

# Topdanmark's Interim Report Q1-Q3 2013

19 November 2013 Announcement No. 15/2013

## Key features

### Q1-Q3 2013

- Post-tax profit of DKK 1,217m (Q1-Q3 2012: DKK 1,370m)
- EPS was DKK 10.2 (Q1-Q3 2012: DKK 10.6)
- The combined ratio was 88.5% (Q1-Q3 2012: 88.0%). Excluding run-off profits the combined ratio was 91.6% (Q1-Q3 2012: 89.9%)
- Premiums increased 1.2% in non-life insurance and 9.7% in life insurance
- Profit on life insurance increased to DKK 340m (Q1-Q3 2012: DKK 164m) primarily due to the transfer of DKK 148m from the shadow account (Q1-Q3 2012: DKK 90m transfer to the shadow account)
- The investment return declined to DKK 583m (Q1-Q3 2012: DKK 993m).

### Q3 2013

- Post-tax profit: DKK 434m (Q3 2012: DKK 523m)
- EPS: DKK 3.7 (Q3 2012: DKK 4.1)
- Combined ratio: 89.1% (Q3 2012: 88.9%)
- Combined ratio excluding run-off profits: 91.7% (Q3 2012: 90.7%)
- Growth in premiums: 1.9% in non-life insurance and 18.8% in life insurance
- Profit on life insurance: DKK 102m (Q3 2012: DKK 71m)
- Investment return: DKK 257m (Q3 2012: DKK 413m).

### Profit forecast model for 2013

- Topdanmark continues to assume premium growth of 1-2% for non-life insurance and a decline of 0-3% in regular premiums in life insurance
- The storm on 28 October is expected to generate claims of up to DKK 200m after reinsurance cover, which has a 2.2pp adverse effect on the combined ratio for 2013
- Due to the storm expense the assumed combined ratio has been adjusted from 90-91% to 91-92% excluding run-off results in Q4 2013
- In spite of the storm expense in Q3 the post-tax profit forecast model for 2013 has been upgraded from DKK 1,250-1,350m to DKK 1,300-1,400m excluding run-off results in Q4 2013
- In the profit forecast model for 2013 DKK 160-170m has been transferred from the shadow account. Subsequently the shadow account balance will be DKK 75m at 31 December 2013.

### Share buy-back

- The share buy-back programme for 2013 has been upgraded by DKK 50m to DKK 2,250m representing a buy-back yield of 12.8%
- Topdanmark has bought back own shares of DKK 1,615m which leaves a balance of DKK 635m of the 2013 programme.

### Assumptions for 2014

- For 2014 premium growth is assumed to be 2-3% and the combined ratio 91-92%.

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

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 interim 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: +1 866 779 1135

quoting reference 938307

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.

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<b>Financial highlights</b>					
(DKKm)	Full year 2012	Q3 2012	Q3 2013	Q1-Q3 2012	Q1-Q3 2013
<b>Premiums earned:</b>					
Non-life insurance	8,759	2,195	2,236	6,550	6,626
Life insurance	3,059	677	804	2,321	2,546
	11,818	2,872	3,040	8,871	9,172
<b>Results:</b>					
Non-life insurance	2,103	585	442	1,574	1,199
Life insurance	210	71	102	164	340
Parent company etc.	22	6	10	4	19
Pre-tax profit	2,335	662	554	1,742	1,558
Tax	(512)	(139)	(120)	(372)	(340)
<b>Profit</b>	1,823	523	434	1,370	1,217
Run-off profits, net of reinsurance	201	39	57	124	205
Shareholders' equity of parent company at 1 January	4,915	5,303	5,614	4,915	5,716
Profit	1,823	523	434	1,370	1,217
Share buy-back	(1,200)	(400)	(515)	(928)	(1,505)
Share-based payments	177	62	10	131	113
Other movements in shareholders' equity	2	0	0	1	1
<b>Shareholders' equity of parent company end of period</b>	5,716	5,489	5,543	5,489	5,543
Deferred tax on security funds	(348)	(348)	(306)	(348)	(306)
<b>Shareholders' equity of Group end of period</b>	5,368	5,141	5,237	5,141	5,237
Capital base, parent company*)	6,122	5,894	5,949	5,894	5,949
Total assets, parent company	6,895	6,566	6,501	6,566	6,501
Total assets, Group	59,435	62,779	59,526	62,779	59,526
Provisions for insurance and investment contracts:					
Non-life insurance	16,251	16,862	16,599	16,862	16,599
Life insurance	32,553	32,041	32,879	32,041	32,879
<b>Financial ratios (parent company)</b>					
Post-tax profit as a % of shareholders' equity	33.9	9.5	7.6	25.9	21.2
Post-tax profit per share (DKK)	14.2	4.1	3.7	10.6	10.2
Post-tax profit per share, diluted (DKK)	14.2	4.1	3.7	10.6	10.2
Net asset value per share (DKK)	46.1	43.8	48.4	43.8	48.4
Share buy-back per share (DKK)	9.4	3.1	4.4	7.2	12.6
Listed share price end of period	121.3	113.6	142.0	113.6	142.0
Average number of shares ('000)	128,276	127,382	116,559	129,499	119,307
Average number of shares, diluted ('000)	128,276	127,382	116,559	129,499	119,307
Number of shares end of period ('000)	123,940	125,331	114,534	125,331	114,534
<b>Ratios non-life insurance (%)</b>					
Gross loss ratio	70.0	70.6	69.4	70.1	68.9
Net reinsurance ratio	2.2	3.4	4.3	2.1	3.4
Claims trend	72.2	73.9	73.7	72.2	72.3
Gross expense ratio	15.8	14.9	15.4	15.8	16.2
Combined ratio	88.0	88.9	89.1	88.0	88.5
Operating ratio	87.8	88.8	89.0	87.8	88.4
Combined ratio excl. run-off profits	90.3	90.7	91.7	89.9	91.6
*) Shareholders' equity and loan capital					
The comparatives for premiums earned life insurance and financial ratios have been restated: see accounting					

## Q1-Q3 2013 results

Topdanmark's post-tax profit for Q1-Q3 2013 declined 11.1% to DKK 1,217m. EPS declined 3.8% to DKK 10.2.

Pre-tax profit declined DKK 184m to DKK 1,558m primarily due to a lower investment return but also a lower technical result. On the other hand profit on life insurance increased.

The investment return declined by DKK 343m to DKK 427m. It was extraordinarily high in Q1-Q3 2012. Even though the investment return was higher in the first three quarters of 2013 than a normal return, it was lower than in the same period of 2012.

The technical result declined DKK 32m to DKK 772m primarily due to higher agricultural fire claims. On the other hand the technical result benefited from higher run-off profits.

Profit on life insurance increased DKK 176m to DKK 340m due to the transfer of DKK 148m from the shadow account in Q1-Q3 2013 while DKK 90m was transferred to the shadow account in Q1-Q3 2012: see "Life insurance".

Trend in pre-tax result (DKKm)	Full year 2012	Q1-Q3 2012	Q1-Q3 2013
Non-life insurance			
- Technical result	1,068	804	772
- Investment return after transfer to technical result etc.	1,036	770	427
Profit on non-life insurance	2,103	1,574	1,199
Life insurance	210	164	340
Parent company etc.	22	4	19
Pre-tax profit	2,335	1,742	1,558

## Q3 2013 results

Post-tax profit for Q3 2013 declined 17.1% to DKK 434m. EPS declined 9.8% to DKK 3.7.

Pre-tax profit declined DKK 108m to DKK 554m. The investment return declined DKK 143m to DKK 196m due to an extraordinarily high investment return in 2012.

The technical result remained unchanged at DKK 246m.

Profit on life insurance increased DKK 31m to DKK 102m due to the transfer of DKK 30m from the shadow account in Q3 2013 while DKK 32m was transferred to the shadow account in Q3 2012.

Trend in pre-tax result (DKKm)	Q3 2012	Q3 2013
Non-life insurance		
- Technical result	246	246
- Investment return after transfer to technical result etc.	339	196
Profit on non-life insurance	585	442
Life insurance	71	102
Parent company etc.	6	10
Pre-tax profit	662	554

## Non-life insurance

### Premiums earned

Premiums earned increased 1.2% to DKK 6,626m in Q1-Q3 2013 reflecting a 2.2% growth in the personal segment and a 0.2% decline in the SME and industrial segments.

Topdanmark had a strong competitive position in the personal, agricultural and lower SME segments in Q1-Q3 2013. This was due to increased market pressure through both own sales channels and Danske Bank and also to a decline in the loss of customers.

### Claims trend

The claims trend was 72.3% in Q1-Q3 2013 (Q1-Q3 2012: 72.2%).

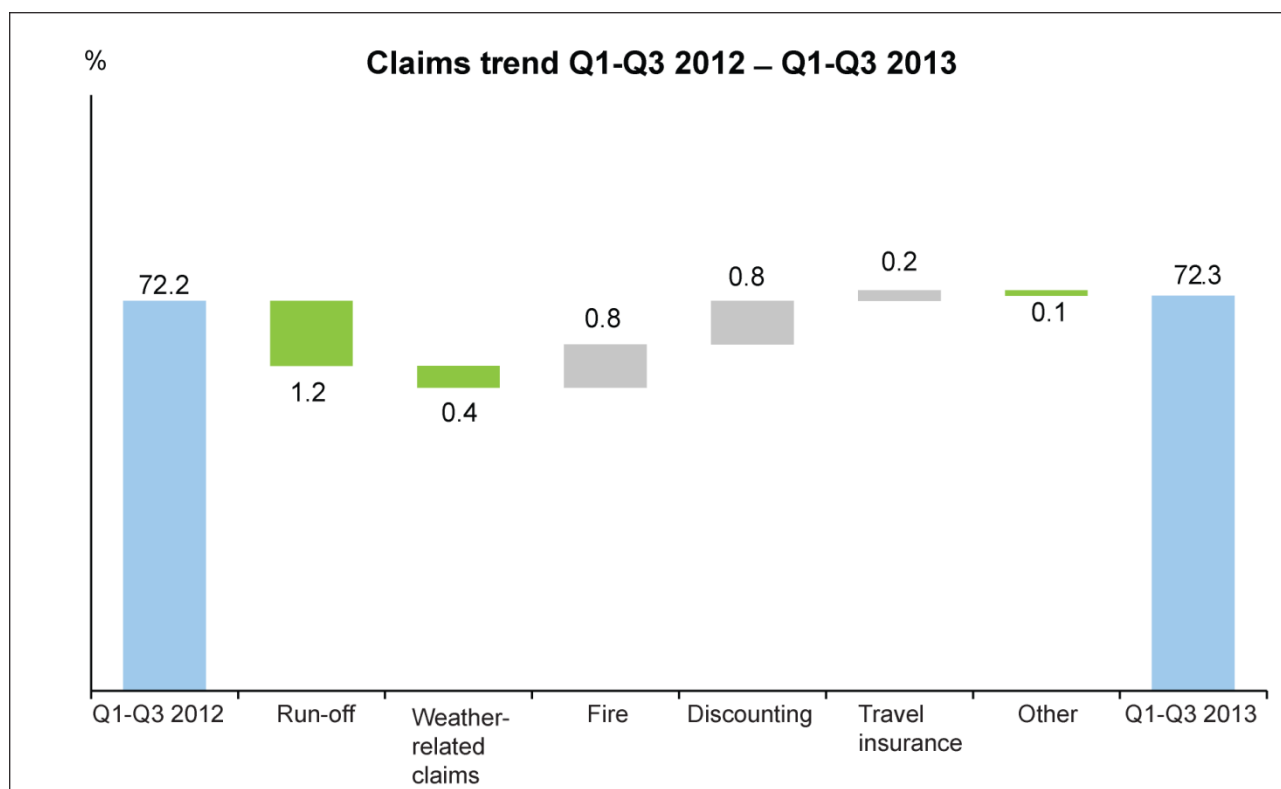
Run-off profits net of reinsurance were DKK 205m in Q1-Q3 2013 (Q1-Q3 2012: DKK 124m) corresponding to a 1.2pp improvement in the claims trend. There were run-off profits primarily in motor insurance (DKK 75m), illness / accident insurance (DKK 66m) and workers' compensation insurance (DKK 45m).

In Q1-Q3 2013 weather-related claims were DKK 20m (Q1-Q3 2012: DKK 45m), which improved the claims trend by 0.4pp.

The claims trend in fire insurance was DKK 51m poorer than in Q1-Q3 2012, which caused the claims trend to deteriorate 0.8pp. In H1 2013 the personal segment was hit by a higher level of fire claims while in Q3 2013 the agricultural area was hit by many fire claims.

The interest rate curve used to discount the provisions for outstanding claims was lower in Q1-Q3 2013 than in the same period the previous year, which impacted the claims trend adversely by 0.8pp.

Travel claims increased DKK 15m mainly relating to Q1 2013. The claims trend in travel insurance impaired the overall claims trend by 0.2pp.



**Expense ratio**

The expense ratio increased to 16.2% (Q1-Q3 2012: 15.8%) due to greater use of resources on sales activities, including increased payment of sales commission as compared to the same period the previous year.

73.9%) due to an improved claims trend in the SME and industrial segment (0.8pp), higher run-off profits (0.8pp) and a lower level of weather-related claims (0.5pp). On the other hand, the level of fire claims was higher than in Q3 2012 (1.3pp). Furthermore, the lower interest rates had an adverse effect on the claims trend (0.4pp).

**Combined ratio**

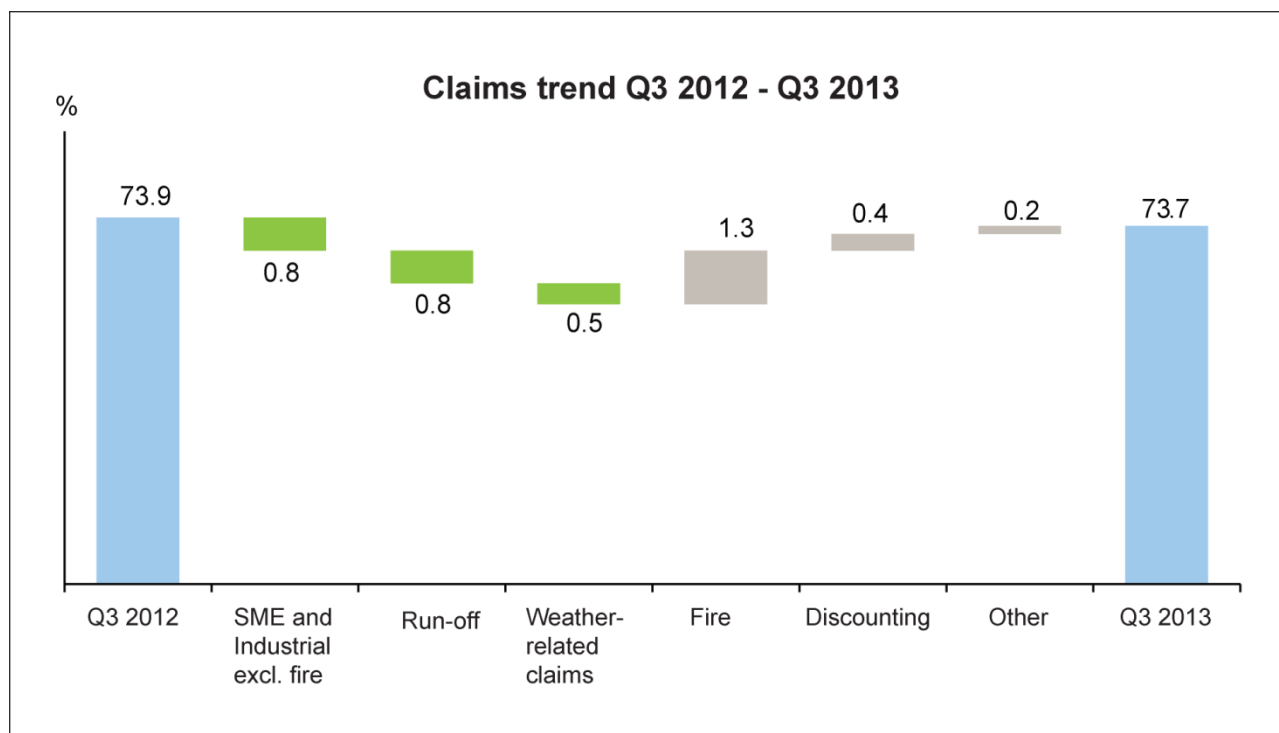
The combined ratio was 88.5% in Q1-Q3 2013 (Q1-Q3 2012: 88.0%). Excluding run-off profits the combined ratio increased to 91.6% (Q1-Q3 2012: 89.9%).

The expense ratio increased to 15.4% (Q3 2012: 14.9%) due to the greater sales efforts.

**Developments in Q3 2013**

Premiums earned increased 1.9% to DKK 2,236m. The claims trend improved to 73.7% in Q3 2013 (Q3 2012:

The overall combined ratio was 89.1% (Q3 2012: 88.9%). Excluding run-off profits, it increased to 91.7% (Q3 2012: 90.7%).



<b>Financial highlights – Non-life insurance</b> (DKKm)	<b>Full year</b> <b>2012</b>	<b>Q3</b> <b>2012</b>	<b>Q3</b> <b>2013</b>	<b>Q1-Q3</b> <b>2012</b>	<b>Q1-Q3</b> <b>2013</b>
Gross premiums earned	8,759	2,195	2,236	6,550	6,626
Technical interest	20	2	3	19	12
Claims incurred	(6,131)	(1,549)	(1,552)	(4,591)	(4,564)
Expenses	(1,388)	(328)	(345)	(1,035)	(1,075)
Net reinsurance	(193)	(74)	(96)	(139)	(228)
Technical result	1,068	246	246	804	772
Investment return after transfer to technical result	1,015	335	191	755	410
Other items	20	4	5	14	17
<b>Profit on non-life insurance</b>	<b>2,103</b>	<b>585</b>	<b>442</b>	<b>1,574</b>	<b>1,199</b>
Run-off profits, net of reinsurance	201	39	57	124	205
Gross loss ratio (%)	70.0	70.6	69.4	70.1	68.9
Net reinsurance ratio (%)	2.2	3.4	4.3	2.1	3.4
Claims trend (%)	72.2	73.9	73.7	72.2	72.3
Gross expense ratio (%)	15.8	14.9	15.4	15.8	16.2
Combined ratio (%)	88.0	88.9	89.1	88.0	88.5
Operating ratio (%)	87.8	88.8	89.0	87.8	88.4
Combined ratio excl. run-off profits (%)	90.3	90.7	91.7	89.9	91.6

## Segment reporting

### Personal

The Personal segment offers policies for individual households in Denmark.

Premiums earned increased 2.2% to DKK 3,639m due to growth in house and contents insurance. Premiums earned on motor insurance increased 1.3% in spite of a decline of 2.1% in average premium. In Q3 2013 premiums earned increased 3.4% from Q3 2012.

The technical result increased DKK 17m to DKK 420m.

The claims trend improved 1.1pp to 71.7% due to higher run-off profits representing a 1.8pp improvement of the claims trend. The level of weather-related claims was

lower representing a 0.3pp improvement of the claims trend. On the other hand, the claims trend in fire insurance deteriorated 0.7pp. While the level of fire claims was extraordinarily low in Q1-Q3 2012, the level was more normal in Q1-Q3 2013. An increase in the compensation paid on travel insurance policies impacted the claims trend adversely by 0.3pp.

The expense ratio increased to 16.9% (Q1-Q3 2012:16.1%) due to the investment in distribution power and the increase in sales commission.

The combined ratio improved to 88.6% in Q1-Q3 2013 (Q1-Q3 2012: 88.9%). Excluding run-off profits it increased to 91.4% (Q1-Q3 2012: 89.9%).

<b>Personal</b> (DKKm)	<b>Full year</b> <b>2012</b>	<b>Q3</b> <b>2012</b>	<b>Q3</b> <b>2013</b>	<b>Q1-Q3</b> <b>2012</b>	<b>Q1-Q3</b> <b>2013</b>
Gross premiums earned	4,767	1,192	1,233	3,561	3,639
Technical interest	10	1	2	9	6
Claims incurred	(3,464)	(928)	(892)	(2,609)	(2,552)
Expenses	(774)	(189)	(203)	(573)	(615)
Net reinsurance	(24)	(1)	(26)	16	(59)
Technical result	514	75	113	403	420
Run-off profits / (losses), net of reinsurance	31	(30)	9	36	101
Gross loss ratio (%)	72.7	77.9	72.4	73.3	70.1
Net reinsurance ratio (%)	0.5	0.1	2.1	(0.4)	1.6
Claims trend (%)	73.2	78.0	74.5	72.8	71.7
Gross expense ratio (%)	16.2	15.8	16.5	16.1	16.9
Combined ratio (%)	89.4	93.8	90.9	88.9	88.6
Operating ratio (%)	89.2	93.7	90.8	88.7	88.5
Combined ratio excl. run-off profits (%)	90.1	91.3	91.7	89.9	91.4

### SME and Industrial

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

Premiums earned declined 0.2% to DKK 2,997m in Q1-Q3 2013 due to the loss of a major customer in workers' compensation insurance and negative premium adjustments following favourable claims trends for a few of those agreements which provide that premiums paid by customers are dependent on the claims trend. In Q3 premiums earned declined 0.3%.

The technical result declined DKK 49m to DKK 351m.

The claims trend deteriorated 1.5pp to 73.1% mostly due to a higher level of fire claims primarily in the agricultural area, representing 0.8pp. Agricultural fire claims in Q3 2013 alone caused a 1.0pp deterioration of the claims trend for Q1-Q3 2013. Generally, the claims trend in Q3 is characterised by the impact of either rainstorm claims or, in the event of dry weather, fire claims particularly in the agricultural area. The claims trend in Q1-Q3 2013 benefited from increasing run-off profits representing a 0.5pp improvement of the claims trend.

The expense ratio remained unchanged at 15.4%.

The combined ratio deteriorated to 88.5% in Q1-Q3 2013 (Q1-Q3 2012: 87.0%). Excluding run-off profits it increased to 92.0% (Q1-Q3 2012: 90.0%).

<b>SME and Industrial</b> (DKKm)	<b>Full year</b> <b>2012</b>	<b>Q3</b> <b>2012</b>	<b>Q3</b> <b>2013</b>	<b>Q1-Q3</b> <b>2012</b>	<b>Q1-Q3</b> <b>2013</b>
Gross premiums earned	4,011	1,009	1,005	3,005	2,997
Technical interest	11	1	1	10	7
Claims incurred	(2,686)	(627)	(663)	(1,998)	(2,024)
Expenses	(615)	(139)	(143)	(463)	(462)
Net reinsurance	(169)	(73)	(69)	(154)	(167)
Technical result	552	171	131	400	351
Run-off profits, net of reinsurance	170	69	47	89	104
Gross loss ratio (%)	67.0	62.2	66.0	66.5	67.5
Net reinsurance ratio (%)	4.2	7.2	6.9	5.1	5.6
Claims trend (%)	71.2	69.4	72.9	71.6	73.1
Gross expense ratio (%)	15.3	13.8	14.2	15.4	15.4
Combined ratio (%)	86.5	83.2	87.1	87.0	88.5
Operating ratio (%)	86.3	83.1	87.0	86.7	88.3
Combined ratio excl. run-off profits (%)	90.8	90.0	91.8	90.0	92.0

## Life insurance

### 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 on 1 January 2013. The Danish Financial Supervisory Authority (DFSA) approved the merger on 12 September 2013.

The result from life insurance was a profit of DKK 340m in Q1-Q3 2013 (Q1-Q3 2012: DKK 164m).

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](#).

<b>Result of life insurance</b> (DKKm)	<b>Full year</b> <b>2012</b>	<b>Q3</b> <b>2012</b>	<b>Q3</b> <b>2013</b>	<b>Q1-Q3</b> <b>2012</b>	<b>Q1-Q3</b> <b>2013</b>
Investment return	129	51	26	104	60
Risk return	165	42	41	127	118
Transferred, shadow account	(117)	(32)	30	(90)	148
Other	34	11	5	22	13
<b>Profit on life insurance</b>	<b>210</b>	<b>71</b>	<b>102</b>	<b>164</b>	<b>340</b>
<b>Maximum shadow account end of period</b>	<b>236</b>			<b>207</b>	<b>93</b>



The improved profit from DKK 164m in Q1-Q3 2012 to DKK 340m in Q1-Q3 2013 was primarily due to the recognition as income of DKK 148m from the shadow account while DKK 90m was transferred to the shadow account in Q1-Q3 2012.

This recognition as income from the shadow account in Q1-Q3 2013 was mainly due to the recognition as income of previous years' risk return from the interest rate group with 1.5% guarantees.

The balance of the shadow account will be recognised as income in a subsequent period to the extent a profit is generated in the relevant contribution groups. In the table the maximum shadow account is stated (30 September 2013). Topdanmark believes that DKK 40-50m of the shadow account could not be brought into income.

The return on funds owned by customers, before pension return tax, was 3.2% in Q1-Q3 2013 while the return on shareholders' equity was 2.2%. The investment return on shareholders' equity is different from that on customers' funds due to different investment strategies and separate portfolios for each – for example, shareholders' equity does not invest in equities or instruments to hedge the guaranteed benefits.

"Other" comprises primarily the investment return in Life Holding.

### Trend in premiums

Gross premiums increased 9.7% to DKK 2,546m in Q1-Q3 2013 (Q1-Q3 2012: DKK 2,321m).

Regular premiums declined 0.9% to DKK 1,604m in Q1-Q3 2013 (Q1-Q3 2012: 1,618m).

Single premiums increased 34.0% to DKK 942m in Q1-Q3 2013 (Q1-Q3 2012: DKK 704m).

Premiums in unit-linked schemes represented DKK 1,305m of total premiums in Q1-Q3 2013 (Q1-Q3 2012: DKK 882m), a 48.0% increase. This increase was mostly due to an increase in single premiums to DKK 801m in Q1-Q3 2013 (Q1-Q3 2012: DKK 479m).

Unit-linked pension schemes represented 80.8% of new pension schemes in Q1-Q3 2013 (Q1-Q3 2012: 61.5%).

### Loss participation scheme

Loss participation is a temporary measure introduced in periods where the market value of the customers' assets is lower than the sum of their savings and only serves a purpose when customers who want to opt out of the scheme prematurely need to have their surrender value calculated correctly. Should customers choose to opt out of their schemes prematurely, the loss participation is taken into account in the calculation of the surrender value of their policies in order to ensure that those customers who leave do not take with them funds owned by those who stay. Loss participation only applies to with-profits pension products, and furthermore it is not deductible in the event of retirement, death and disability.

At present there is no loss participation in any contribution group in Topdanmark.

### Developments in Q3 2013

The result of life insurance increased to DKK 102m in Q3 2013 (Q3 2012: DKK 71m) mostly due the recognition of income from the shadow account.

### Investment activities

#### Topdanmark Group excluding life insurance

The investment return in the Topdanmark Group excluding life insurance was DKK 583m in Q1-Q3 2013 including the revaluation of provisions and income from associated companies but before the transfer to the technical result (Q1-Q3 2012: DKK 993m).

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 other things, equities, properties and CDOs in order to improve the average investment return. The return in Q1-Q3 2013 on the most significant classes of assets is disclosed in the following table:

Investment return	Portfolio 30 Sep		Return Q3 2012		Return Q3 2013		Return Q1-Q3 2012		Return Q1-Q3 2013	
	2012	2013	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)
Danish equities	0.4	0.5	24	6.8	50	12.8	57	17.2	86	23.6
Foreign equities	0.7	0.8	38	5.1	31	3.6	84	11.4	85	10.2
Government and mortgage bonds	12.0	10.7	115	1.0	67	0.6	385	3.2	117	1.0
Credit bonds	0.5	0.5	30	6.3	20	3.5	69	15.2	37	6.6
CDOs	0.8	0.8	109	16.1	34	4.1	220	35.7	152	20.5
Properties	1.4	1.4	11	0.8	21	1.5	40	2.9	59	4.3
Assets related to I/A	2.0	2.1	74	3.8	30	1.5	136	7.2	69	3.3
Money market etc.	3.7	3.0	12	0.3	5	0.1	18	0.5	(20)	(0.6)
Subordinated loan capital	(1.2)	(1.2)	(16)	(1.4)	(13)	(1.2)	(47)	(4.1)	(44)	(3.8)
Interest-bearing debt	(1.6)	(0.1)	(2)	(0.1)	(3)	(0.5)	(9)	(0.4)	(6)	(0.9)
	18.8	18.5	395	2.1	241	1.3	953	5.3	535	2.8
Asset management			17		16		41		47	
Total investment return			413		257		993		583	
<b>Transferred return technical provisions</b>										
Discounting			(53)		(45)		(169)		(121)	
Technical interest			(2)		(3)		(19)		(12)	
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 post-tax equity exposure was DKK 762m (pre-tax: DKK 1,016m) 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 30 September 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.

Credit bonds with a rating lower than BBB (DKK 176m) comprise senior secured bank loans and 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 300m) are ordinary and convertible corporate bonds 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.

CDOs – Returns and portfolios (DKK m)	Group excl. life insurance			
	Q3 12	Q3 13	Q1-Q3 12	Q1-Q3 13
<b>Return</b>				
AAA and AA	2	1	7	6
Lower than AA	106	33	213	145
Total return	108	34	220	152
Interest	46	35	108	103
Revaluations	62	(1)	112	49
Total return	108	34	220	152
<b>Book value 30 September</b>				
AAA and AA			79	50
Lower than AA			687	791
Total book value			766	841

The property portfolio comprises mainly owner-occupied property (DKK 866m), rental residential 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. Over 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 illness / accident provisions.

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

"Subordinated loan capital" comprises 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 non-insurance subsidiaries (primarily Topdanmark Kapitalforvaltning, the asset management company) and finance costs.

Profit increased to DKK 19m in Q1-Q3 2013 (Q1-Q3 2012: DKK 4m) mostly due to a higher result of Topdanmark Kapitalforvaltning and lower interest charges.

## Taxation

The tax charge was DKK 340m on a pre-tax profit of DKK 1,558m corresponding to an effective tax rate of 21.8%. The deviation from the nominal tax rate of 25% was primarily due to Topdanmark's utilisation of an uncapitalised equity loss carried forward and the inclusion of deferred tax using the expected tax rate which will be reduced over the coming years. After Q3 the uncapitalised equity loss carried forward was DKK 192m.

## Solvency

As reported in the Q1 2013 interim report (announcement No. 07/2013), the European Insurance and Occupational Pension Authorities (EIOPA) have recommended that the national supervisory authorities put parts of the Solvency II system into force already from 1 January 2014. The DFSA has announced that this will be done by changing the rules for individual solvency requirement with the effect that, already from 1 January 2014, the existing free choice of method for calculating the individual solvency requirement will be replaced by a homogeneous Solvency II-inspired method for calculating the capital requirement for Danish insurance companies. The new method will allow the use of the companies' (partial) internal models. The use will not be dependent on a formal approval as under Solvency II. A notification will be sufficient in which the company accounts for how the model meets the requirements made by the DFSA. Some of those capital elements which can be included in the capital cover under Solvency II could also be included already from 2014, in particular a share of the expected future profit. On the other hand, subordinated loan capital will still be required to be included in accordance with the Solvency I rules.

A draft order is available, and Topdanmark does not expect that the final order will deviate significantly from the draft.

In this light, Topdanmark continues to believe that a solvency capital of DKK 4,700m will be sufficient to meet both the individual solvency requirements and the Solvency II requirements given that these rules will take effect within a few years.

The stated sufficient solvency capital under Solvency II assumes the approval of Topdanmark's internal model. If, contrary to expectation, this assumption is not met, the capital requirement will increase by DKK 600-700m, which can broadly be covered by the previously issued tier 2 capital of DKK 500m supplemented by a certain adjustment of the financial risk.

### Profit forecast model

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 [www.topdanmark.com](http://www.topdanmark.com) → [Investor](#) → [Risk management](#) 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 H1 2013 report Topdanmark assumed, for the full year 2013, premium growth of 1-2% and a combined ratio of 90-91%, excluding run-off profits / losses in H2 2013. Pre-tax profit on non-life insurance was assumed to be DKK 1,210-1,310m.

This was based on the following assumptions:

- A normal level of weather-related claims of DKK 95m in H2 2013
- An expense ratio of just over 16%
- A level of interest rates corresponding to the interest rate curve on 9 August 2013

- An annual 7.0% return on equities and unchanged foreign exchange rates from the level on 9 August 2013.

Since the profit forecast model was published in the H1 2013 report, the following assumptions have changed:

- Denmark was hit by a storm on 28 October generating expected gross claims of DKK 450-650m. Topdanmark's retention is DKK 100m. Additionally, there are reinstatement expenses, claims handling provisions and personal injury and liability claims not covered by reinsurance etc. totalling DKK 100m. Overall expenses relating to the storm are assumed to be up to DKK 200m representing a 2.2pp deterioration of the combined ratio. Assumed weather-related claims in the remainder of Q4 2013 continue to be DKK 50m
- The claims trend for fire insurance was worse than assumed in Q3 with a 0.4pp adverse effect on the combined ratio
- In Q3 2013 there were run-off profits of DKK 57m corresponding to a 0.6pp improvement of the combined ratio
- Weather-related claims were DKK 1m in Q3 2013, which was DKK 44 lower than assumed, representing a 0.5pp positive effect on the combined ratio
- From 9 August to 8 November 2013 the pre-tax investment return improved DKK 160m more than assumed, benefiting from increasing equity prices.

For non-life insurance the assumed growth in premiums continues to be 1-2%.

Given developments since the most recent profit forecast model published in the H1 2013 report, the assumed combined ratio for 2013 has been adjusted from 90-91% to 91-92%, excluding any run-off profits / losses in Q4 2013.

Overall, pre-tax profit on non-life insurance is assumed to be DKK 1,240-1,340m for 2013.

### Life insurance

In the H1 2013 report pre-tax profit on life insurance was assumed to be DKK 380-410m based on the following assumptions:

- A decline of 0-3% in regular premiums
- Recognition as income of DKK 150-160m from the shadow account

- The maximum shadow account forecast at 31 December 2013 was DKK 85m, of which DKK 50-60m can probably not be recognised as income.

Since the H1 2013 report was published, the following assumptions have changed:

- The assumed recognition as income from the shadow account has been upgraded by DKK 10m to DKK 160-170m mainly due to a higher than assumed investment return
- The maximum shadow account forecast at 31 December 2013 is DKK 75m, of which DKK 40-50m can probably not be recognised as income.

The forecast assumes that the full risk return is earned in all interest rate groups and that no shadow account will remain except for interest rate group 2. Assuming that interest rates do not change, the overall investment return in 2013 in interest rate group 2 is required to be 5.1% (of which 3.3% had been earned after Q3 2013) in order to recognise as income the shadow account balance of DKK 53m at 1 January 2013 and the risk return for the year. The forecast assumes that DKK 48m of the shadow account of interest rate group 2 will be recognised as income in 2013 leaving a shadow account balance of DKK 5m of interest rate group 2 at 31 December 2013.

The DFSA has announced that the concept of shadow account will be removed. Previously, the change was expected to take effect from 1 January 2014. Now the DFSA expects it will be from 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 will not be able to recognise as income DKK 40-50m of the shadow account calculated at 31 December 2013.

Overall, pre-tax profit on life insurance is expected to be DKK 400-430m for 2013. The result is highly sensitive to fluctuations in the investment return. The risk return and shadow account are not finally calculated until the preparation of the 2013 Annual Report.

### Total Group profit

Topdanmark's overall post-tax profit forecast model for 2013 has been upgraded from DKK 1,250-1,350m to DKK 1,300-1,400m representing EPS of DKK 11.5. The assumed profit for 2013 is exclusive of run-off profits / losses in Q4 2013.

This profit forecast model is subject to an annual 7.0% return on equities and unchanged foreign exchange rates from the level on 8 November 2013. 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 is assumed to be 2.26% (risk-free interest rate plus 2.0pp).

Profit forecast 2013 (DKKm)	Forecast for 2013			
	2012	9 August 2013		8 November 2013
Non-life insurance				
- Technical result	1,068	840	- 890	720 - 770
- Investment return after transfer to technical result etc.	1,036	370	- 420	520 - 570
Profit on non-life insurance	2,103	1,210	- 1,310	1,240 - 1,340
Life insurance	210	380	- 410	400 - 430
Parent company etc.	22	30	- 40	30 - 40
Pre-tax profit	2,335	1,620	- 1,760	1,670 - 1,810
Taxation	(512)	(370)	- (410)	(370) - (410)
Profit for the year	1,823	1,250	- 1,350	1,300 - 1,400

## Share buy-back

The share buy-back for 2013 has been upgraded by DKK 50m to DKK 2,250m representing a buy-back yield of 12.8%.

To date in 2013, Topdanmark has bought back own shares of DKK 1,615m (11,495,980 shares) which leaves a balance of DKK 635m of the 2013 buy-back programme.

The number of shares is 125,000,000. Topdanmark's holding of own shares is 11,200,000 and consequently the number of voting shares is 113,800,000.

Since 1998 when Topdanmark started buying back own shares, it has 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 cancelled share.

In the years 2000-2012 the annual average buy-back yield has been 9.3%.

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		
27 Nov 2013	–	10 Feb 2014
12 Mar 2014	–	28 Apr 2014
28 May 2014	–	28 Jul 2014
27 Aug 2014	–	27 Oct 2014

Share buy-back not allowable		
29 Oct 2013	–	26 Nov 2013
11 Feb 2014	–	11 Mar 2014
29 Apr 2014	–	27 May 2014
29 Jul 2014	–	26 Aug 2014
28 Oct 2014	–	25 Nov 2014

## Assumptions for 2014

### Non-life insurance

Automatic price indexation, which allows for claims inflation, will be 1.3% in 2014. Around 70% of Topdanmark's gross premiums earned will be affected by this indexation, giving a net effect of around 0.9%.

In 2013 Topdanmark has increased its market pressure on the personal, agricultural and lower SME markets through both its own sales channels and Danske Bank. Additionally, as increasing customer loyalty has increased the retention percentage, the portfolio is expected to increase.

On the other hand Topdanmark is implementing profitability promoting initiatives for less profitable customers. This is expected to generate some loss of customers also in 2014, thus reducing premium growth.

Overall, premiums earned are expected to increase 2-3% in 2014.

Assumptions for the combined ratio for 2014 include:

- A normal year in terms of weather, with weather-related expenses of DKK 170m
- A level of interest rates corresponding to the interest rate curve on 8 November 2013
- An expense ratio of 16%.

Overall the combined ratio, excluding run-off results, is assumed to be 91-92% in 2014.

## Financial calendar

Deadline for submitting items for AGM agenda	26 Feb 2014
2013 Annual Report	04 Mar 2014
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

## Accounting policies

The interim report for Q1-Q3 2013 has been prepared in accordance with IAS 34 on interim reports for listed companies. Furthermore, the interim report has been prepared in accordance with additional Danish disclosure requirements on interim reports for listed financial services companies.

Due to the merger of life insurance companies, internal transfers of customer savings between the merged companies have been eliminated, which has reduced gross premiums in life insurance by DKK 82m for Q1-Q3 2012 and DKK 102m for the full year 2012. The full effect on the comparatives is shown in Note 5.

The Group has implemented change to IAS 1 relating to presentation of "Other comprehensive income".

The comparatives have been restated.

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

there is a complete description of all the accounting policies including the policy for calculation of fair value.

There have been no changes to classification of financial assets or financial liabilities in Q1-Q3 2013. In 2013 the Group has invested DKK 51m in financial assets recorded at fair value using valuation models based on non-observable inputs (project financing Carlsberg City). The fair value is equivalent to the cost price. The Group continues to have no financial liabilities recorded at fair value using valuation models based on non-observable inputs.

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

In March 2013 Topdanmark effected a share split and reduced the denomination from DKK 10 per share to DKK 1 per share. Financial ratios have been calculated accordingly. The comparatives have been restated to comply with the change in denomination.

The interim report has not been audited nor subjected to a review.



## Income statement • Group

(DKKm)		Full year	Q3	Q3	Q1-Q3	Q1-Q3
	Note	2012	2012	2013	2012	2013
<b>NON-LIFE INSURANCE</b>						
Gross premiums written		8,851	1,617	1,629	7,218	7,395
Reinsurance ceded		(660)	(170)	(147)	(579)	(583)
Change in the provisions for unearned premiums, gross		(29)	593	625	(639)	(714)
Change in reinsurers' share of the provisions for unearned premiums		8	0	(12)	93	98
<b>Premiums earned, net of reinsurance</b>		8,170	2,041	2,095	6,094	6,195
<b>Technical interest, net of reinsurance</b>	1	20	2	3	19	12
Gross claims paid		(6,682)	(1,535)	(1,505)	(4,995)	(4,699)
Reinsurance cover received		791	135	98	670	318
Change in the provisions for claims, gross		560	(13)	(44)	411	145
Change in reinsurers' share of the provisions for claims		(407)	(59)	(49)	(378)	(123)
<b>Claims incurred, net of reinsurance</b>	2	(5,738)	(1,473)	(1,500)	(4,293)	(4,359)
<b>Bonuses and rebates</b>		(64)	(15)	(17)	(30)	(55)
Acquisition costs		(853)	(212)	(216)	(680)	(710)
Administrative expenses		(519)	(114)	(123)	(345)	(347)
Reinsurance commission and share of profits		76	20	13	56	63
<b>Total operating expenses, net of reinsurance</b>		(1,297)	(306)	(327)	(969)	(993)
<b>TECHNICAL PROFIT ON NON-LIFE INSURANCE</b>		1,092	250	255	821	801
<b>LIFE INSURANCE</b>						
Gross premiums written	3	3,059	677	804	2,321	2,546
Reinsurance ceded		(4)	(1)	(1)	(3)	(4)
<b>Premiums, net of reinsurance</b>		3,054	676	803	2,318	2,542
<b>Allocated investment return, net of reinsurance</b>		2,364	778	658	1,865	1,264
Claims and benefits paid		(3,146)	(605)	(825)	(2,490)	(2,994)
Reinsurance cover received		7	4	3	6	5
Change in the provisions for claims and benefits		(3)	9	4	4	3
<b>Claims and benefits paid, net of reinsurance</b>		(3,142)	(593)	(818)	(2,481)	(2,985)
Change in life insurance provisions		(738)	(370)	358	(475)	1,285
Change in reinsurers' share		1	(2)	0	0	(1)
<b>Change in the life insurance provisions, net of reinsurance</b>		(738)	(372)	359	(475)	1,284
<b>Bonus</b>		(228)	(26)	(276)	(200)	(353)
<b>Change in provisions for unit-linked contracts</b>		(978)	(389)	(585)	(787)	(1,267)
Acquisition costs		(108)	(27)	(29)	(81)	(85)
Administrative expenses		(217)	(50)	(50)	(159)	(163)
Reinsurance commission and share of profits		(0)	0	(0)	(1)	0
<b>Total operating expenses, net of reinsurance</b>		(325)	(76)	(79)	(240)	(248)
<b>TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE</b>		7	(3)	61	0	236



## Income statement • Group

(DKKm)	Full year 2012	Q3 2012	Q3 2013	Q1-Q3 2012	Q1-Q3 2013
<b>NON-TECHNICAL ACTIVITIES</b>					
Technical profit on non-life insurance	1,092	250	255	821	801
Technical profit / (loss) on life insurance	7	(3)	61	0	236
Income from associated companies	26	7	13	19	38
Income from investment properties	200	51	38	154	110
Interest income and dividends etc.	1,877	665	396	1,694	1,263
Revaluations	2,291	698	640	1,539	770
Interest charges	(89)	(19)	(19)	(71)	(60)
Expenses on investment business	(43)	(12)	(11)	(33)	(33)
<b>Total investment return</b>	<b>4,261</b>	<b>1,391</b>	<b>1,056</b>	<b>3,302</b>	<b>2,088</b>
Technical interest transferred to non-life insurance business	(238)	(55)	(48)	(187)	(133)
Pension return tax	(396)	(135)	(105)	(306)	(150)
Investment return transferred to life insurance business	(2,364)	(778)	(658)	(1,865)	(1,264)
Other income	12	1	4	8	15
Other expenses	(40)	(9)	(11)	(30)	(36)
<b>PRE-TAX PROFIT</b>	<b>2,335</b>	<b>662</b>	<b>554</b>	<b>1,742</b>	<b>1,558</b>
Taxation	(512)	(139)	(120)	(372)	(340)
<b>PROFIT FOR THE PERIOD</b>	<b>1,823</b>	<b>523</b>	<b>434</b>	<b>1,370</b>	<b>1,217</b>
Profit per share (DKK)	14.2	4.1	3.7	10.6	10.2
Profit per share, diluted (DKK)	14.2	4.1	3.7	10.6	10.2

## Statement of comprehensive income • Group

Profit for the period	1,823	523	434	1,370	1,217
Items which can subsequently be reclassified as profit or loss:					
Exchange rate adjustment of foreign business	1	0	(0)	0	(0)
Items which cannot subsequently be reclassified as profit or loss:					
Deferred tax on security funds (change in the tax percentage)	0	0	0	0	42
Revaluation of owner-occupied properties	1	0	0	1	1
Other comprehensive income	2	0	0	1	43
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,825</b>	<b>524</b>	<b>434</b>	<b>1,371</b>	<b>1,260</b>

## Assets • Group

(DKKm)	31 Dec 2012	30 Sep 2012	30 Sep 2013
<b>INTANGIBLE ASSETS</b>	652	658	621
Machinery and equipment	146	152	131
Owner-occupied properties	861	856	866
<b>TOTAL TANGIBLE ASSETS</b>	1,007	1,008	997
Investment properties	3,983	4,108	3,944
Shares in associated companies	928	408	873
Loans to associated companies	173	677	366
Total investment in associated companies	1,101	1,085	1,239
Shares	5,805	5,935	7,261
Bonds	36,882	39,742	34,501
Loans guaranteed by mortgages	8	8	6
Other loans	1	1	0
Deposits with credit institutions	1,657	2,185	1,895
Derivatives	1,450	1,340	1,110
Total other financial investment assets	45,803	49,211	44,774
<b>TOTAL INVESTMENT ASSETS</b>	50,887	54,404	49,957
<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED CONTRACTS</b>	4,313	4,057	5,608
Reinsurers' share of provisions for unearned premiums	75	161	173
Reinsurers' share of life insurance provisions	38	38	38
Reinsurers' share of the provisions for claims and benefits	683	710	561
Total reinsurers' share of provisions	797	908	771
Amounts due from policyholders	390	415	381
Amounts due from insurance companies	157	83	103
Amounts due from associated companies	22	5	28
Other debtors	193	154	155
<b>TOTAL DEBTORS</b>	1,559	1,565	1,439
Assets held temporarily	1	1	0
Deferred tax assets	20	17	21
Liquid funds	368	274	267
Other	101	175	59
<b>TOTAL OTHER ASSETS</b>	491	466	348
Accrued interest and rent	376	446	377
Other prepayments and accrued income	151	176	180
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	527	621	556
<b>TOTAL ASSETS</b>	59,435	62,779	59,526

## Shareholders' equity and liabilities • Group

(DKKm)	Note	31 Dec 2012	30 Sep 2012	30 Sep 2013
Share capital		138	138	125
Revaluation reserve		18	18	19
Security fund		1,104	1,104	1,146
Other reserves		29	28	32
Total reserves		1,133	1,132	1,178
Profit carried forward		4,079	3,853	3,914
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>5,368</b>	<b>5,141</b>	<b>5,237</b>
<b>SUBORDINATED LOAN CAPITAL</b>		<b>1,153</b>	<b>1,153</b>	<b>1,155</b>
Provisions for unearned premiums		2,713	3,320	3,426
Guaranteed pension benefits		21,402	20,942	19,611
Bonus potential on future premiums		3,689	3,768	3,503
Bonus potential on paid-up benefits		1,849	1,977	2,311
Total life insurance provisions		26,941	26,686	25,425
Provisions for claims and benefits		13,521	13,531	13,147
Collective bonus potential		768	740	1,121
Provisions for bonuses and rebates		105	92	110
Provisions for unit-linked contracts		4,757	4,534	6,248
<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>		<b>48,804</b>	<b>48,903</b>	<b>49,477</b>
Pensions and similar commitments		33	34	31
Deferred tax liabilities		109	102	85
Deferred tax on security funds		348	348	306
<b>TOTAL LIABILITIES PROVIDED</b>		<b>489</b>	<b>483</b>	<b>422</b>
<b>DEPOSITS RECEIVED FROM REINSURERS</b>		<b>141</b>	<b>138</b>	<b>151</b>
Creditors arising out of direct insurance operations		95	66	98
Creditors arising out of reinsurance operations		35	21	32
Bond loans		74	73	58
Amounts due to credit institutions		2,007	5,276	1,421
Amounts due to associated companies		7	1	6
Current tax liabilities		54	347	351
Derivatives		22	47	148
Other creditors		1,097	1,073	911
<b>TOTAL CREDITORS</b>		<b>3,390</b>	<b>6,905</b>	<b>3,024</b>
<b>ACCRUALS AND DEFERRED INCOME</b>		<b>89</b>	<b>57</b>	<b>60</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>59,435</b>	<b>62,779</b>	<b>59,526</b>
Contingent liabilities	4			
Comparatives	5			

**Cash flow statement • Group**

(DKKm)	Full year 2012	Q1-Q3 2012	Q1-Q3 2013
<b>Cash flow from operations</b>			
Gross premiums written	8,827	7,158	7,309
Claims paid	(6,596)	(4,930)	(4,646)
Expenses	(1,248)	(949)	(1,040)
Reinsurance ceded	99	83	(156)
Cash flow from non-life insurance	1,082	1,362	1,467
Gross premiums written	3,050	2,232	2,505
Claims and benefits	(3,203)	(2,538)	(2,977)
Expenses	(318)	(224)	(212)
Reinsurance ceded	33	31	12
Cash flow from life insurance	(438)	(500)	(672)
<b>Total cash flow from insurance business</b>	<b>644</b>	<b>862</b>	<b>794</b>
Payments on investment contracts	42	10	(7)
Dividends from associated companies	65	41	0
Interest income and dividends etc.	2,181	1,859	1,313
Interest charges etc.	(131)	(115)	(99)
Pension return tax	(227)	(224)	(318)
Corporation tax	(506)	(76)	(68)
Other items	(28)	(21)	(15)
<b>Total cash flow from operations</b>	<b>2,040</b>	<b>2,335</b>	<b>1,600</b>
<b>Investments</b>			
Intangible assets, machinery and equipment	(105)	(79)	(67)
Properties	(58)	(42)	82
Shares in associated companies	(86)	(45)	0
Shares	481	389	(708)
Bonds	3,696	317	1,868
Loans	1	1	1
Derivatives	(560)	(811)	335
Investment assets related to unit-linked contracts	(582)	(377)	(892)
Balances with associated companies	21	15	(113)
<b>Total investments</b>	<b>2,809</b>	<b>(632)</b>	<b>506</b>
<b>Financing</b>			
Shares bought back	(1,200)	(869)	(1,475)
Share-based payments	123	88	105
Bond loans	0	0	(16)
Amounts due to credit institutions	(3,990)	(721)	(586)
<b>Total financing</b>	<b>(5,067)</b>	<b>(1,502)</b>	<b>(1,973)</b>
Change in cash and cash equivalents	(218)	201	134
Cash and cash equivalents at 1 January	2,266	2,266	2,025
Revaluation of cash and cash equivalents	(22)	(8)	(13)
Purchase of associated company	0	0	15
Cash and cash equivalents end of period	2,025	2,459	2,162
Cash and cash equivalents comprise:			
Liquid funds	368	274	267
Deposits with credit institutions	1,657	2,185	1,895
	2,025	2,459	2,162

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 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>Q1-Q3 2012</b>						
Shareholders' equity prior year	148	17	1,104	22	3,275	4,567
Profit for the period				6	1,364	1,370
Other comprehensive income		1	0	0	0	1
Total comprehensive income for the period		1	0	6	1,364	1,371
Cancellation of own shares	(11)				11	0
Share buy-back					(928)	(928)
Sale of employee shares					34	34
Issue of share options					7	7
Exercise of share options					88	88
Taxation					2	2
Other transactions	(11)				(786)	(797)
<b>Shareholders' equity at 30 September 2012</b>	<b>138</b>	<b>18</b>	<b>1,104</b>	<b>28</b>	<b>3,853</b>	<b>5,141</b>
<b>Q1-Q3 2013</b>						
Shareholders' equity prior year	138	18	1,104	29	4,079	5,368
Profit for the period				3	1,214	1,217
Other comprehensive income		1	42	(0)	(0)	43
Total comprehensive income for the period		1	42	3	1,214	1,260
Cancellation of own shares	(13)				13	0
Share buy-back					(1,505)	(1,505)
Issue of share options					9	9
Exercise of share options					105	105
Other transactions	(13)				(1,379)	(1,392)
<b>Shareholders' equity at 30 September 2013</b>	<b>125</b>	<b>19</b>	<b>1,146</b>	<b>32</b>	<b>3,914</b>	<b>5,237</b>

## Segment information • Group

## Income statement

(DKKm)	Per- sonal	SME and Industrial	Elimin- ated	Non-life	Life	Parent etc.	Elimin- ated	Group
<b>Q1-Q3 2012</b>								
<b>Non-life insurance</b>								
Gross premiums earned	3,561	3,005	(16)	6,550				6,550
Technical interest*	9	10	0	19				19
Claims incurred	(2,609)	(1,998)	17	(4,591)			6	(4,585)
Expenses	(573)	(463)	1	(1,035)			10	(1,025)
Net reinsurance	16	(154)	(0)	(139)				(139)
Technical profit on non-life insurance	403	400	1	804			16	821
<b>Life insurance</b>								
Gross premiums written					2,321			2,321
Allocated investment return					1,865			1,865
Benefits and change in provisions					(3,949)			(3,949)
Expenses					(242)		2	(240)
Net reinsurance					2			2
Technical profit / (loss) on life insurance					(2)		2	0
Total investment return				964	2,279	29	30	3,302
Pension return tax				(21)	(285)			(306)
Transferred to technical result				(187)	(1,865)			(2,053)
<b>Investment return</b>				755	129	29	30	943
Other items				14	37	(25)	(48)	(22)
<b>Pre-tax profit</b>				1,574	164	4	0	1,742
Taxation								(372)
<b>Profit for the period</b>								1,370
<b>Q1-Q3 2013</b>								
<b>Non-life insurance</b>								
Gross premiums earned	3,639	2,997	(10)	6,626				6,626
Technical interest*	6	7	(0)	12				12
Claims incurred	(2,552)	(2,024)	11	(4,564)			10	(4,554)
Expenses	(615)	(462)	2	(1,075)			18	(1,056)
Net reinsurance	(59)	(167)	(1)	(228)				(228)
Technical profit on non-life insurance	420	351	1	772			28	801
<b>Life insurance</b>								
Gross premiums written					2,546			2,546
Allocated investment return					1,264			1,264
Benefits and change in provisions					(3,326)			(3,326)
Expenses					(253)		5	(248)
Net reinsurance					1			1
Technical profit on life insurance					232		5	236
Total investment return				537	1,490	46	15	2,088
Pension return tax				6	(155)			(150)
Transferred to technical result				(133)	(1,264)			(1,397)
<b>Investment return</b>				410	72	46	15	541
Other items				17	37	(27)	(48)	(21)
<b>Pre-tax profit</b>				1,199	340	19	0	1,558
Taxation								(340)
<b>Profit for the period</b>								1,217

\* After discounting DKK 121m (Q1-Q3 2012: DKK 169m)

## Notes to the financial statements • Group

(DKKm)	Full year 2012	Q1-Q3 2012	Q1-Q3 2013
<b>Note 1. Technical interest, net of reinsurance – Non-life insurance</b>			
Calculated interest	238	187	133
Discounting of technical provisions and reinsurers' share	(217)	(169)	(121)
<b>Technical interest, net of reinsurance</b>	<b>20</b>	<b>19</b>	<b>12</b>

**Note 2. Claims incurred, net of reinsurance – Non-life insurance**

Run-off profit:			
Gross business	201	80	266
Reinsurance ceded	1	44	(62)
Run-off profit, net of reinsurance	201	124	205

**Note 3. Gross premiums written – Life insurance**

Individual policies	365	221	211
Policies w hich are part of a tenure	1,392	1,035	1,026
Group life	399	362	367
<b>Regular premiums</b>	<b>2,157</b>	<b>1,618</b>	<b>1,604</b>
Individual policies	138	114	132
Policies w hich are part of a tenure	764	590	811
<b>Single premiums</b>	<b>902</b>	<b>704</b>	<b>942</b>
<b>Gross premiums</b>	<b>3,059</b>	<b>2,321</b>	<b>2,546</b>

<b>Note 4. Contingent liabilities</b>	<b>31 Dec 2012</b>	<b>30 Sep 2012</b>	<b>30 Sep 2013</b>
Adjustments to VAT liabilities	33	30	25
Other liabilities	10	10	10
Capital commitments to loan funds and private equity funds etc.	237	265	515
Share of associated companies' liabilities:			
Contract liabilities	452	-	336

The Group participates in technical insurance collaboration w here it is jointly liable for the insurance liabilities.

The companies are jointly liable for A-tax and payroll tax etc. and VAT chargeable to the jointly registered companies.

The companies are jointly liable for corporation tax chargeable to jointly taxed companies.

## Notes to the financial statements • Group

(DKKm)

### Note 5. Comparatives

Due to the merger of life insurance companies, internal transfers of customer savings between the merged companies have been eliminated.

Therefore the comparatives have been adjusted as follows:

	Financial statements 2012	Adjust- ment	Com- paratives 2012
<b>2012</b>			
<b>Income statement</b>			
Gross premiums written	3,161	(102)	3,059
Claims and benefits paid	(3,248)	103	(3,146)
Change in 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	(3,251)	48	(3,203)
Cash flow from life insurance	(384)	(53)	(438)
Total cash flow from insurance business	698	(53)	644
Payments on investment contracts	(12)	53	42
	Financial statements Q1-Q3 2012	Adjust- ment	Com- paratives Q1-Q3 2012
<b>Q1-Q3 2012</b>			
<b>Income statement</b>			
Gross premiums written	2,403	(82)	2,321
Claims and benefits paid	(2,572)	82	(2,490)
Change in life insurance provisions	(429)	(46)	(475)
Change in provisions for unit-linked contracts	(833)	46	(787)
<b>Cash flow statement</b>			
Gross premiums written	2,314	(82)	2,232
Claims and benefits	(2,575)	36	(2,538)
Cash flow from life insurance	(454)	(46)	(500)
Total cash flow from insurance business	908	(46)	862
Payments on investment contracts	(36)	46	10



**Income statement • Parent company**

(DKK)m	Full year 2012	Q3 2012	Q3 2013	Q1-Q3 2012	Q1-Q3 2013
Income from affiliated companies	1,825	523	441	1,372	1,245
Revaluations	(1)	(1)	0	(1)	0
Interest charges	(20)	(5)	(3)	(16)	(10)
<b>Total investment return</b>	<b>1,804</b>	<b>517</b>	<b>437</b>	<b>1,355</b>	<b>1,235</b>
Other expenses	(34)	(7)	(9)	(25)	(27)
<b>PRE-TAX PROFIT</b>	<b>1,770</b>	<b>510</b>	<b>429</b>	<b>1,330</b>	<b>1,208</b>
Taxation	53	13	5	40	10
<b>PROFIT FOR THE PERIOD</b>	<b>1,823</b>	<b>523</b>	<b>434</b>	<b>1,370</b>	<b>1,217</b>

**Statement of comprehensive income • Parent company**

Profit for the period	1,823	523	434	1,370	1,217
Other comprehensive income from affiliated companies	2	0	0	1	1
Other comprehensive income	2	0	0	1	1
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,825</b>	<b>524</b>	<b>434</b>	<b>1,371</b>	<b>1,218</b>

**Balance sheet • Parent company**

(DKK)m	31 Dec 2012	30 Sep 2012	30 Sep 2013
<b>Assets</b>			
Machinery and equipment	3	3	3
<b>TOTAL TANGIBLE ASSETS</b>	<b>3</b>	<b>3</b>	<b>3</b>
Shares in affiliated companies	6,714	6,306	6,057
Total investment in affiliated companies	6,714	6,306	6,057
Bonds	1	1	1
Total other financial investment assets	1	1	1
<b>TOTAL INVESTMENT ASSETS</b>	<b>6,715</b>	<b>6,307</b>	<b>6,058</b>
Amounts due from affiliated companies	172	251	436
<b>TOTAL DEBTORS</b>	<b>172</b>	<b>252</b>	<b>436</b>
Deferred tax assets	1	1	1
Liquid funds	3	2	3
<b>TOTAL OTHER ASSETS</b>	<b>4</b>	<b>3</b>	<b>4</b>
<b>TOTAL ASSETS</b>	<b>6,895</b>	<b>6,566</b>	<b>6,501</b>

**Shareholders' equity and liabilities**

Share capital	138	138	125
Other reserves	2,991	2,584	2,308
Total reserves	2,991	2,584	2,308
Profit carried forward	2,587	2,768	3,110
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>5,716</b>	<b>5,489</b>	<b>5,543</b>
<b>SUBORDINATED LOAN CAPITAL</b>	<b>406</b>	<b>406</b>	<b>407</b>
Bond loans	74	73	58
Amounts due to affiliated companies	630	178	100
Current tax liabilities	53	346	348
Other creditors	15	74	46
<b>TOTAL CREDITORS</b>	<b>773</b>	<b>671</b>	<b>552</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>6,895</b>	<b>6,566</b>	<b>6,501</b>

## Disclaimer

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

Many factors may cause a significant deviation from the forecasts and assumptions set out in the interim report. Such factors could be, for example, cyclical movements, changes in the financial markets, the financial effect of 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 trends in the reinsurance market. See also [www.topdanmark.com](http://www.topdanmark.com) → [Investor](#) → [Risk management](#).

The above description of risk factors is not exhaustive. Investors and others, who may base decisions relating to Topdanmark on statements relating to the future, should 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 interim report.

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

## Statement by Management on the Interim Report for Q1-Q3 2013

We have today considered and adopted the interim report for Q1-Q3 2013 for Topdanmark A/S.

The consolidated financial statements have been prepared in accordance with IAS 34 on interim reports as adopted by the EU, and the interim financial statements for the Company have been prepared in accordance with the Danish Financial Business Act. Furthermore, the interim report has been prepared in accordance with the additional Danish disclosure requirements on interim reports for listed financial services companies.

We believe that the consolidated financial statements and the interim financial statements give a true and fair view of the Group's and the Company's assets, liabilities and financial position at 30 September 2013 as well as the result of the Group's and the Company's activities and the Group's cash flows for the period 1 January to 30 September 2013. We believe that the management's review includes a fair view of the development in the Group's and Company's activities and financial matters as well as a description of the most significant risks and factors of uncertainty which can impact the Group and the Company.

Ballerup, 19 November 2013

### 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