472,050 employee shares offset by a reduction in their respective cash salaries.

The costs have been calculated to be DKK 43m in accordance with IFRS 2.

There was no issue of employee shares in 2013.

### Severance pay

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

## Notes to the financial statements • Group

(DKKm) 2012      2013

### Note 34. Related parties

The Group has no related parties with controlling influence.

Related parties with significant influence comprise If P&C Insurance Holding Ltd (publ), the Board of Directors, the Executive Board and their families.

#### Remuneration of the Board of Directors

Directors' fees were DKK 4,631,000 (2012: DKK 4,631,000) of which DKK 244,000 (2012: 244,000) related to Topdanmark Forsikring A/S.

Fee (DKK '000):

Michael Pram Rasmussen	1,300	1,300
Søren Thorup Sørensen	488	758
Anders Colding Friis	217	325
Charlotte Hougaard	325	325
Jens Maaløe	325	325
Per Krogsgaard Mathiesen	-	244
Birgitte Nielsen	-	217
Annette Sadolin	488	488
Desiree Schultz	325	325
Anders Knutsen	731	244
Trine Zappe	325	81
Knud J. Vest	108	-
<b>Total fee paid to nine Board members</b>	<b>4,631</b>	<b>4,631</b>

The Board of Directors receive only a fixed remuneration.

#### Remuneration of the Executive Board

Salaries etc.	16	18
Share options	2	2
Employee shares	1	-
<b>Total remuneration to three members of the Executive Board</b>	<b>19</b>	<b>20</b>

Christian Sagild	8.3	8.6
Kim Bruhn-Petersen	5.5	5.7
Lars Thykier	5.5	5.6
	<b>19.2</b>	<b>19.9</b>

10% of the fixed basic salary etc. paid to the Executive Board is paid as share options.

Additionally, the Executive Board earns successively a compensation representing six months' salary in each of the years 2013-2015.

The compensation will be paid on resignation.

The Executive Board receives only a fixed remuneration.

The Group has no unhedged pension commitments.

#### Significant risk taker

Besides the Executive Board one employee of the Group has significant influence on its risk profile.

In accordance with an exemption clause this remuneration is not disclosed.

#### Shares, bonds and subordinated notes held by the Board of Directors and Executive Board

Board of Directors		
Number of shares	30,830	29,130
Bonds, nominal value DKK '000	128	157
Subordinated notes (subordinated loan capital) Topdanmark Forsikring, nominal value DKK '000		
	19,610	12,050
Executive Board		
Number of shares	306,350	173,430
Bonds, nominal value DKK '000	1,364	1,146

#### IF P&C Insurance Holding Ltd (publ)

The company owns 31,476,920 shares in Topdanmark A/S and subordinated notes (hybrid core capital) in Topdanmark A/S, nominal value EUR 33,500,000.

#### Associated companies

Premiums ceded	117	107
Commission received	(6)	(6)
Reimbursed claims	(100)	(240)
Reinsurers' share of provisions	187	50

Trading takes place under normal market conditions. Shares are disclosed in the balance sheet and specified in the note on shares in associated companies. Balances are disclosed in the balance sheet.

## Notes to the financial statements • Group

(DKK m)	2012	2013
<b>Note 35. Financial assets</b>		
<b>Financial assets at fair value where the revaluation is taken to the income statement</b>		
Held for trading:		
Shares	5,805	7,786
Bonds	36,882	34,577
Loans guaranteed by mortgages and other loans	9	6
Derivatives	1,450	1,056
	44,146	43,424
Designated at fair value:		
Deposits with credit institutions	1,657	1,047
Investment assets related to unit-linked contracts	4,313	6,673
	5,970	7,720
Total financial assets at fair value where the revaluation is taken to the income statement	50,117	51,144
<b>Loans and receivables at amortised cost</b>		
Loans to associated companies	173	416
Amounts due from policyholders	390	346
Amounts due from insurance companies	157	65
Other debtors	193	121
Liquid funds	368	420
Other	123	111
	1,405	1,479
<b>Total financial assets</b>	<b>51,522</b>	<b>52,623</b>
The book value of loans and receivables at amortised cost approximately corresponds to fair value.		

(DKK bn)	Inputs based			Total
2012	Quoted prices Level 1	Inputs based on observable market data Level 2	Inputs not based on observable market data Level 3	
<b>Financial assets recorded at fair value</b>				
<b>Held for trading:</b>				
Shares	4.5	1.3		5.8
Government bonds	4.5	0.2		4.7
Mortgage bonds	15.7	11.1		26.8
CDOs		2.4		2.4
Credits	2.0	1.0		3.0
Bonds	22.2	14.7	0.0	36.9
Loans guaranteed by mortgages and other loans		0.0		0.0
Derivatives		1.5		1.5
<b>Designated at fair value:</b>				
Deposits with credit institutions		1.7		1.7
Shares	1.7	0.0		1.7
Unit trusts	0.9	0.0		0.9
Bonds	0.4	1.2		1.6
Derivatives		0.0		0.0
Investment assets related to unit-linked contracts	3.0	1.2	0.0	4.3
<b>Total financial assets at fair value</b>	<b>29.8</b>	<b>20.3</b>	<b>0.0</b>	<b>50.1</b>

## Notes to the financial statements • Group

(DKKbn)

### Note 35. Financial assets - continued

2013 Financial assets recorded at fair value	Quoted	Inputs based	Inputs not based	Total
	prices Level 1	on observable market data Level 2	on observable market data Level 3	
<b>Held for trading:</b>				
Shares	5.9	1.9		7.8
Government bonds	1.9	0.2		2.1
Mortgage bonds	11.7	16.0		27.7
CDOs	0.0	2.3		2.3
Credits	1.9	0.6	0.1	2.5
Bonds	15.5	19.0	0.1	34.6
Loans guaranteed by mortgages and other loans		0.0		0.0
Derivatives		1.1		1.1
<b>Designated at fair value:</b>				
Deposits with credit institutions		1.0		1.0
Shares	2.9	0.0		2.9
Unit trusts	1.1	0.0		1.1
Bonds	0.6	2.0		2.7
Deposits with credit institutions		0.0		0.0
Investment assets related to unit-linked contracts	4.6	2.1	0.0	6.7
<b>Total financial assets at fair value</b>	<b>26.0</b>	<b>25.1</b>	<b>0.1</b>	<b>51.1</b>

There were no changes in the classification of financial assets or liabilities in 2013.

In 2013 the Group invested DKK 71m in financial assets, which are recorded at fair value using valuation models based on non-observable inputs (project financing Carlsberg Byen).

The fair value at 31 December 2013 was equivalent to the acquisition price.

(DKK m)	2012	2013
Allowance account (policyholders and insurance companies):		
1 January	81	77
Changes	(5)	(6)
31 December	77	71
Group companies have agreed to lend equities against security:		
Book value of equities lent	1,156	1,022
Fair value of bonds received as security for the loan	1,526	1,160

### Note 36. Financial liabilities

#### Financial liabilities measured at fair value through profit or loss

Held for trading:		
Derivatives	22	170
Designated at fair value:		
Amounts due to credit institutions	2,007	2,159
<b>Total financial liabilities measured at fair value through profit or loss</b>	<b>2,029</b>	<b>2,329</b>

#### Financial liabilities measured at amortised cost

Subordinated loan capital	1,153	1,155
Deposits with ceding undertakings	141	143
Creditors arising out of direct insurance operations	95	93
Creditors arising out of reinsurance operations	35	115
Bond loans	74	58
Amounts due to associated companies	7	5
Current tax liabilities	54	15
Other creditors	1,097	1,115
<b>Total financial liabilities measured at amortised cost</b>	<b>2,655</b>	<b>2,700</b>
<b>Total financial liabilities</b>	<b>4,684</b>	<b>5,029</b>

Book value of financial liabilities at amortised cost approximately corresponds to fair value.

## Notes to the financial statements • Group

(DKKm)	2012	2013
<b>Note 36. Financial liabilities - continued</b>		
Financial liabilities payable after five years or more:		
Subordinated loan capital	406	407
Amounts due to credit institutions	5	4
		Observable inputs
<b>Financial liabilities recorded at fair value</b>		Level 2
<b>Held for trading:</b>		
Derivatives	22	170
<b>Designated at fair value:</b>		
Amounts due to credit institutions	2,007	2,159
<b>Total financial liabilities recorded at fair value</b>	<b>2,029</b>	<b>2,329</b>

### Note 37. Settlement of assets and liabilities

Except for tangible and intangible assets, investment properties, investments in associated companies and CDOs most other assets are expected to be settled within a year.

It is expected that the following significant liabilities will be settled 12 months or more after the balance sheet date:

Subordinated loan capital	1,153	1,155
Provisions for unearned premiums	187	177
Guaranteed benefits	19,410	16,869
Bonus potential on future premiums	3,338	2,645
Bonus potential on paid-up benefits	1,673	2,016
Provisions for claims and benefits	10,121	9,871
Collective bonus potential	716	1,310
Provisions for unit-linked contracts	4,121	6,200
Deferred tax on security funds	348	306
	41,067	40,549

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

	Book value		Net investment	Return (%)*
	1 January	31 December		
Land and buildings, directly owned	3,425	3,396	39	1.4
Limited property companies	1,041	1,250	111	4.9
Total land and buildings	4,466	4,646	150	2.3
Listed Danish shares	1,257	1,812	30	39.2
Unlisted Danish shares	331	336	11	4.5
Listed foreign shares	2,375	2,990	197	20.5
Unlisted foreign shares	762	1,381	236	9.0
Total other shares	4,725	6,519	473	22.5
Government bonds (Zone A)	2,652	1,041	(1,597)	0.4
Mortgage bonds	15,043	15,486	819	1.2
Index-linked bonds	1,561	1,414	(66)	(5.0)
Credit bonds investment grade	2,524	2,746	(313)	6.4
Credit bonds non-investment grade and emerging market bonds	2,403	1,599	(26)	20.9
Other bonds	2	0	(2)	0.3
Total bonds	24,186	22,286	(1,184)	2.6
Other financial investment assets	1,173	894	618	0.0
Derivatives to hedge against the net change in assets and liabilities**	1,340	919		

\* Annual return as a percentage before pension return and corporation tax.

\*\* Topdanmark Livsforsikring has invested in interest rate options - Euro-CMS-floors with a strike rate of 5% - to hedge the guaranteed benefits.

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 foreign shares is adjusted by means of derivatives.

After including derivatives the exposure in foreign shares on 31 December 2013 was DKK 4,679m (2012: DKK 4,130m).

## Notes to the financial statements • Group

(DKKm) 2012 2013

### Note 39. Exposure information

#### Non-life insurance

Event	Effect on shareholders' equity	
0.7-1.0 pp increase in interest rates	(157)	(6)
0.7-1.0 pp decline in interest rates	173	9
12% decline in equity prices	(137)	(182)
8% decline in property prices	(103)	(104)
Exchange rate exposure (VaR 99.0%)	(10)	(14)
Loss on counterparties of 8%	(186)	(187)

#### Life insurance

Event	Min. effect on capital base	Max. effect on collective bonus potential	Max. effect on bonus potential on benefits on paid-up policies before change in bonus potential used for such benefits	Max. effect on bonus potential used for benefits on paid-up policies
0.7-1.0 pp increase in interest rates	(148)	(106)	1,045	16
0.7-1.0 pp decline in interest rates	84	114	(1,008)	(130)
12% decline in equity prices	(12)	(131)	0	(368)
8% decline in property prices	(59)	(92)	0	(146)
Exchange rate exposure (VaR 99.0%)	(3)	(2)	0	(3)
Loss on counterparties of 8%	(74)	(115)	0	(182)
10% decline in mortality intensity	(8)	(86)	(9)	(24)
10% increase in mortality intensity	7	83	9	16
10% increase in disability intensity	0	(19)	(4)	(5)

#### 2013

Event	Min. effect on capital base	Max. effect on collective bonus potential	Max. effect on bonus potential on benefits on paid-up policies before change in bonus potential used for such benefits	Max. effect on bonus potential used for benefits on paid-up policies
0.7-1.0 pp increase in interest rates	(167)	(52)	714	0
0.7-1.0 pp decline in interest rates	167	(72)	(1,160)	(22)
12% decline in equity prices	(26)	(579)	0	(123)
8% decline in property prices	(75)	(195)	0	(18)
Exchange rate exposure (VaR 99.0%)	(2)	(9)	0	0
Loss on counterparties of 8%	(85)	(277)	0	(21)
10% decline in mortality intensity	(22)	(85)	(9)	0
10% increase in mortality intensity	19	76	9	0
10% increase in disability intensity	0	(18)	(5)	0

### Note 40. Shares analysed by industry and region (%) - life insurance

2013	Denmark	Other Europe	North America	South America	Japan	Other Far East	Other countries	Not analysed	Total
Energy	0	1	2	0	0	0	0	0	4
Materials	1	2	1	0	0	0	0	0	3
Industrial	7	2	3	0	1	0	0	0	13
Consumer durables	2	2	3	0	1	0	0	0	8
Consumer goods	2	2	3	0	0	0	0	0	7
Health care	4	3	3	0	0	0	0	0	10
Financial	7	4	3	0	1	1	0	0	16
IT	0	1	4	0	0	1	0	0	7
Tele-communication	0	1	0	0	0	0	0	0	2
Supply	0	1	0	0	0	0	0	0	1
Not analysed	8	0	0	0	0	0	2	19	29
<b>Total</b>	<b>30</b>	<b>19</b>	<b>23</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>19</b>	<b>100</b>

A list of the shares held by the companies can be ordered from the company.

## Notes to the financial statements • Group

(DKKm)

### Note 41. Leasing

Finance lease for mainframe CPU:	Minimum lease payment	Interest	Present value	Book liabilities
<b>2012</b>				
0-1 years	6	0	6	
1-5 years	8	0	8	
	14	0	14	15
Operational finance leases:				
<b>2012</b>				
0-1 years	60	0	60	
1-5 years	12	0	12	
	73	0	73	
<b>2013</b>				
0-1 years	51	0	51	
1-5 years	18	0	18	
	70	0	70	

### Note 42. Core capital and capital base

	2012	2013
Shareholders' equity according to Danish rules *	5,716	5,490
Deferred tax assets	(1)	(1)
Hybrid core capital	406	407
Capital adequacy requirements for insurance companies – 50%	(1,521)	(1,460)
<b>Core capital</b>	4,600	4,436
Capital adequacy requirements for insurance companies – 50%	(1,521)	(1,460)
<b>Capital base</b>	3,078	2,976
Weighted items	4,238	4,001
Core capital as a percentage of weighted items	108.5	110.9
Solvency ratio	72.6	74.4
Solvency requirement (%)	8.0	8.0

\* Before provisioning for deferred tax on security funds.

Solvency has been calculated according to the rules for financial services holding companies.

See "Solvency" in Management's Review.

### Note 43. Number of shares

Reconciliation of the number of shares ('000)		
Shares issued at 1 January	148,259	137,500
Own shares at 1 January	(14,940)	(13,560)
Number of shares at 1 January	133,319	123,940
Shares bought back	(11,405)	(13,033)
Shares sold	2,026	1,725
Shares issued at 31 December	137,500	125,000
Own shares at 31 December	(13,560)	(12,368)
Number of shares at 31 December	123,940	112,632

### Note 44. Own shares

	Number of shares '000	Nominal value DKKm	Percentage of share capital	Bought /sold DKKm
Held at 1 January 2012	14,940	15	10.1	
Bought in 2012	11,405	11	8.3	1,200
Sold	(2,026)	(2)	1.5	(179)
Written down	(10,759)	(11)	-	
Held at 31 December 2012	13,560	14	9.9	
Bought in 2013	13,033	13	10.4	1,836
Sold	(1,725)	(2)	1.4	(133)
Written down	(12,500)	(13)	-	
Held at 31 December 2013	12,368	12	9.9	

Number of shares held to cover the granting of options: 2,840,000 (2012: 4,024,000)

## Notes to the financial statements • Group

(DKKm)	2012	2013
<b>Note 45. Provision of security</b>		
The Group's insurance companies have registered the following assets as security for technical provisions:		
Shares in associated companies	681	723
Loans to associated companies	158	158
Shares	4,516	5,875
Bonds	33,479	31,804
Deposits with credit institutions	1,560	811
Investment assets related to unit-linked contracts	4,278	6,673
Liquid funds	123	18
Accrued interest	348	350
Shares in and amounts due from affiliated companies eliminated in the consolidated accounts	7,464	7,087
	52,608	53,499
Bonds provided as security for loans in accordance with standard repo-contracts for Danish mortgage and government bonds	739	611
Other provision of security	18	58

### Note 46. Contingent liabilities

Adjustments to VAT liabilities	33	26
Other liabilities	10	11
Capital commitments made to loan funds and private equity funds etc.	237	509
Share of associated companies' liabilities:		
Contract liabilities	452	283
The Group companies participate in technical insurance collaboration where they are jointly liable for the insurance liabilities.		

### Note 47. Comparatives

Following the merger of the life insurance companies, intra-group custody account transfers between the merged companies have been eliminated.

As a result the comparatives have been adjusted as follows:

2012	Financial statements 2012	Adjustment	Comparatives 2012
<b>Income statement</b>			
Gross premiums written	3,161	(102)	3,059
Claims and benefits paid	(3,248)	103	(3,146)
Change in the life insurance provisions	(684)	(54)	(738)
Change in provisions for unit-linked contracts	(1,032)	53	(978)
<b>Cash flow statement</b>			
Gross premiums written	3,151	(102)	3,050
Claims and benefits paid	(3,251)	48	(3,203)
Cash flow from life insurance	(384)	(53)	(438)
Total cash flow from insurance business	698	(53)	644
Payments made and received on investment contracts	(12)	53	42

## Notes to the financial statements • Group

(DKKm)

### Note 48. Companies

Name	Registered office	Activity
<b>Topdanmark A/S</b>	Ballerup	Holding
<b>Non-life:</b>		
Topdanmark Forsikring A/S	Ballerup	Insurance
Danske Forsikring A/S	Ballerup	Insurance
TDP.0007 A/S	Ballerup	Property
Topdanmark EDB A/S	Ballerup	Internal IT services
E. & G. Business Holding A/S	Ballerup	Holding
Topdanmark Holding S.A.	Luxembourg	Holding
Risk & Insurance Services S.A.	Luxembourg	Administration
TDLII.0087 A/S	Ballerup	Investment
<b>Life:</b>		
Topdanmark Liv Holding A/S	Ballerup	Holding
Topdanmark Livsforsikring A/S	Ballerup	Insurance
Nykredit Livsforsikring A/S	Ballerup	Insurance
Topdanmark EDB II ApS	Ballerup	IT services
Topdanmark Ejendom A/S	Ballerup	Property
TDE.200 ApS	Ballerup	Property
TDE.201 ApS	Ballerup	Property
<b>Other companies:</b>		
Topdanmark Kapitalforvaltning A/S	Ballerup	Asset management
Topdanmark Invest A/S	Ballerup	Investment
Hotel Kongens Ege ApS	Ballerup	Property
Topdanmark Ejendomsadministration A/S	Ballerup	Property

All of the companies are 100% owned.

In the financial year Topdanmark Livsforsikring A/S merged with Topdanmark Livsforsikring V A/S, Topdanmark Livsforsikring II A/S, Topdanmark Livsforsikring III A/S, Topdanmark Link Livsforsikring A/S and TDL.0018 ApS.

### Note 49. Other disclosures

The five-year summary in accordance with Section 91(a) of the Danish executive order on financial reports for insurance companies and lateral pension funds is the last page of Management's review. For further details see "Risk management" and "Capital model" in "Management's review".

There have been no events in the period from 31 December 2013 until the presentation of the consolidated financial statements which could change the assessment of the annual report.

## Notes to the financial statements • Group

### Note 50. Risk factors

The following description of risks in the Topdanmark Group elaborates on Risk management in Management's review.

#### 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 and industrial 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.

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

General insurance rates are re-calculated at least every three years and motor and workers' compensation rates are reviewed annually.

Provisions are generally calculated on a monthly basis across all lines of business. The claims trend is assessed monthly, 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.

##### 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, third party insurance and commercial liability.

Provisions for outstanding claims (%)	2012	2013
Short-tail	14	15
Annuity provisions in workers' compensation	24	23
Other claims provisions in workers' compensation	22	22
Accident	24	24
Motor personal liability	12	12
Commercial liability	4	4

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 National Board of Industrial Injuries which awards compensation for injury and loss of earnings potential in all cases of serious industrial injuries.

The practice adopted by the Danish National Board of Industrial Injuries 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 National Board of Industrial Injuries 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 change of ownership insurance and lines with high levels of compensation, for example, workers' compensation and motor liability insurance. In the event of a change in the level of either premiums or compensation in these lines, the provision for unearned premiums could be insufficient to cover the related expenses. In this case it will be necessary to strengthen this provision.

For change of ownership insurance the policy covers a period of five or ten years and the full five or ten-year payment is made up front. Topdanmark's level of provisions for change of ownership policies is based on statistical analyses of the pattern of claims notifications as compared to the remaining period of the policies.

For workers' compensation and motor liability insurance policies, which unlike change of ownership are one-year policies, the need for strengthening the provision for unearned premiums is assessed on the basis of quarterly analyses of the development in premiums and claims.

### **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 3.6bn. 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. The national guarantee scheme covers any market retention in excess of DKK 5bn. The Danish non-life insurance companies have established a terror pool to protect the market retention. Industrial injuries caused by any form of terror are covered by the Government with a few exceptions.

### **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 SME and industrial lines. 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.

### **Workers' compensation**

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

### **Life insurance**

#### **Loss absorbing buffers in the event of low interest rates**

Bonus potential on paid-up benefits and collective bonus potential are 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.

In portfolios with high guaranteed benefits, including the portfolio of policies with 4.5% guaranteed benefits, the interest rate risk in interest groups with such schemes has been countered by EURO CMS floors with a strike rate of 5%.

In portfolios with low guaranteed benefits, i.e. comprising policies with guaranteed benefits of 2.5%, 1.5% and 0.5%, the movements in interest rates are monitored and risk reducing actions are taken as needed.

### **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 collective bonus potential and bonus potential on paid-up benefits. The remainder affects profit / loss for the year and consequently shareholders' equity.

### **Lifetime**

Lifetime risk is the risk 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 collective bonus potential and bonus potential on paid-up benefits. The remainder affects profit / loss for the year and consequently shareholders' equity.

### **Market risk**

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 fixed 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.

<b>Market risks</b>	<b>Risk reducing activities</b>
<p><b>Interest rate risk</b> 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>In life insurance the interest rate risk on guaranteed benefits is hedged by interest rate options – EURO CMS floors with a strike rate of 5%</p>
<p><b>Equity risk</b> Topdanmark is exposed to equity risk from direct investments as well as those investments made via derivatives</p>	<p>The equity risk is alleviated by trades in the market and by derivatives</p>
<p><b>Property risk</b> 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 the four largest cities in Denmark, where Topdanmark invests in well-situated properties within the segments of housing and flexible office properties</p>
<p><b>Currency risk</b> Topdanmark's currency risk relates in practice only to investments</p>	<p>The currency risk is alleviated by derivatives</p>
<p><b>Inflation risk</b> 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><b>Liquidity risk</b> In insurance companies the liquidity risk is very limited as premiums are paid prior to the beginning of the risk period</p> <p>Topdanmark's liquidity risk is therefore primarily related to the parent company</p>	<p>Topdanmark finances its activities and share buy-back programme by using its subsidiaries' surplus liquidity via inter-group accounts, which are reduced by paying dividends</p> <p>Further financing requirements are covered by short-term money market loans, typically with a maturity of one month or less</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.

Undiscounted expected cash flows for Group's most significant liabilities:

(DKKm)	Book value	1 year	2-6 years	7-16 years	17-26 years	27-36 years	>36 years
<b>2012</b>							
Provisions for claims	13,521	3,919	6,363	3,262	1,096	333	30
Life insurance provisions	26,941	765	816	6,082	10,950	9,431	4,499
<b>2013</b>							
Provisions for claims	13,929	4,482	6,146	3,214	1,468	602	158
Life insurance provisions	24,982	945	1,408	6,392	9,810	7,903	4,172

Future cash flows for life insurance will deviate from those expected due to observed insurance events, surrenders etc.

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

### Credit and counterparty risk

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 all of its storm cover has been placed with such reinsurance companies.

### Investment

Topdanmark's investment risk is 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 (%)	2012	2013
AAA+AA	77	77
A	3	3
BBB	4	5
<BBB	7	6
Money market deposits	9	9

At the end of 2013 Topdanmark received cash margin payments of DKK 885m securing unrealised gains on derivatives (2012: 1,234m).

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 errors in internal processes, human errors, system errors, breakdowns of IT systems and 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.

## **IT**

Group IT Security is responsible for IT security reporting to the IT manager.

Risk assessments of each operational IT risk are made regularly. Group IT Security reports quarterly on risks and events to the Executive Board.

Topdanmark's risk assessment, IT security policy and IT emergency strategy (based on ISO27001) are revised each year by the Executive Board to be accepted by the Board of Directors.

The actual 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 fire fighting equipment. Critical IT equipment is in duplicate and placed in two physically discrete machine rooms.

Periodically Topdanmark's critical IT systems are tested to see if they can be compromised from outside, and whether the IT systems have vulnerabilities that need to be repaired. These tests are made by an external company with special expertise in this area.

Topdanmark's IT security committee discusses and prioritizes the performance and results of the tests.

It is Topdanmark's goal that the accessibility of its main systems is no less than 99.5%. In 2013 it was 99.96%.

The implementation of new IT systems is only effected after extensive testing procedures.

Topdanmark carried out a major awareness campaign among all employees in 2013. It focused on human behavior towards using our IT assets and had four clear messages: Be aware of what you insert into your computer, what you click on in mails, whom you speak to on the telephone and whom you allow into Topdanmark.

## **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.

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.

## Notes to the financial statements • Group

### Note 51. Accounting policies

---

Topdanmark Group's 2013 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 OMX, Copenhagen and the Danish Financial Business Act on annual reports prepared by listed financial services companies.

For the financial year 2013, Topdanmark implemented amendment to IAS 1 presentation of other comprehensive income.

Furthermore, Topdanmark has implemented IFRS 13 on measurement of fair value. The implementation had no impact on the recognition and measurement but only on other disclosures.

Following the merger of the Group's life insurance companies, intra-group custody account transfers are no longer included in premiums and benefits in the consolidated financial statements. This amendment has no impact on profit for the year, EPS or shareholders' equity.

The restatement of the comparatives in the income statement and cash flow statement is disclosed in a note.

In March 2013 Topdanmark effected a share split reducing the denomination of its shares from DKK 10 to DKK 1 per share.

From 2013, net asset value per share is presented including the diluting effect of share options, and at the same time the method of calculation has been slightly adjusted.

The comparatives have been restated.

There have been no other changes in accounting policies from those adopted in the 2012 Annual Report.

### Future accounting regulation

The IASB has issued a number of new and revised standards, and interpretations which have not yet taken effect.

Future changes to the rules are not expected to materially change Topdanmark Group's accounting policies.

### 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 in this and subsequent financial years.

The most significant estimates and judgements are made in the calculation of the 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 (too low provisions) or run-off profits (too high provisions).

The provision 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 National Board of Industrial Injuries.

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

### 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 accounting order for insurance companies and lateral 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 the Group has a legal or constructive obligation due to a previous event, 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 shares, bonds, derivatives etc., the measuring is generally based on the closing price on 31 December.

### 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, hedge funds, CDOs, credit bonds etc. 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.

## 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 the effect of disability (including the effect of premiums waived) and mortality (where the benefit exceeds the total savings of the policy).

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 entitles the policyholder to receive a bonus, it is treated as an insurance contract. Payments received and made on investment contracts, where the policyholder is not entitled to a bonus, have been taken directly to the balance sheet.

## Currencies

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 31 December, are translated at the closing exchange rates on 31 December. Translation differences are disclosed in Revaluations in the Income Statement.

Income and expenses of foreign companies which prepare their financial statements in functional currencies other than DKK are translated at average exchange rates for the year, while balance sheet items are translated at the closing exchange rates on 31 December. Any translation differences are included in other comprehensive income.

Exchange rate differences on the translation of foreign associated companies are included in other comprehensive income.

## Expenses

Expenses are recognised in the Group's income statement and disclosed classified by function: claims incurred (claims handling), acquisition 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-based payments

### Share options

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

The fair value, on the date the option is granted less the subscription proceeds, is included in staff costs in the income statement, with the relevant credit shown as a change in equity. The fair value is calculated using the Black & Scholes model and in accordance with IFRS 2 on share-based payments.

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

### Employee shares

The fair value, on the date the share is granted, is included as staff costs in the income statement, with the relevant credit shown as a change in equity. The fair value is measured in accordance with IFRS 2 taking into account the specific conditions for the issue of employee shares. No employee shares were granted in the financial year.

## Calculation of profit in life insurance

The calculation of profit for life insurance is regulated by the Danish Financial Business Act. The definition of 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 policies 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.

The risk return is transferred to shareholders' equity if it can be covered by a sufficient technical basis for risk allowance within each contribution group. Any surplus risk return is transferred to a shadow account, which will be included as income when the group returns to being in profit.

If there is a negative technical basis for risk allowance, which exceeds the collective bonus potential and the individual bonus potential, the excess will be debited to shareholders' equity.

## Segment information

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

**Personal** includes policies for individual households, sold by Topdanmark's own sales channels and its distribution partners.

**SME and Industrial** includes policies for agricultural, SME and industrial businesses, sold by Topdanmark's sales organisation and its distribution partners, as well as captive-based policies.

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

Life insurance is considered to be 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.

## **Ratios**

The financial ratios have been calculated in accordance with the definitions of ratios issued by the Danish Society of Investment Professionals in 2010, except for "profit per share" and "diluted profit per share", which have been calculated in accordance with IAS 33 Earnings per share.

Ratios for non-life insurance are in accordance with the DFSA's accounting order. These calculations, which have been made before elimination of intra-group rent, are disclosed in segment information. Topdanmark has not calculated consolidated ratios for life insurance, as it does not believe that a true and fair view would be achieved by presenting ratios based on an accumulation of completely different portfolios.

## **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 receivable 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.

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

### **Technical interest net of reinsurance in non-life insurance**

The technical result on non-life insurance includes a return on the technical provisions net of reinsurance. The interest on the provisions is calculated using the relevant interest rate corresponding to the expected date of settlement. The discount expense of the regular revaluation of the present value of the provisions until the expected time of settlement is offset against the interest income. The interest and discount expense on discounted provisions, primarily provisions for outstanding claims net of reinsurance, are calculated on the same basis. Accordingly the interest and discount expense on discounted provisions are exactly netted off each other. For non-discounted provisions, primarily provisions for unearned premiums net of reinsurance, the interest on the average value of the provisions is calculated using the relevant interest rate corresponding to the weighted average date of settlement.

### **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.

### **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 changes in discounting and revaluation is included in technical interest net of reinsurance and revaluations respectively. Topdanmark has entered into swaps 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 swaps 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. New business commission is generally recorded in the income statement on the date the insurance 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 policies' period of cover.

### **Investment activities**

Income from associated companies comprises a share of the post-tax results of the associated companies 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 disclosed 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 and changes in the provisions for outstanding claims net of reinsurance due to changes in the interest rate structure are included in revaluations, which also includes exchange rate adjustments and realised gains and losses on owner-occupied properties. Administrative expenses on investment activities comprise the cost of asset management including transaction costs.

### **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.

### **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 31 December.

Topdanmark A/S is jointly taxed with all the Danish companies of the Group. As the management company of the joint taxation Topdanmark A/S settles all corporation tax payments with the tax authorities.

The jointly taxed companies' joint tax contributions are settled by dividing the current Danish corporation tax between them in proportion 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 tax gain.

### **Assets**

#### **Intangible assets**

Goodwill relates to the acquisition of companies prior to 2004 and is included at the book value on the change 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, as required.

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 written off over the expected useful life of a maximum of five years. If there is an indication of impairment, the book value 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**

##### **Machinery and equipment**

Machinery and 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 book value is written down to its recoverable amount.

Finance leases for machinery and equipment are those leases where the Company substantially bears all the risks and benefits of ownership: the relevant assets are shown in the balance sheet at the lower value of their fair value and the present value of future lease payments. Once recognised as a finance lease, the assets are treated as any other type of machinery and equipment. At 31 December 2013, the Group had no assets recognised as a finance lease. 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 less accumulated depreciation. The properties are reviewed and assessed annually by the Group's own valuation experts. 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 and subsequent recognitions are made at fair value with revaluations in the income statement. A value has been calculated for each property on the basis of an expected future return on its operations and a rate of return (required yield). This value is adjusted for any special conditions having a temporary effect on the earning capacity of the property as well as the level of maintenance required on each property. The yield has been fixed taking into account the relevant market conditions for each type of property, its position, use, tenure of lease etc. and sales efforts within a reasonable time frame. Market trends and the return requirements of the market are regularly analysed. Each property is assessed annually by the Group's own valuation experts.

### **Associated companies**

Shares held in associated companies are measured at their net asset value, in accordance with the Group's accounting policies. Associated companies are companies which are not subsidiaries, although the Group has substantial influence through a significant shareholding and representation on the board of the company.

### **Financial assets**

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

- Financial assets which are measured at fair value with any value adjustment taken to the income statement or,
- Loans and receivables which are measured at amortised cost.

Financial assets at fair value with any value adjustment taken to the income statement are financial assets which either are included in a trading portfolio, are derivatives or at the time of their first recognition are included 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 contracts" are measured at fair value with any value adjustment taken to the income statement.

### **Receivables that are measured at amortised cost**

The initial recognition of receivables is made at fair value and subsequent recognitions are made at amortised cost. Amounts, due from finance leases, are included at the net investment in the lease contract. 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 the receivable ageing analysis. When an individual receivable is considered irrevocable, the value of the impairment is transferred out of the account for collective allowances.

### **Reinsurers' share**

Reinsurers' share of the provisions for unearned premiums represents the proportion of reinsurance premiums paid which, net of commission received and 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 outstanding 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 a structure of interest rates. 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 pension return tax, corporation tax and bonus. 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.

### Subordinated loan capital

The initial recognition of subordinated loan capital is made at fair value less transaction costs and subsequently measured at amortised cost.

### Provisions for insurance and investment contracts

#### Provisions for unearned premiums

These provisions represent the proportion of premiums collected which, based on the spread of risk during the period of cover, relates to the period after the end of the financial year. The provisions for unearned premiums cover future payments of claims not yet incurred in the remaining period of risk as well as administration costs of the insurance contracts written. Therefore, they are calculated per line of business at the present value of these amounts, as a minimum. The sufficiency of the provisions is regularly tested on the basis of the current expectations of future cash flow.

#### Life insurance provisions

Life insurance provisions 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 and resumption of work. The risk of death and disability is dependent on the age, sex and health of the policyholder and is based on the company's experience. This rate is calculated by considering the DFSA's population mortality rate, Topdanmark's own observed mortality rate and the DFSA's assessed improvement in future life expectancy.

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	26.4	28.2
DFSA's benchmark	24.8	27.3

Provisions for claims incurred 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. 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 structure, which is calculated by the DFSA and published on its website. For policies subject to pension return tax each interest rate used is reduced by the tax rate of 15.3%.

The provisions include an allowance for risk corresponding to the percentage which would be demanded by an arms-length purchaser of the company's portfolio of life insurance policies to compensate for the risk of fluctuations in the expected payments. The overall allowance for risk is an estimate calculated as the interest rate used less 5%.

Guaranteed benefits have been calculated without taking into account the conversion of insurance contracts into paid-up policies and surrenders.

The liabilities are disclosed in the balance sheet as follows:

**Guaranteed pension benefits** are measured as the present value of current guaranteed benefits plus future administrative expenses less the present value of the agreed premiums. Guaranteed benefits also include provisions for group life policies and provisions for claims incurred but not reported (IBNR).

**Bonus potential on future premiums** comprises the present value of the agreed future premiums less the present value of the guaranteed benefits originating from these premiums.

**Bonus potential on paid-up benefits** comprises the difference between, on the one hand a policy's savings (retrospective provision) less the present value of the expected future expense result, and on the other hand, the present value of the guaranteed future benefits originating from already paid premiums.

### **Provisions for claims and benefits**

Provisions for claims and benefits cover future payments of claims incurred and their administration.

Provisions for claims and benefits 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 in-house developed models. 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.

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.

Provisions for claims and benefits 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 present annuities including the expected wage and salary indexation and a rate of mortality corresponding to G82 with monthly age write-downs. 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 and benefits 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 an in-house developed model, 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.

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 DFSA's interest rate structure.

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.

Provisions for claims and benefits in life insurance comprise insurance benefits due but not yet paid.

### **Provisions for bonuses and rebates**

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

### **Collective bonus potential**

The collective bonus potential is used to equalise the individual years' payments of bonus. Amounts will be provided for the collective bonus potential in years where the investment and technical results exceed the bonus promised, while amounts will be transferred from the reserve in years where the result is not sufficient to finance the bonus promised. The collective bonus potential can only be reduced by a transfer to another item under technical provisions or as a result of a negative technical basis for risk allowance relating to bonus eligible insurance contracts.

### **Provisions for unit-linked contracts**

Provisions for unit-linked schemes are measured at fair value in accordance with the value of the assets linked to the schemes: see the fair value option in IAS 39 on elimination or significant reduction of accounting inconsistency.

### **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 DFSA's 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 shares in subsidiaries and associated companies 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 31 December.

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: see the fair value option in IAS 39 on elimination or significant reduction of accounting inconsistency. 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, including employee bonds, are measured at their amortised cost.

#### **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.

## Income statement • Parent company

(DKKm)	Note	2012	2013
Income from affiliated companies	1	1,825	1,511
Revaluations	2	(1)	0
Interest charges		(20)	(13)
<b>Total investment return</b>		<b>1,804</b>	<b>1,498</b>
Other expenses	3	(34)	(42)
<b>PRE-TAX PROFIT</b>		<b>1,770</b>	<b>1,456</b>
Taxation	4	53	12
<b>PROFIT FOR THE YEAR</b>		<b>1,823</b>	<b>1,468</b>
Proposed appropriation of profit for the year:			
Transfer to net revaluation reserve at net asset value		1,825	1,511
Transfer to profit carried forward		(2)	(43)
		<b>1,823</b>	<b>1,468</b>

## Statement of comprehensive income • Parent company

Profit for the year	1,823	1,468
Other comprehensive income in affiliated companies	2	1
Other comprehensive income	2	1
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,825</b>	<b>1,470</b>

## Balance sheet • Parent company

(DKKm)	Note	2012	2013
<b>Assets</b>			
Machinery and equipment	5	3	3
<b>TOTAL TANGIBLE ASSETS</b>		3	3
Shares in affiliated companies	6	6,714	6,323
Total investment in affiliated companies		6,714	6,323
Bonds		1	1
Total other financial investment assets		1	1
<b>TOTAL INVESTMENT ASSETS</b>		6,715	6,323
Amounts due from affiliated companies		172	155
<b>TOTAL DEBTORS</b>		172	155
Deferred tax assets		1	1
Liquid funds		3	2
<b>TOTAL OTHER ASSETS</b>		4	3
<b>TOTAL ASSETS</b>		6,895	6,485

## Shareholders' equity and liabilities

Share capital	7	138	125
Other reserves		2,991	2,574
Total reserves		2,991	2,574
Profit carried forward		2,587	2,792
<b>TOTAL SHAREHOLDERS' EQUITY</b>		5,716	5,490
<b>SUBORDINATED LOAN CAPITAL</b>	8	406	407
Bond loans		74	58
Amounts due to affiliated companies		630	503
Current tax liabilities		53	11
Other creditors		15	15
<b>TOTAL CREDITORS</b>		773	588
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		6,895	6,485

Related parties	9
Core capital and capital base	10
Own shares	11
Contingent liabilities	12
Other note disclosures	13
Accounting policies	14

## Statement of changes in equity • Parent company

(DKKm)

	Share capital	Other reserves	Profit carried forward	Total
<b>2012</b>				
Shareholders' equity at 31 December prior year	148	2,563	2,204	4,915
Profit / (loss) for the year		1,825	(2)	1,823
Other comprehensive income in affiliated companies		2	0	2
Total comprehensive income for the year		1,826	(2)	1,825
Dividends received from subsidiaries		(1,388)	1,388	0
Other movements in capital of subsidiaries		(9)	13	4
Taxation		(1)		(1)
Cancellation of own shares	(11)		11	0
Share buy-back			(1,200)	(1,200)
Sale of employee shares			43	43
Issue of share options			7	7
Exercise of share options			123	123
Other transactions	(11)	(1,398)	385	(1,024)
<b>Shareholders' equity at 31 December 2012</b>	<b>138</b>	<b>2,991</b>	<b>2,587</b>	<b>5,716</b>
<b>2013</b>				
Shareholders' equity at 31 December prior year	138	2,991	2,587	5,716
Profit / (loss) for the year		1,511	(43)	1,468
Transfer		(58)	58	0
Other comprehensive income in affiliated companies		1	0	1
Total comprehensive income for the year		1,455	15	1,470
Dividends received from subsidiaries		(1,871)	1,871	0
Other movements in capital of subsidiaries		(1)	0	(1)
Cancellation of own shares	(13)		13	0
Share buy-back			(1,836)	(1,836)
Issue of share options			9	9
Exercise of share options			133	133
Other transactions	(13)	(1,872)	189	(1,695)
<b>Shareholders' equity at 31 December 2013</b>	<b>125</b>	<b>2,574</b>	<b>2,792</b>	<b>5,490</b>

## Notes to the financial statements • Parent company

(DKKm)	2012	2013
<b>Note 1. Income from affiliated companies</b>		
Topdanmark Forsikring A/S	1,761	1,416
Adjustment	9	0
Topdanmark Invest A/S	(17)	7
Topdanmark Kapitalforvaltning A/S	71	88
<b>Income from affiliated companies</b>	<b>1,825</b>	<b>1,511</b>
<b>Note 2. Revaluations</b>		
Subordinated loan capital	(1)	0
<b>Revaluations</b>	<b>(1)</b>	<b>0</b>
<b>Note 3. Other expenses</b>		
Holding expenses	34	42
<b>Other expenses</b>	<b>34</b>	<b>42</b>
<b>Note 4. Taxation</b>		
Current tax	13	10
Change in deferred tax	1	0
Prior year adjustment	39	2
<b>Taxation (income)</b>	<b>53</b>	<b>12</b>
Pre-tax profit excl. income from affiliated companies	(55)	(55)
Calculated tax (25%)	14	14
Adjusted for the tax effect of:		
Non-deductible expenses / income not liable to tax	(1)	0
Prior year adjustment	40	(1)
	53	12
Effective rate of taxation	96.8	21.7
<b>Note 5. Machinery and equipment</b>		
Cost at 1 January	4	4
Disposals	0	(1)
Cost at 31 December	4	3
Impairment and amortisation at 1 January	0	(1)
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	0	1
Impairment and amortisation at 31 December	(1)	0
<b>Machinery and equipment</b>	<b>3</b>	<b>3</b>
<b>Note 6. Shares in affiliated companies</b>		
Topdanmark Forsikring A/S	6,427	6,043
Topdanmark Invest A/S (investment)	173	180
Topdanmark Kapitalforvaltning A/S	82	99
TD.0151 ApS (Investment)	31	-
Other	1	1
<b>Shares in affiliated companies</b>	<b>6,714</b>	<b>6,323</b>
The affiliated companies are domiciled in Ballerup.		

## Notes to the financial statements • Parent company

(DKKm)	2012	2013
<b>Note 7. Share capital</b>		
DKK		
Share capital at 1 January	148,258,960	137,500,000
Reduction in capital	(10,758,960)	(12,500,000)
<b>Share capital</b>	<b>137,500,000</b>	<b>125,000,000</b>

Each of Topdanmark's 125,000,000 (2012: 137,500,000) shares has a nominal value of DKK 1.  
No share enjoys any special rights. The shares are freely tradeable. Each share has one vote.

### Note 8. Subordinated loan capital

In 2007 Topdanmark A/S issued EUR 55m of hybrid core capital.

This bullet loan has no final maturity date but if permitted by the DFSA, the debtor can give notice of termination as from 15 September 2017 at par. The loan carries a floating interest rate determined as EURIBOR 3 months + 1.90%. From 15 September 2017 increased to EURIBOR 3 months + 2.90%.

Share of loan included in capital base	406	407
Interest charges	11	9

### Note 9. Related parties

Topdanmark A/S has no related parties with controlling influence.

Related parties with significant influence comprise If P&C Insurance Holding Ltd (publ), the Board of Directors, the Executive Board and their families.

#### Remuneration of the Board of Directors

Directors' fees were DKK 4,631,000 (2012: DKK 4,631,000) of which DKK 244,000 (2012: 244,000) related to Topdanmark Forsikring A/S.

Fee (DKK '000):

Michael Pram Rasmussen	1,300	1,300
Søren Thorup Sørensen	488	758
Anders Colding Friis	217	325
Charlotte Hougaard	325	325
Jens Maaløe	325	325
Per Krogsgaard Mathiesen	-	244
Birgitte Nielsen	-	217
Annette Sadolin	488	488
Desiree Schultz	325	325
Anders Knutsen	731	244
Trine Zappe	325	81
Knud J. Vest	108	-
<b>Total fee paid to nine Board members</b>	<b>4,631</b>	<b>4,631</b>

The Board of Directors receive only a fixed remuneration.

#### Remuneration of the Executive Board

The Company has paid no remuneration to the Executive Board but an administration agreement provides that it pays a share of the overall remuneration paid to the Executive Board

Salaries etc.	16	18
Share options	2	2
Employee shares	1	-
<b>Total remuneration to three members of the Executive Board</b>	<b>19</b>	<b>20</b>
Christian Sagild	8.3	8.6
Kim Bruhn-Petersen	5.5	5.7
Lars Thykier	5.5	5.6
	19.2	19.9

10% of the fixed salary etc. paid to the Executive Board is paid as share options.

Additionally, the Executive Board earns successively a compensation representing six months' salary in each of the years 2013-2015.

The compensation will be paid on resignation.

The Executive Board receives only a fixed remuneration.

The Company has no unhedged pension commitments.

## Notes to the financial statements • Parent company

(DKKm) 2012 2013

### Note 9. Related parties - continued

#### Significant risk taker

Besides the Executive Board one employee of the Group has significant influence on its risk profile. In accordance with an exemption clause this remuneration is not disclosed.

#### Shares, bonds and subordinated notes held by the Board of Directors and Executive Board

Board of Directors		
Number of shares	30,830	29,130
Bonds, nominal value DKK '000	128	157
Subordinated notes (subordinated loan capital) Topdanmark Forsikring, nominal value DKK '000	19,610	12,050
Executive Board		
Number of shares	306,350	173,430
Bonds, nominal value DKK '000	1,364	1,146

#### IF P&C Insurance Holding Ltd (publ)

The company owns 31,476,920 shares in Topdanmark A/S and subordinated notes (hybrid core capital) in Topdanmark A/S, nominal value EUR 33,500,000.

#### Share options

Topdanmark's share option scheme is for its 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 can be exercised 3-5 years subsequent to the granting.

The scheme is settled by shares (equity instruments).

The Group's overall option scheme is disclosed in the Group note on staff costs.

#### Affiliated companies

Expenses charged	26	34
Dividends received	1,388	1,871
Interest charged	1	0

Expenses on investment business are settled on market conditions.

Other expenses are charged to cover costs incurred.

Average effective interest rate on balances is 0.01% (2012: 0.13%).

Shares are disclosed in the balance sheet and specified in the note on Shares in affiliated companies.

Balances are disclosed in the balance sheet.

### Note 10. Core capital and capital base

Shareholders' equity	5,716	5,490
Deferred tax assets	(1)	(1)
Hybrid core capital	406	407
Capital adequacy requirements for insurance companies – 50%	(1,521)	(1,460)
<b>Core capital</b>	<b>4,600</b>	<b>4,436</b>
Capital adequacy requirements for insurance companies – 50%	(1,521)	(1,460)
<b>Capital base</b>	<b>3,079</b>	<b>2,976</b>
Weighted items	4,390	4,149
Core capital as a percentage of weighted items	104.8	106.9
Solvency ratio	70.1	71.7
Solvency requirement (%)	8.0	8.0

Solvency has been calculated according to the rules for financial services holding companies.

## Notes to the financial statements • Parent company

(DKKm)

### Note 11. Own shares

	Number of shares '000	Nominal value DKKm	Percentage of share capital	Bought /sold DKKm
<b>Parent company</b>				
Held at 1 January 2012	14,940	15	10.1	
Bought in 2012	11,405	11	8.3	1,200
Sold	(2,026)	(2)	1.5	(179)
Written down	(10,759)	(11)	-	
Held at 31 December 2012	13,560	14	9.9	
Bought in 2013	13,033	13	10.4	1,836
Sold	(1,725)	(2)	1.4	(133)
Written down	(12,500)	(13)	-	
Held at 31 December 2013	12,368	12	9.9	

### Note 12. Contingent liabilities

	2012	2013
Other liabilities	1	0

A number of subsidiaries have been liquidated by submitting a statement to the authorities. The Company guarantees that debt in these companies has been paid.

The company is jointly liable for corporation tax chargeable to the jointly taxed companies of the Topdanmark Group.

### Note 13. Other disclosures

The five-year summary in accordance with Section 91(a) of the Danish executive order on financial reports for insurance companies and lateral pension funds is included in financial highlights on page 3. Risk disclosures in accordance with Section 91(b) are included in Management's review for the Group in Risk management and in Note 50 of the consolidated financial statements.

There have been no events in the period from 31 December 2013 until the presentation of the financial statements which could change the assessment of the annual report.

## Notes to the financial statements • Parent company

### Note 14. 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 (DFSA) on financial reports for insurance companies and lateral pension funds (nationwide, occupational pension funds specific to Denmark).

There have been no other changes in accounting policies from those adopted in the 2012 Annual Report.

#### Differences from the Group's accounting policies

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

Shares held in affiliated companies 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 affiliated companies is included in the income statement under income from affiliated companies less any write-downs. Where investments in affiliated companies are revalued to net asset value, the net revaluation reserve is included in shareholders' equity. The share of the changes in equity of affiliated companies is included directly in the shareholders' equity.

The net asset value of affiliated companies 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 foreseeable 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 the trend in reinsurance market. See also [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 make their own careful considerations on 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

We have today considered and approved the Annual Report of Topdanmark A/S for 2013.

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 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 Company's assets, liabilities and financial position at 31 December 2013 as well as of the Group's and the Company's financial performance and the Group's cash flow for the financial year 1 January to 31 December 2013.

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

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

Ballerup, 4 March 2014

## Executive Board:

Christian Sagild  
(CEO)

Kim Bruhn-Petersen

Lars Thykier

## Board of Directors:

Michael Pram Rasmussen  
(Chairman)

Søren Thorup Sørensen  
(Deputy Chairman)

Anders Colding Friis

Charlotte Hougaard

Jens Maaløe

Per Mathiesen

Birgitte Nielsen

Annette Sadolin

Desirée Schultz

# Statements by the auditors

## Internal audit's reports

### Report on the consolidated financial statements and annual financial statements

We have audited the consolidated financial statements and annual financial statements of Topdanmark A/S for the financial year 1 January to 31 December 2013, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the Company, and including cash flow statement for the Group. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial services companies. The annual financial statements have been prepared in accordance with the Danish Financial Business Act.

Management is responsible for the consolidated financial statements and annual financial statements. Our responsibility is to express an opinion on the consolidated financial statements and annual financial statements.

#### Audit for the year

We conducted our audit on the basis of 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. This requires that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and annual financial statements are free from material misstatement. We have participated in the audit of the material and risky areas.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and annual financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and annual financial statements.

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

Our audit has not resulted in any qualification.

#### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position at 31 December 2013, and of the results of its activities and cash flows for the financial year 1 January to 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial services companies.

Further, in our opinion, the annual financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2013, and of the results of its activities for the financial year 1 January to 31 December 2013 in accordance with the Danish Financial Business Act.

#### Statement on the management review

Pursuant to the Danish Financial Business Act, we have read the management review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and annual financial statements.

On this basis, it is our opinion that the information provided in the management review is consistent with the consolidated financial statements and annual financial statements.

Ballerup, 4 March 2014

Leif Zilmer  
Head of Internal Audit

## Independent auditor's reports

### To the shareholders of Topdanmark A/S

#### Report on the consolidated financial statements and annual financial statements

We have audited the consolidated financial statements and annual financial statements of Topdanmark A/S for the financial year 1 January to 31 December 2013, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the Company, and including cash flow statement for the Group. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial services companies. The annual financial statements have been prepared in accordance with the Danish Financial Business Act.

#### Management's responsibility for the consolidated financial statements and annual 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 Danish disclosure requirements for listed financial services companies as well as the preparation of annual financial statements that give a true and fair view in accordance with the Danish Financial Business Act. Management is also responsible for such internal control as it determines is necessary to enable the preparation of consolidated financial statements and annual financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and annual financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and annual financial statements.

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

Our audit has not resulted in any qualification.

#### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position at 31 December 2013, and of the results of its activities and cash flows for the financial year 1 January to 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial services companies.

Further, in our opinion, the annual financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2013, and of the results of its activities for the financial year 1 January to 31 December 2013 in accordance with the Danish Financial Business Act.

#### Statement on the management review

Pursuant to the Danish Financial Business Act, we have read the management review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and annual financial statements.

On this basis, it is our opinion that the information provided in the management review is consistent with the consolidated financial statements and annual financial statements.

Copenhagen, 4 March 2014

#### Deloitte

Statsautoriseret Revisionspartnerselskab

Erik Holst Jørgensen  
State Authorised Public Accountant

Martin Faarborg  
State Authorised Public Accountant

TOPDANMARK A/S  
BORUPVANG 4  
DK-2750 BALLERUP  
TEL +45 44 68 33 11  
REG.NO. 78040017

E-MAIL: [TOPDANMARK@TOPDANMARK.DK](mailto:TOPDANMARK@TOPDANMARK.DK)  
WEB: [WWW.TOPDANMARK.COM](http://WWW.TOPDANMARK.COM)

