



Topdanmark A/S

ANNUAL REPORT 2014

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 → Investor → Share profile

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

TOPDANMARK ANNUAL REPORT FOR 2014

4 March 2015 Announcement No. 05/2015

Key features 2014

- Post-tax profit of DKK 1,558m (2013: DKK 1,468m)
- This profit is higher than the profit forecast of DKK 1,350-1,450m assumed for 2014 in the Q1-Q3 2014 interim report
- EPS were DKK 14.4 (2013: DKK 12.5)
- Combined ratio: 86.0% (2013: 91.5%)
- Combined ratio excluding run-off: 89.8% (2013: 95.0%)
- Premium growth was 2.6% in non-life insurance and 26.7% in life insurance
- Profit on life insurance declined to DKK 200m (2013: DKK 442m). The 2013 profit was impacted by the recognition as income from the shadow account
- Investment return declined to DKK 711m (2013: DKK 866m)
- Share buy-back of DKK 1,716m, representing a buy-back yield of 9.6%.

Q4 2014

- Post-tax profit: DKK 304m (Q4 2013: DKK 251m)
- EPS: DKK 2.9 (Q4 2013: DKK 2.2)
- Combined ratio: 83.6% (Q4 2013: 100.4%)
- Combined ratio excluding run-off profits: 87.5% (Q4 2013: 104.9%)
- Premium growth: Non-life insurance 1.8%, life insurance 12.6%
- Profit on life insurance: DKK 2m (Q4 2013: DKK 102m)
- Investment return: DKK 60m (Q4 2013: DKK 283m).

Profit forecast model for 2015

- The assumed combined ratio for 2015 has improved from around 91% to 90-91%, excluding run-off, in the light of an improved claims trend
- Assumed premium growth has been changed from 1-2% to around 0% particularly due to an increased focus on profitability promoting initiatives for less profitable customers in the SME and industrial areas, which generated a greater than expected loss of customers at the end of 2014

- Profit forecast model: DKK 900-1,000m, excluding run-off, representing EPS of DKK 9.5.

Share buy-back

- Share buy-back programme of DKK 1.8bn for 2015, representing a buy-back yield of 7.8%.

Søren Thorup Sørensen new Chairman of Board of Directors

- Michael Pram Rasmussen, Chairman of Topdanmark's Board of Directors has chosen not to stand for re-election at the AGM on 15 April 2015. Søren Thorup Sørensen, present Deputy Chairman, is expected to take over the role as Chairman, while Torbjörn Magnusson is expected to be appointed as Deputy Chairman.

Webcast

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

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Financial highlights

(DKKm)	2010	2011	2012	2013	2014	Q4 2013	Q4 2014
Premiums earned:							
Non-life insurance	8,548	8,668	8,759	8,889	9,116	2,263	2,304
Life insurance	3,341	3,242	3,059	3,511	4,448	965	1,087
	11,889	11,910	11,818	12,400	13,563	3,228	3,390
Results:							
Non-life insurance	1,092	1,086	2,103	1,361	1,803	162	386
Life insurance	384	187	210	442	200	102	2
Parent company etc.	31	76	22	73	7	54	16
Pre-tax profit	1,506	1,349	2,335	1,875	2,010	318	404
Tax	(338)	(326)	(512)	(407)	(452)	(67)	(100)
Profit	1,168	1,023	1,823	1,468	1,558	251	304
Run-off profits, net of reinsurance	204	148	201	306	351	101	90
Shareholders' equity of parent company at 1 January	4,465	4,900	4,915	5,716	5,490	5,543	5,516
Profit	1,168	1,023	1,823	1,468	1,558	251	304
Share buy-back	(892)	(1,159)	(1,200)	(1,836)	(1,716)	(331)	(407)
Share-based payments	159	150	177	142	110	28	26
Other movements in shareholders' equity	1	1	2	0	(1)	(1)	2
Shareholders' equity of parent company end of period	4,900	4,915	5,716	5,490	5,442	5,490	5,442
Deferred tax on security funds	(348)	(348)	(348)	(306)	(306)	(306)	(306)
Shareholders' equity of Group end of period	4,553	4,567	5,368	5,184	5,135	5,184	5,135
Capital base, parent company*)	5,305	5,319	6,122	5,897	5,848	5,897	5,848
Total assets, parent company	5,712	6,408	6,895	6,485	6,143	6,485	6,143
Total assets, Group	57,542	61,013	59,435	61,092	64,516	61,092	64,516
Provisions for insurance and investment contracts:							
Non-life insurance	15,139	16,228	16,251	16,721	16,485	16,721	16,485
Life insurance	31,166	30,618	32,553	33,640	36,375	33,640	36,375
Financial ratios (parent company)							
Post-tax profit as a % of shareholders' equity	24.1	21.1	33.9	26.0	28.1	4.5	5.5
Post-tax EPS (DKK)	7.7	7.4	14.2	12.5	14.4	2.2	2.9
Post-tax EPS, diluted (DKK)	7.7	7.4	14.1	12.3	14.3	2.2	2.9
Net asset value per share, diluted (DKK)	33.8	36.8	45.8	48.3	52.2	48.3	52.2
Share buy-back per share, diluted (DKK)	5.9	8.4	9.3	15.4	15.8	2.9	3.9
Listed share price end of period	73.8	89.5	121.3	142.8	200.2	142.8	200.2
Average number of shares ('000)	151,307	137,409	128,276	117,904	107,908	113,695	104,273
Average number of shares, diluted ('000)	151,587	138,023	129,367	119,131	108,805	114,758	105,102
Number of shares end of period ('000)	144,724	133,319	123,940	112,632	103,623	112,632	103,623
Ratios non-life insurance (%)							
Gross loss ratio	75.5	78.2	70.0	80.4	69.3	114.1	64.9
Net reinsurance ratio	2.4	(3.6)	2.2	(5.0)	1.0	(29.7)	3.3
Claims trend	77.9	74.6	72.2	75.4	70.3	84.3	68.2
Gross expense ratio	15.4	15.7	15.8	16.2	15.7	16.0	15.4
Combined ratio	93.3	90.3	88.0	91.5	86.0	100.4	83.6
Operating ratio	92.7	89.6	87.8	91.4	85.9	100.3	83.6
Combined ratio excl. run-off profits	95.7	92.0	90.3	95.0	89.8	104.9	87.5

*) Shareholders' equity and loan capital

Results for 2014

Topdanmark's post-tax profit was DKK 1,558m (2013: DKK 1,468m – a 6.1% increase. EPS increased 15.2% to DKK 14.4.

Pre-tax profit increased by DKK 135m to DKK 2,010m.

The technical result improved DKK 524m to DKK 1,289m. The improved claims trend benefited from, among other factors, weather-related claims being DKK 262m lower than in 2013. While Q4 2013 was affected by two large storms, there were no major weather events in 2014. Additionally, the claims trend improved for, among other lines, theft and fire. Also, run-off profits improved.

The investment return declined DKK 81m to DKK 514m. In 2014 the investment return was significantly higher than the normal level but lower than the level of 2013, which benefited from an extraordinarily high return on equities, credit bonds and CDOs.

Profit on life insurance declined DKK 242m to DKK 200m, primarily due to the recognition as income of DKK 171m from the shadow account in 2013. In 2014, however, DKK 5m was transferred to the shadow account: see "[Life insurance](#)".

Profit in the parent company etc. declined DKK 66m to DKK 7m mainly due to a lower operating result of Topdanmark Kapitalforvaltning (asset management company) and write-downs of properties in Topdanmark Invest.

The profit of DKK 1,558m was better than the DKK 1,350-1,450m assumed in the most recent profit forecast model for 2014 published in the interim report for Q1-Q3 2014. Besides run-off profits in Q4, the improvement was due to a lower than assumed level of weather-related claims and an improved claims trend for, among other lines, theft, fire and travel insurance.

Results and profit forecast model		Forecast 2014		
(DKKm)	Results 2013	as in Q1-Q3 interim report		Results 2014
Non-life insurance				
- Technical result	765	1,060	- 1,110	1,289
- Investment return after transfer to technical result etc.	595	470	- 520	514
Profit on non-life insurance	1,361	1,530	- 1,630	1,803
Life insurance	442	190	- 220	200
Parent company etc.	73	10	- 20	7
Pre-tax profit	1,875	1,730	- 1,870	2,010
Taxation	(407)	(380)	- (420)	(452)
Profit for the year	1,468	1,350	- 1,450	1,558

Results for Q4 2014

Post-tax profit increased to DKK 304m in Q4 2014 (Q4 2013: DKK 251m).

Pre-tax profit for Q4 2014 increased to DKK 404m (Q4 2013: DKK 318m).

The technical result increased DKK 385m. There were two large storms in Q4 2013, and the improvement in the technical result for Q4 2014 was mainly due to weather-related claims being DKK 323m lower than in 2013. Additionally, the claims trend improved for, among other lines, theft, fire and travel insurance.

The investment return declined DKK 161m to DKK 8m. In Q4 2014 the investment return was affected by an

increase in credit spreads, which impacts the return on, for example, credit bonds and CDOs. Furthermore, the return on equities was lower.

Profit on life insurance declined DKK 100m to DKK 2m due to the combination of a lower investment return, a lower risk return, a transfer to the shadow account and a lower cost result.

Profit in the parent company declined DKK 38m to DKK 16m due to, among other factors, a lower operating result from Topdanmark Kapitalforvaltning and a write-down of property in Topdanmark Invest.

Trend in profit (DKKm)	Q4 2013	Q4 2014
Non-life insurance		
- Technical result	(7)	378
- Investment return after transfer to technical result etc.	169	8
Profit on non-life insurance	162	386
Life insurance	102	2
Parent company etc.	54	16
Pre-tax profit	318	404
Tax	(67)	(100)
Profit	251	304

Non-life insurance Premiums earned

Premiums earned increased 2.6% to DKK 9,116m in 2014, which was in line with the assumed premium growth of 2-3%. The personal segment accounted for 2.9% of the growth and the SME and industrial segment for 2.3%.

During 2014 competition in the Danish market for non-life insurance policies intensified, driven by the existing players in the market. However, Topdanmark continues to hold a strong competitive position due to, among other factors, high customer loyalty.

In 2014 Topdanmark continued its efforts to improve the quality of the customer portfolio. Customer relationships with a profitability which does not meet Topdanmark's return requirements are offered help to improve their claims trends; alternatively individual price increases are effected. This resulted in a loss of some major unprofitable customer relationships in 2014, particularly among industrial customers.

Claims trend

The claims trend improved to 70.3% in 2014 (2013: 75.4%).

Gross weather-related claims were DKK 139m, net of reinsurance, in 2014. After reimbursement from the

reinsurance companies, weather-related claims were DKK 88m. 2013 was affected by the 3rd and 4th largest storms in recent times, which was one of the reasons why weather-related claims, net of reinsurance, were DKK 350m in 2013. Weather-related claims had a 2.9pp positive impact on the claims trend in 2014 as compared to 2013. Topdanmark assumes DKK 170m, net of reinsurance, as a normal level of weather-related claims. Accordingly, in 2014 the level of weather-related claims was DKK 82m lower than the normal level, representing a 0.9pp effect on the claims trend.

From 2007 up to and including 2013, the claims trend increased due to the trend in claim payments on thefts. However, in 2014 theft claims declined, representing a 0.8pp improvement of the claims trend as compared to 2013. This improvement was due to both a declining claims frequency and a decline in average claims, most significant in the personal segment.

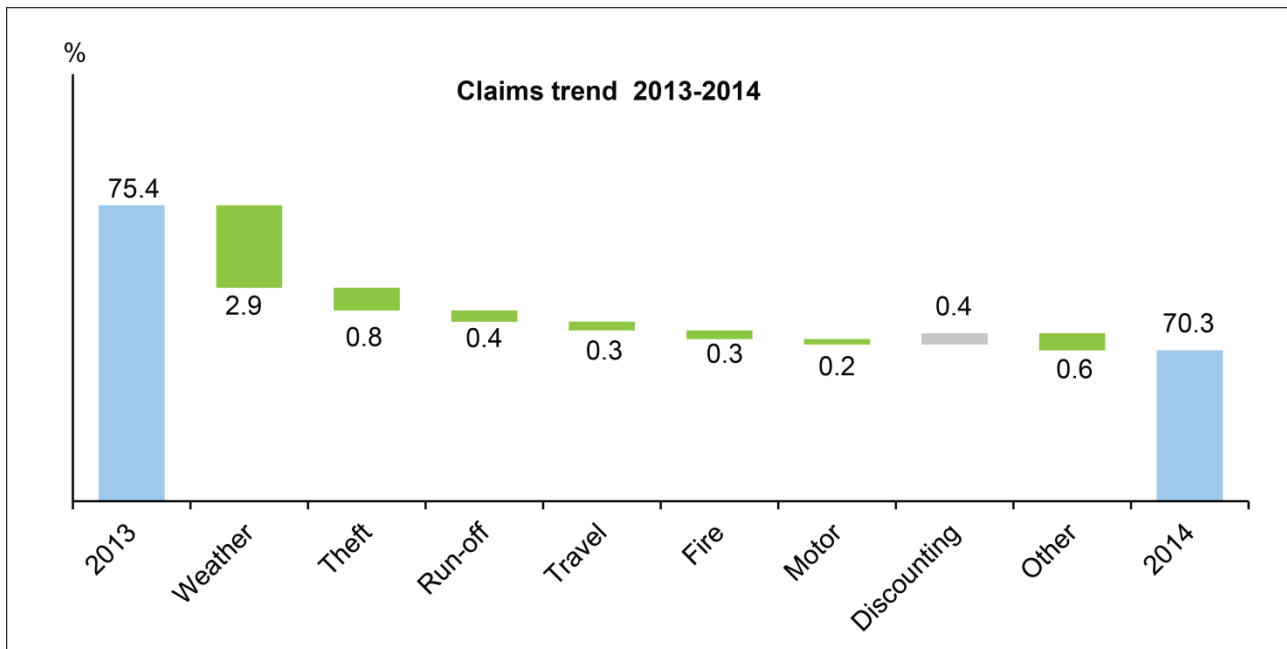
Run-off profits, net of reinsurance, were DKK 351m (2013: DKK 306m), representing a 0.4pp improvement of the claims trend. Illness / accident, workers' compensation, motor liability, commercial liability and house insurance generated run-off profits.

Travel insurance claims declined, representing a 0.3pp improvement of the claims trend. In 2013 the claims level was extraordinarily high, while in 2014 it was back at a more normal level.

The level of fire claims declined to DKK 28m, representing a 0.3pp improvement of the claims trend. This improvement was mostly due to an improved claims trend for the personal segment.

Claims on motor insurance policies declined DKK 15m, representing a 0.2pp improvement of the claims trend. The improvement was due to both a lower claims frequency and lower average claims.

The interest rate curve used to discount the provisions for outstanding claims was lower in 2014 than in 2013 with a 0.4pp adverse effect on the claims trend.



Expense ratio

The expense ratio declined to 15.7% (2013: 16.2%) due to lower commission payments than in 2013 following generally lower sales of new business. In addition, there was the effect of the ongoing initiatives to improve efficiency such as digitalisation and outsourcing of IT mainframe system.

Combined ratio

Overall expenses on claims, reinsurance, sales and administration as a percentage of premiums earned (combined ratio) improved to 86.0% in 2014 (2013: 91.5%). Excluding run-off profits it improved to 89.8% (2013: 95.0%).

Developments in Q4

Premiums earned

Premiums earned increased 1.8% to DKK 2,304m, evenly split between the personal segment and the SME and industrial segment.

Claims trend

The claims trend improved to 68.2% (Q4 2013: 84.3%). In Q4 2013 the claims trend was affected by the two storms

causing weather-related claims, net of reinsurance, of DKK 330m. The rainstorm in Northern Jutland in Q4 2014 caused claims of DKK 7m net of reinsurance. Consequently, weather-related claims were DKK 323m lower in Q4 2014, representing a 14.0pp improvement of the claims trend.

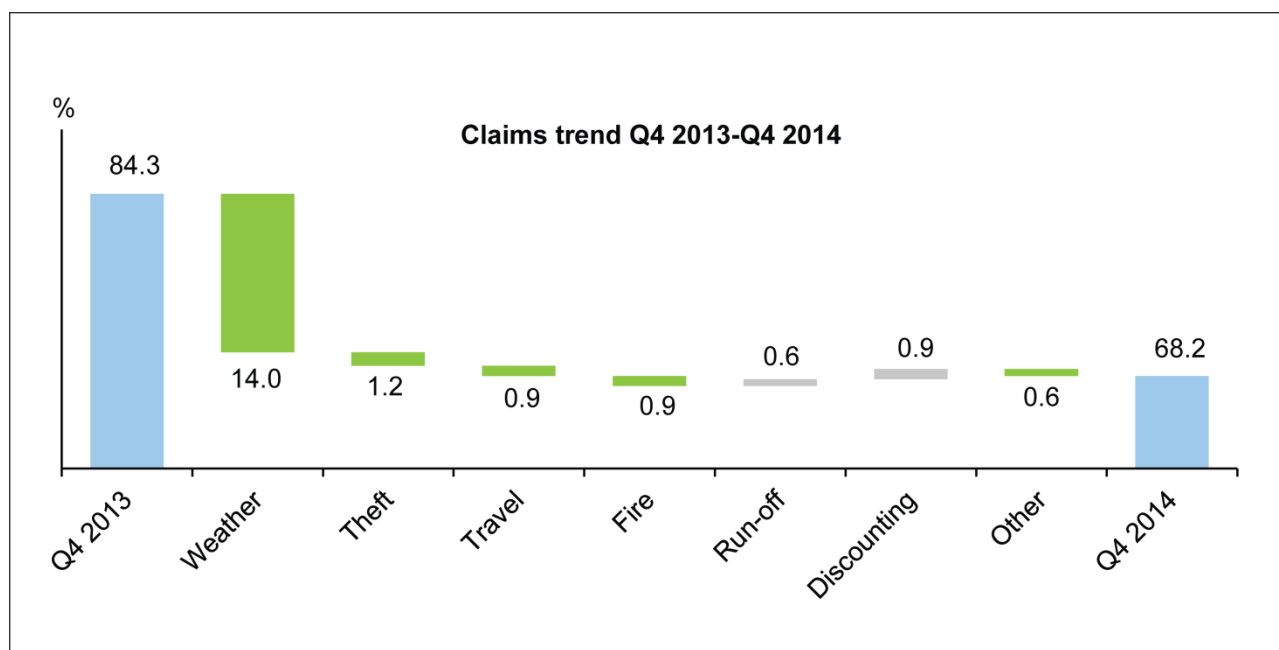
Furthermore, the claims trend benefited from a lower level of theft claims (1.2pp), fire claims (0.9pp) and travel insurance claims (0.9pp). On the other hand, the claims trend was adversely affected by the lower interest rates (0.9pp) and a lower level of run-off profits (0.6pp).

Expense ratio

The expense ratio improved to 15.4% (Q4 2013: 16.0%).

Combined ratio

The overall combined ratio was 83.6% in Q4 2014 (Q4 2013: 100.4%). Excluding run-off profits it was 87.5% in Q4 2014 (Q4 2013: 104.9%).



Financial highlights – Non-life insurance (DKKm)	Q4 2013	Q4 2014	2013	2014
Gross premiums earned	2,263	2,304	8,889	9,116
Technical interest	2	1	14	8
Claims incurred	(2,581)	(1,494)	(7,145)	(6,320)
Expenses	(363)	(356)	(1,438)	(1,427)
Net reinsurance	672	(77)	445	(88)
Technical result	(7)	378	765	1,289
Investment return after transfer to technical result	165	(4)	575	478
Other items	3	12	20	36
Profit on non-life insurance	162	386	1,361	1,803
Run-off profits, net of reinsurance	101	90	306	351
Gross loss ratio (%)	114.1	64.9	80.4	69.3
Net reinsurance ratio (%)	(29.7)	3.3	(5.0)	1.0
Claims trend (%)	84.3	68.2	75.4	70.3
Gross expense ratio (%)	16.0	15.4	16.2	15.7
Combined ratio (%)	100.4	83.6	91.5	86.0
Operating ratio (%)	100.3	83.6	91.4	85.9
Combined ratio excl. run-off profits (%)	104.9	87.5	95.0	89.8

Segment reporting

Personal

The personal segment offers policies for individual households in Denmark.

Premiums earned increased 2.9% to DKK 5,021m. The increase was primarily due to house, contents and travel insurance policies (2.2%), while motor insurance contributed 0.4% to the overall growth in the personal segment. Seen in isolation, the growth in motor insurance was 1.1%, adversely impacted by a 1.3% decline in average premium. In Q4 premiums earned increased 1.7% to DKK 1,263m. As announced in the Q1-Q3 2014 interim report, competition intensified during 2014.

The technical result increased DKK 231m to DKK 778m.

The claims trend improved 3.9pp to 68.2%. The claims trend benefited from fewer weather-related claims, representing 1.7pp. Additionally, the claims trend improved for theft and fire insurance, which had a 1.5pp positive impact on the claims trend. Finally, run-off profits were DKK 16m higher than in 2013, representing a 0.3pp improvement of the claims trend.

The expense ratio was 16.4% (2013: 16.9%), primarily the result of lower selling expenses and improved efficiency due to, among other factors, digitalisation.

The combined ratio improved to 84.6% in 2014 (2013: 88.9%). Excluding run-off profits it improved to 88.7% (2013: 92.9%).

Personal (DKKm)	Q4		Q4	
	2013	2014	2013	2014
Gross premiums earned	1,242	1,263	4,881	5,021
Technical interest	1	1	7	4
Claims incurred	(1,086)	(852)	(3,638)	(3,428)
Expenses	(208)	(205)	(823)	(822)
Net reinsurance	179	(1)	120	3
Technical result	128	207	547	778
Run-off profits, net of reinsurance	92	38	192	208
Gross loss ratio (%)	87.5	67.4	74.5	68.3
Net reinsurance ratio (%)	(14.4)	0.0	(2.5)	(0.1)
Claims trend (%)	73.1	67.4	72.1	68.2
Gross expense ratio (%)	16.7	16.2	16.9	16.4
Combined ratio (%)	89.8	83.7	88.9	84.6
Operating ratio (%)	89.7	83.6	88.8	84.5
Combined ratio excl. run-off profits (%)	97.2	86.7	92.9	88.7

SME and Industrial

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

Premiums earned improved 2.3% to DKK 4,116m in 2014. This growth was mainly generated in the SME and agricultural areas, while premiums earned declined in the industrial area. In Q4 premiums earned increased 1.7% to DKK 1,045m.

The technical result increased DKK 293m to DKK 510m in 2014.

The claims trend improved 6.5pp to 72.9%. The claims trend benefited from fewer weather-related claims, representing 4.3pp, and an improved trend for fire and theft, which reduced the claims trend by 1.1pp and 0.7pp respectively. Run-off profits had a 0.7pp positive impact on the claims trend.

The expense ratio declined 0.6pp to 14.8%.

The combined ratio improved to 87.7% in 2014 (2013: 94.8%). Excluding run-off profits it improved to 91.2% (2013: 97.6%).

SME and Industrial (DKKm)	Q4		Q4	
	2013	2014	2013	2014
Gross premiums earned	1,027	1,045	4,025	4,116
Technical interest	1	0	7	4
Claims incurred	(1,498)	(647)	(3,522)	(2,911)
Expenses	(156)	(152)	(618)	(608)
Net reinsurance	492	(77)	325	(91)
Technical result	(134)	170	217	510
Run-off profits, net of reinsurance	10	51	114	143
Gross loss ratio (%)	145.8	61.9	87.5	70.7
Net reinsurance ratio (%)	(47.9)	7.3	(8.1)	2.2
Claims trend (%)	97.9	69.2	79.4	72.9
Gross expense ratio (%)	15.2	14.5	15.4	14.8
Combined ratio (%)	113.1	83.7	94.8	87.7
Operating ratio (%)	113.0	83.7	94.6	87.6
Combined ratio excl. run-off profits (%)	114.0	88.7	97.6	91.2

Life insurance

The result from life insurance was a profit of DKK 200m in 2014 (2013: DKK 442m). The 2013 profit reflected the recognition as income of DKK 171m from the shadow account, while in 2014 DKK 5m was transferred to the shadow account. The shadow account of the interest rate groups was redeemed in 2013.

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

The risk return charged on with-profits pension schemes declined from DKK 164m to DKK 145m due to customers moving away from with-profits to unit-linked schemes.

“Other” comprises primarily the technical result of portfolios which are not subject to contribution – i.e. group life schemes, annuities without bonus entitlement, unit-linked pension schemes and losses incurred by those contribution groups which do not make transfers to a shadow account. The result of “Other” was a DKK 41m

loss (2013: DKK 7m profit). The decline was mostly due to an increase in actual costs while the cost fee charged to customers declined.

In 2014 Topdanmark Livsforsikring (life insurance company) started the implementation of a new administration system. External costs are capitalised, while internal resource consumption has an adverse impact on operations as higher costs. Furthermore, selling expenses were higher in 2014 than in 2013.

At 31 December 2014, the shadow account was DKK 26m, which will be available for recognition as income over time.

Trend in premiums

Gross premiums increased 26.7% to DKK 4,448m in 2014, of which premiums on unit-linked pension schemes were DKK 3,154m, an increase of 67.7% from 2013. Unit-linked pension schemes represented 85.6% of new pension schemes written in 2014 (2013: 70.1%).

Regular premiums increased 2.6% to DKK 2,191m, while single premiums increased 63.9% to DKK 2,257m in 2014.

Result of life insurance (DKKm)	Q4	Q4		
	2013	2014	2013	2014
Investment return	29	5	100	101
Risk return	46	35	164	145
Transferred, shadow account	22	(9)	171	(5)
Other	5	(29)	7	(41)
Profit on life insurance	102	2	442	200
Maximum shadow account end of period			72	26
Estimated value of shadow account end of period			10	26

Developments in Q4 2014

The result of life insurance declined to DKK 2m in Q4 2014 (Q4 2013: DKK 102m) primarily due to a lower investment return and a larger cost deficit. Furthermore, the result in Q4 2013 benefited from a profit on current annuities due to adaptation of mortality parameters and recognition of income from the shadow account.

Overall premiums were DKK 1,087m in Q4 2014 representing a 12.6% increase from Q4 2013 mainly due to a 22.6% increase in single premiums to DKK 533m. Regular premiums increased 4.3 % to DKK 554m.

Sources of gross premiums (DKKm)	Q4 2013	Q4 2014	2013	2014
With-profits schemes	282	233	1,015	848
Unit-linked schemes	211	283	715	939
Group life	38	38	404	404
Regular premiums	531	554	2,134	2,191
With-profits schemes	70	(30)	211	40
Unit-linked schemes	365	563	1,166	2,216
Single premiums	434	533	1,377	2,257
Gross premiums	965	1,087	3,511	4,448

Investment activities Topdanmark Group excl. life insurance

The investment return in the Topdanmark Group excluding life insurance was DKK 711m in 2014 including the revaluation of provisions and income from associated companies, but before the transfer to the technical result (2013: DKK 866m).

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 Q4 and the full year 2014 on the most significant classes of assets is disclosed in the following table:

Investment return	Portfolio 31 Dec		Return Q4 2013		Return Q4 2014		Return 2013		Return 2014	
	2013	2014	(DKKm)	%	(DKKm)	%	(DKKm)	%	(DKKm)	%
Danish equities	0.5	0.4	34	7.7	(16)	(2.6)	120	33.2	84	18.0
Foreign equities	0.8	0.7	53	6.2	14	1.7	137	17.1	64	7.3
Government and mortgage bonds	11.0	10.5	59	0.5	23	0.3	176	1.6	239	2.3
Credit bonds	0.5	0.4	1	0.2	2	0.5	38	6.8	21	5.0
CDOs	0.9	0.7	53	6.5	(11)	(1.3)	205	28.4	89	12.7
Properties	1.4	1.4	15	1.1	5	0.4	75	5.4	39	2.9
Assets related to I/A	2.0	2.1	29	1.4	34	1.6	98	4.8	193	9.4
Money market etc.	2.5	3.2	(16)	(0.5)	(14)	(0.4)	(35)	(1.1)	(30)	(0.9)
Subordinated loan capital	(1.2)	(1.2)	(18)	(1.6)	(16)	(5.3)	(61)	(5.3)	(61)	(5.3)
Interest-bearing debt	(0.7)	(0.4)	1	0.1	(0)	(0.7)	(5)	(0.8)	(2)	(0.7)
	17.6	17.8	212	1.2	22	0.1	748	4.1	636	3.4
Asset management			71		38		118		76	
Total investment return			283		60		866		711	

Transferred return technical provisions

Discounting	(47)	(29)	(168)	(147)
Technical interest	(2)	(1)	(14)	(8)

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 return on properties includes revaluation and reversed revaluation of owner-occupied property, which has been included in other comprehensive income.

The investment return after the transfer to the technical result was DKK 556m, which was higher than the expected return given Topdanmark's current risk profile. This higher return should be viewed primarily in the light of the return achieved on government and mortgage bonds including a revaluation of provisions and discounting, the return on Danish equities and the return on CDOs.

The post-tax equity exposure was DKK 653m (pre-tax: DKK 865m) 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 the end of 2014) 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.

The class of "Government and mortgage bonds" comprises primarily Danish government and mortgage bonds and revaluation of technical provisions. In addition, there are foreign 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 120m) 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 296m) 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.

The property portfolio comprises mainly owner-occupied property (DKK 857m), rental residential property (DKK 367m) and rental office property (DKK 68m). Except for a single property under reconstruction for other use, 99% of the property portfolio is currently let. The properties are valued in accordance with the rules of the DFSA (Danish Financial Supervisory Authority) i.e. at market value taking into account the level of rent and the terms of the tenancy agreements.

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, 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) and finance costs.

Profit of DKK 73m in 2013 declined to DKK 7m in 2014. The operating result of the asset management company declined by DKK 42m, following an increase in the marketing contribution to the insurance companies. In the Topdanmark Invest companies the continued winding-up of properties generated a loss in 2014, in contrast to a profit in 2013. The difference was DKK 21m.

Taxation

The tax charge was DKK 452m of the pre-tax profit of DKK 2,010m, corresponding to an effective tax rate of 22.5% (2013: 21.7%). The deviation from the nominal tax rate of 24.5% was particularly due to Topdanmark's utilisation of an uncapitalised equity loss carried forward. At the end of Q3 2014, the uncapitalised equity loss carried forward had been fully utilised.

Profit forecast model

Traditionally, Topdanmark does not publish actual profit forecasts but instead the expected level of results if a number of assumptions about the return in the financial markets are met. The return in the financial markets changes on a daily basis, and Topdanmark's profit forecast model will already deviate from actual expectations by the time it is published. Therefore, set out in 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 Q1-Q3 2014 interim report Topdanmark assumed, for 2015, premium growth of 1-2% and a combined ratio of around 91%, excluding run-off profits / losses.

This was based on the following assumptions:

- A normal year for weather-related claims of DKK 170m, broken 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 7 November 2014.

Since the Q1-Q3 2014 interim report was published, the following assumptions have changed for the combined ratio:

- Storm Egon on 11 January 2015 assumed to cause claims of DKK 40m net of reinsurance. The assumed weather-related claims continue to be DKK 50m in the remainder of Q1 2015. Therefore, the assumed combined ratio for the full year 2015 has deteriorated 0.4pp
- Interest rates have declined, representing a 0.4pp deterioration of the combined ratio
- Generally, greater than assumed improvement in the claims trend due to, among other factors, the decline in the number of thefts and fewer accidents caused by slippery roads due to the mild winter. This has an overall positive effect of around 1pp on the assumed combined ratio for 2015. In addition, there is the effect of a relatively large portfolio of unprofitable customers having left Topdanmark at the turn of the year.

Therefore, the assumed combined ratio for 2015 has been improved from around 91% to 90-91%, excluding run-off profits / losses. The expense ratio is assumed to be in line with 2014.

The assumed premium growth has been changed from 1-2% to around 0% particularly due to an increased focus on profitability promoting initiatives for less profitable customers in the SME and industrial areas, which generated a greater than expected loss of customers at the end of 2014. The smaller portfolio of customers at the beginning of 2015 will have an adverse effect of around 1pp on the assumed premium growth for 2015. In addition, to improve the quality of new sales the certified insurance sales people in the personal segment will, to a larger extent, have to make individual risk assessment. This is expected to cause a certain loss of momentum for this sales channel. Competition, particularly in the personal segment, intensified at the end of 2014 and the beginning of 2015. During 2015 Topdanmark will invest further in sales promotion initiatives.

Overall, the assumed pre-tax profit on non-life insurance is DKK 1,030-1,110m.

Life insurance

Assumed growth in regular premiums is 0-5% for 2015. 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 2015 it is assumed that investment return will be sufficiently high to include a risk return of DKK 125-135m in income (2014: DKK 145m).

The substantial decline in the assumed profit, as compared to previous years, should be viewed alongside the very low level of interest rates and Management's lower expectations for the future investment return in general. This reduces the assumed investment return on shareholders' equity from DKK 101m in 2014 to around DKK 60m in 2015. Additionally, the risk return charged on with-profits schemes will decline due to movements away from with-profits to unit-linked schemes. At the same time the cost deficit will continue to be large as quite low fees are charged on unit-linked schemes, while actual costs will increase from 2014 to 2015, as sales are expected to be good and at the same time the implementation of the new administration system will have an adverse impact on the resources of the organisation in future years.

Overall, the assumed pre-tax profit on life insurance is DKK 120-150m.

The result is highly sensitive to fluctuations particularly in the investment return. The risk allowance and shadow account are not finally calculated until the preparation of the 2015 Annual Report.

The DFSA has announced that the concept of shadow account will be changed. Previously, the change was expected to take effect on 1 January 2015. Now the DFSA expects it to be on 1 January 2016.

Parent company

The profit forecast model for the parent company plus subsidiaries outside of the insurance group assumes a pre-tax profit of DKK 30-40m.

Taxation

Given a corporation tax rate of 23.5%, the tax charge is expected to be DKK 280-300m.

Total Group profit

Topdanmark's overall post-tax profit forecast model for 2015 is assumed to be DKK 900-1,000m, representing EPS of DKK 9.5. The assumed profit for 2015 is exclusive of run-off profits / losses.

This profit forecast model is based on assumption of an annual 7.0% return on equities and unchanged foreign exchange rates from the level on 5 February 2015. 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 1.73% (risk-free interest rate plus 2.0pp).

Profit forecast 2015 (DKKm)	Results 2014	Forecast 2015 5 February 2015		
Non-life insurance				
- Technical result	1,289	850	–	900
- Investment return after transfer to technical result etc.	514	180	–	210
Profit on non-life insurance	1,803	1,030	–	1,110
Life insurance	200	120	–	150
Parent company etc.	7	30	–	40
Pre-tax profit	2,010	1,180	–	1,300
Taxation	(452)	(280)	–	(300)
Profit for the year	1,558	900	–	1,000

Share buy-back

In the Q1-Q3 interim report for 2014 it was announced that the share buy-back programme for 2014 had been increased by DKK 50m to DKK 2.1bn.

The actual buy-back for 2014 was DKK 1,716m, representing a buy-back yield of 9.6%. The remaining buy-back of DKK 384m will be transferred to 2015 programme.

The reduction in shareholders' equity of DKK 1,716m was partly offset by DKK 110m strengthening of shareholders' equity by issue and exercise of share options etc.

In 2015 the intention is to buy back own shares of a total of DKK 1.8bn including the buy-back of DKK 384m transferred from 2014. The buy-back of DKK 1.8bn includes also the replacement of shareholders' equity of DKK 250m by DKK 250m of subordinated loan capital (tier 2 capital) during 2015, see: "[Solvency calculation and capital requirements](#)".

The buy-back of DKK 1.8bn assumes a profit in line with the profit forecast model of DKK 900-1,000m for 2015.

The share buy-back programme represents a buy-back yield of 7.8% (calculated on the basis of the price of Topdanmark's shares on 5 February 2015).

To date in 2015 Topdanmark has bought back own shares of DKK 153m (742,000 shares), which leaves a balance of DKK 1,647m of the 2015 programme. If Topdanmark buys back own shares for less than DKK 1.8bn in 2015, the balance will be transferred to the buy-back programme for 2016.

On 5 February 2015 Topdanmark's share capital comprised 115,000,000 shares, of which Topdanmark held 12,119,000 own shares. If before the AGM on 15 April 2015, contrary to expectation, no further shares are

bought back, the number of voting shares will be 102,881,000 shares.

Since 1998, when Topdanmark started buying back own shares, it has been decided to cancel DKK 13.3bn of own shares representing a 72.1% write-down of the share capital, with an average price of DKK 44 per share that has been written down.

In the years 2000-2014 the annual average buy-back yield has been 9.5%.

Topdanmark's buy-back programme is managed by Topdanmark Kapitalforvaltning. 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		
27 Feb 2015	–	28 Apr 2015
29 May 2015	–	28 Jul 2015
27 Aug 2015	–	23 Oct 2015
24 Nov 2015	–	20 Feb 2016

Share buy-back not allowable		
29 Jan 2015	–	26 Feb 2015
29 Apr 2015	–	28 May 2015
29 Jul 2015	–	26 Aug 2015
26 Oct 2015	–	23 Nov 2015
21 Feb 2016	–	9 Mar 2016

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 and the heads of the primary risk areas, which are: Asset Management, Statistical Services, Reinsurance, Finance, Life Actuarial Services and Life Finance. The Risk Committee reports and recommends to the Board of Directors via the Executive Board.

The Risk committee has set up the Model committee, which is responsible for developing and operating Topdanmark's internal model for calculation of results probabilities and risks of the non-life insurance portfolio based on random simulation.

The internal model has been amended to meet the requirements of use in solvency calculations in accordance with the Danish solvency rules in force in 2014 and 2015 and the future EU Solvency II rules with effect from 2016. The model is used for, among other things, optimising the reinsurance programme, cost of capital, forecast balancing and calculating capital requirements.

The risk management function implements an annual ORSA process identifying risks in the business, quantifying these risks and collecting them in a risk register. Additionally, the principles of solvency calculation are reviewed, and the risk management process is updated. An ORSA report has been prepared, which, together with the risk register and risk management process, was considered at a Board seminar in the autumn of 2014.

The risk management function has addressed the new rules for solvency calculation, reporting etc. of the Solvency II Directive in order to ensure that Topdanmark meets this set of rules no later than when it takes effect in 2016.

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

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

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

Market risks		
Most important risks	Risk preferences	Risk reducing activities
Interest rate risk Equity risk Property risk Currency risk Inflation risk Liquidity risk	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 In order to improve the average investment return and limit the overall market risk, Topdanmark invests in a wide range of asset categories	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 Compliance with these limits is regularly controlled

Credit and counterparty risks		
Most important risks	Risk preferences	Risk reducing activities
Reinsurance	To obtain efficient and secure reinsurance cover which is price competitive, a certain level of counterparty concentration is required	Counterparty risk is limited by mainly buying hedging from reinsurance companies which as a minimum have a rating of A-
Investment	A certain level of 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	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

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

Strategic risks		
Most important risks	Risk preferences	Risk reducing activities
Generally, strategic risks are related to the Company's business model, political conditions, reputation, alliance partners' and competitors' behaviour as well as macroeconomic conditions	Low strategic risk due to strong business model	Topdanmark's business model stands strong against strategic risks. The results of the Company will, with a very high 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 life insurance could offset adverse fluctuations at the levels described as the overall collective bonus potential was DKK 1,677m at 31 December 2014 (2013: DKK 1,472m), and the bonus potential on paid-up benefits DKK 746m (2013: 2,364m).

Risk scenarios (DKKm) after taxation and pension return tax			
		2013	2014
Non-life insurance			
Underwriting risk			
Combined ratio – 1pp increase		(67)	(69)
Provisioning risk			
Provisions on own account – 1% increase		(94)	(98)
Storm claims up to DKK 5,100m (Plus reinstatement premium etc.)		(75)	(76)
Life insurance			
Disability intensity - 10% increase		0	0
Mortality intensity - 10% decline		(22)	(22)
Market risk			
Interest-bearing assets	1 pp increase	(464)	(484)
Provisions for claims and benefits etc.	in effective interest rate	441	505
Index-linked bonds	5% loss	(27)	(27)
Equities	10% loss	(82)	(68)
CDOs < AA	10% loss	(79)	(65)
Properties	10% loss	(182)	(156)
Annual currency loss with an up to 2.5% probability		(21)	(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.

The 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 has

already been aligned with the future rules of Solvency II in respect of contents and the level of capital requirements.

Individual solvency requirement

Individual solvency requirement is a set of Danish rules in force until the Solvency II rules take effect on 1 January 2016. 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 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 a partial, 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 2015 Topdanmark will not be able to recognise the full subordinated loan capital. Full recognition is expected in accordance with new rules as of 2016
- The rules on subsidiaries in the parent company's solvency and capital base will be changed in 2016. 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 2016. 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 announced by Topdanmark in 2015, except that no increase is expected in the capital base in 2016 on the basis of a difference in the provisions for outstanding claims between the accounts and Solvency II.

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 will 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. The application for Solvency II approval will be submitted to the DFSA in 2015 with expected approval of the model before Solvency II takes effect on 1 January 2016.

So far the size of the necessary solvency capital has been calculated at 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 some easing of the capital requirement as compared to previous expectations. However, in 2015 a solvency capital cover of DKK 4,700m, as a minimum, will be maintained from the solvency capital elements, shareholders' equity reduced by intangible assets (DKK 3,800m), hybrid capital (DKK 400m) and subordinated loan capital (approx. DKK 500m): see www.topdanmark.com → Investor → [Capital model](#). At the end of 2014, the calculated solvency capital was DKK 5,738m.

Topdanmark Forsikring has already issued further subordinated loan capital of DKK 250m. This amount is expected to be included in the cover of the necessary capital with effect from 2016.

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 Solvency II requirement will increase by around DKK 800m. This is not expected to affect the necessary capital, because in this case the capital increase in the solvency requirement will be reduced, because the said DKK 250m of subordinated loan capital could be included, and because supplementarily the investment risk could be adjusted.

Solvency II will take effect at the beginning of 2016. Subsequently, it will be possible to include subordinated loan capital in the solvency cover by up to 50% of the solvency requirement. Topdanmark expects to present its expected future capital structure when the Q1 2015 interim report is published on 20 May 2015.

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 is well-advanced in its preparations, and areas like organisation, data and calculation of solvency requirements are practically in place.

There are two important outstanding sub-projects, partly the new, very detailed external report to the DFSA and the report for publication on the website, and partly the approval of Topdanmark's own risk model for non-life risk to be used under Solvency II as partial internal model. Both sub-projects are proceeding to plan towards 2016.

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 → 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.

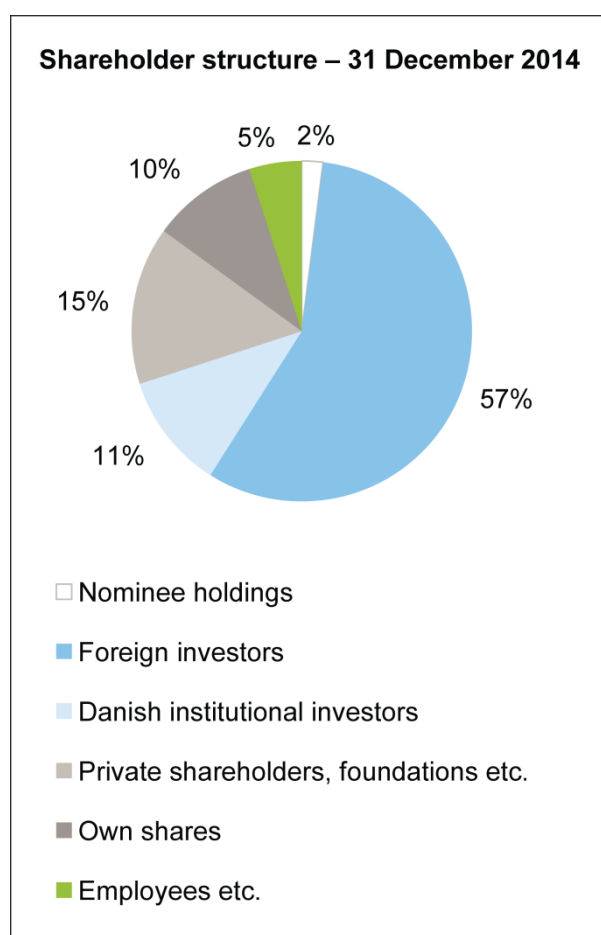
Furthermore, for the period until the Annual General Meeting in 2015, the Board of Directors is authorised to acquire own shares of up to 15% of the share capital for the purpose of ownership or security. The shares can be acquired at a minimum market price of DKK 1.05 per

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 2014 Topdanmark's share capital totalled DKK 115,000,000 divided into 115,000,000 shares of DKK 1 each, corresponding to 115,000,000 voting rights. As of 5 February 2015, Topdanmark held 12,119,000 of own shares representing 10.5% of the share capital, of which 2,300,966 shares are earmarked to cover Management's share option scheme.

Shareholders

At 31 December 2014 Topdanmark had 45,577 shareholders registered by name.



The following shareholder owns more than 5% of the share capital (27.37 %):

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

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.

The Board of Directors has made a response to its composition and qualifications in "Policy for diversity in the Board of Directors". The Company believes that, by imposing very specific requirements on the Board of Directors in advance, it may prevent the election of an evidently qualified Board candidate who does not 100% meet the requirements. Instead, an individual decision will be made on each Board candidate based upon an overall consideration of the candidate's qualifications as compared with the Company's business model and associated risks, present needs and the composition of the rest of the Board of Directors. Topdanmark believes that in a company like Topdanmark, 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 → About Topdanmark → [Executive Board and Board of Directors](#) and Board of Directors and Executive Board in this Annual Report.

Three of the nine Board members are women, two of them elected at the general meeting and one by Topdanmark's employees. 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. Topdanmark's Board of Directors has 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 five other members of the Group's 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 → 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 2015 Topdanmark has granted 211,400 share options to its Executive Board and a number of executives. The strike price of DKK 220 was fixed at 110% of the market price of Topdanmark's shares on 30 December 2014 (average of all trades).

Besides the revolving scheme referred to above, a further 151,500 share options have been granted for 2015 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
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
2015	67,782	295,118	362,900
Market value of those options granted (DKKm)	2	8	10

The options granted for 2015 may not be exercised any earlier than subsequent to the publication of the 2017 Annual Report in 2018 and no later than subsequent to the publication of the 2019 Annual Report in 2020. 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 2015 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 200.28, an interest rate corresponding to the zero coupon rate based on the swap curve on 30 December 2014, 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 2014 the exposure of the options held by the Executive Board represented 0.3% of the number of outstanding shares.

Detailed information on Topdanmark's option scheme is available on 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 → 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 → 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:

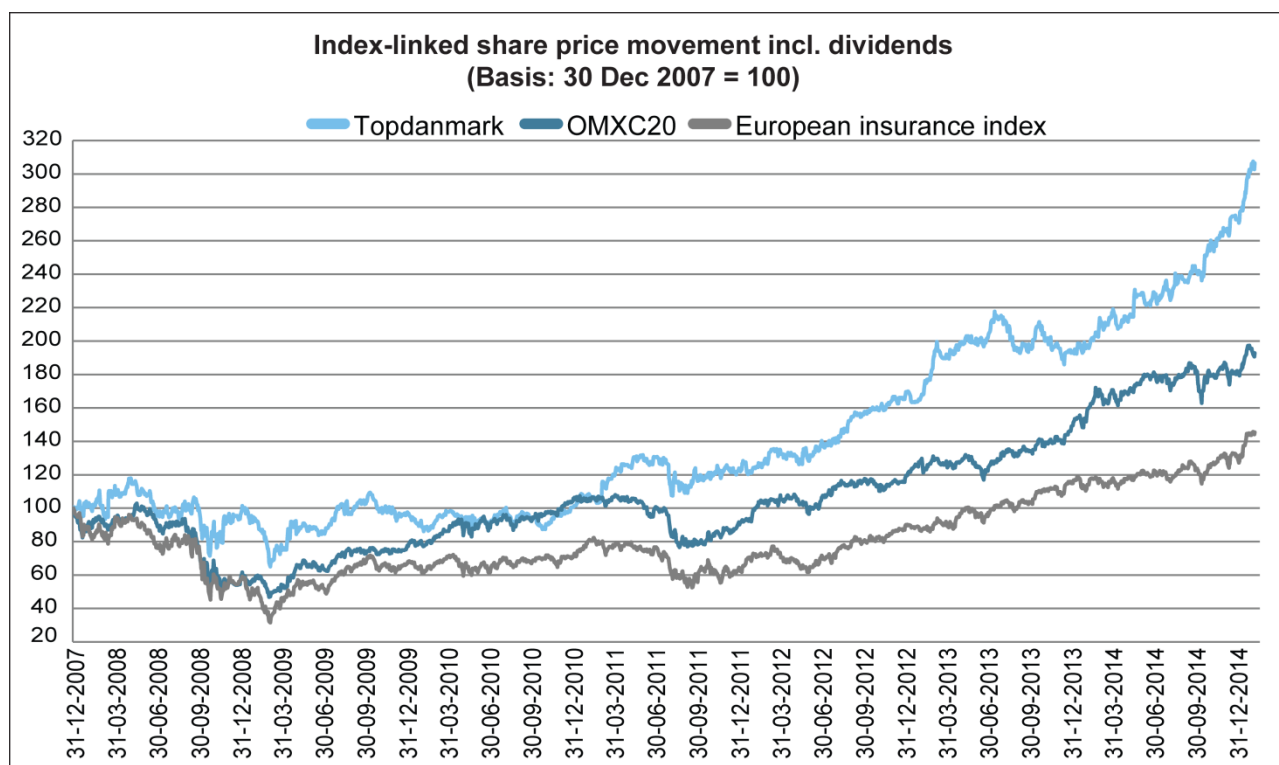
- Investor meetings
- Telephone meetings
- Conference calls
- Webcasts
- Investment and insurance conferences.

The regular contact with investors and analysts is supported by Topdanmark's website www.topdanmark.com.

Shares

Topdanmark's shares are listed on NASDAQ OMX Copenhagen and included in OMXC large Cap.

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 13.3bn of own shares representing a 72.1% write-down of the share capital. In the years 2000-2014 the average buy-back yield has been 9.5%.

Trading in Topdanmark's shares

Daily share trading on NASDAQ OMX Copenhagen was DKK 40m in 2014 (2013: DKK 52m). NASDAQ OMX Copenhagen continues to be the primary stock exchange for trading in Topdanmark's shares with a market share of 65% in 2014 (2013: 70%). Consequently, the share of the trading was 35% on other trading platforms such as BATS, Chi-x and Turquoise.

Most active brokers at NASDAQ

OMX Copenhagen in 2014	%
Danske Bank	21
Deutsche Bank	13
Nordea	10
Credit Suisse	6
Morgan Stanley	5
Merrill Lynch	4
SEB	4
Société Générale	4
Instinet Europe	4
UBS	3
ABG	3

Topdanmark is monitored by 17 analysts. Share analysts' recommendations of Topdanmark's shares are available on Topdanmark's investor site www.topdanmark.com → Investor Relations → Share profile → [Analysts](#).

Annual General Meeting

Michael Pram Rasmussen, Chairman of Topdanmark's Board of Directors since 2006, has chosen not to stand for re-election at the AGM on 15 April 2015. Michael Pram Rasmussen will resign at the next ordinary Board meeting on 4 March 2015, when Søren Thorup Sørensen, Topdanmark's present Deputy Chairman, is expected to take over the role as Chairman. At the same time Torbjörn Magnusson is expected to be appointed as Deputy Chairman. From 4 March until the AGM, Michael Pram Rasmussen will be an ordinary member of the Board of Directors.

At the AGM on 15 April 2015, the Board of Directors will propose that Bjarne Graven Larsen is elected as a new member of the Board. The intention is that the Board of Directors will elect Søren Thorup Sørensen as its Chairman and Torbjörn Magnusson as Deputy Chairman from among its members.

The Board of Directors proposes election of:

- Anders Colding Friis
- Bjarne Graven Larsen
- Torbjörn Magnusson
- Birgitte Nielsen
- Annette Sadolin
- Søren Thorup Sørensen

The AGM will be held on 15 April 2015, 15:00 (CET) at:

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

The agenda for the AGM will be distributed on 18 March 2015.

Financial calendar

AGM	15 Apr 2015
Q1 2015 Interim Report	20 May 2015
2015 Half-year Report	19 Aug 2015
Q1-Q3 2015 Interim Report	16 Nov 2015
Announcement of 2015 Annual Results	11 Feb 2016
2015 Annual Report	2 Mar 2016

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 → Investor Relations → [Company announcements](#).

2015

- 19 Feb 04/2015: Topdanmark Announcement of 2014 Annual Results
- 23 Jan 03/2015: Annual General Meeting 2015
- 05 Jan 02/2015: Topdanmark increases its holding of own shares
- 02 Jan 01/2015: Issue of options

2014

- 18 Nov 12/2014: Topdanmark's Interim Report for Q1-Q3 2014
- 29 Aug 11/2014: Share capital and voting rights in Topdanmark
- 19 Aug 10/2014: Topdanmark 2014 Half-Year Report
- 18 Aug 09/2014: Write-down of Topdanmark's share capital - Topdanmark's holding of own shares below 10%
- 20 May 08/2014: Topdanmark Interim Report Q1 2014
- 15 May 07/2014: Resignation of employee elected to the Boards of Directors of Topdanmark and Topdanmark Forsikring
- 10 Apr 06/2014: Annual General Meeting of Topdanmark – 10 April 2014
- 13 Mar 05/2014: Notice convening AGM of Topdanmark A/S
- 04 Mar 04/2014: It is proposed to elect Torbjörn Magnusson to Topdanmark's Board of Directors
- 04 Mar 03/2014: Topdanmark Annual Report 2013
- 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

Trading Reports

2015

- 26 Feb 04/2015: Trading in Topdanmark's shares by insiders
- 24 Feb 03/2015: Trading in Topdanmark's shares by insiders
- 23 Feb 02/2015: Trading in Topdanmark's shares by insiders
- 02 Jan 01/2015: CORRECTION: Trading in Topdanmark's shares by insiders
- 02 Jan 01/2015: Trading in Topdanmark's shares by insiders

2014

- 25 Nov 05/2014: Trading in Topdanmark's shares by insiders
- 26 Aug 04/2014: Trading in Topdanmark's shares by insiders
- 27 May 03/2014: Trading in Topdanmark's shares by insiders
- 11 Mar 02/2014: Trading in Topdanmark's shares by insiders
- 02 Jan 01/2014: Correction: Trading in Topdanmark's shares by insiders
- 02 Jan 01/2014: Trading in Topdanmark's shares by insiders

Board of Directors and Executive Board

Board of Directors



Michael Pram Rasmussen, Chairman ^{1), 4), 5)}

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
- Arp-Hansen Hotel Group A/S

Member of:

- Advisory Board of Danske Bank
- 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 ^{1), 3), 4), 5)}

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
- Ole Kirk's Fund

Independence:

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



Anders Colding Friis ¹⁾

DOB:

25 August 1963

Joined Topdanmark's Board of Directors:

2012

Current position held:

CEO and President of Pandora (Took up office on 1 March 2015)

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
- 2006-2015: Group CEO of Scandinavian Tobacco Group A/S (Resigned on 28 February 2015)

Education:

- MSc (Economics and Business Administration)

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 Ejnar and Meta Thorsen Foundation
- 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



Torbjörn Magnusson ¹⁾

DOB:

9 November 1963

Joined Topdanmark's Board of Directors:

2014

Current position held:

Chairman and CEO, If P&C Insurance Ltd

Previous positions held:

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

Education:

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

Offices held:

Member of the Boards of Directors of:

- Insurance Europe (Vice President)
- Insurance Sweden
- Academedia AB

Independence:

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



Per Mathiesen ^{2), 4)}

DOB:

2 June 1966

Joined Topdanmark's Board of Directors:

2013

Current position held:

Customer Advisor



Birgitte Nielsen ^{1), 3)}

DOB:

13 September 1963

Joined Topdanmark's Board of Directors:

2013

Current position held:

Professional Board Member

Previous positions held:

- 1986-1989: Dealer, Danske Bank's 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 A/S

Independence:

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



Annette Sadolin ^{1), 3)}

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 (Netherlands)
- Skodsborg Kurhotel & Spa A/S
- KNI A/S
- Østre Gasværk Teater
- Ny Carlsberg Glyptotek

Independence:

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



Desirée Schultz ²⁾

DOB:

11 May 1952

Joined Topdanmark's Board of Directors:

2011

Current position held:

Internal services employee

Offices held:

Chairman of Topdanmark's Senior Officers' Association



Aage Nedergaard Smidt ²⁾

DOB:

11 May 1953

Joined Topdanmark's Board of Directors:

2014

Current position held:

Loss adjuster

- 1) Elected at the AGM
- 2) Elected by employees
- 3) Member of Topdanmark's Audit committee
- 4) Member of Topdanmark's Remuneration committee
- 5) 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 A/S
- Gobike Danmark 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 (Economics and Business Administration)

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)	2010	2011	2012	2013	2014
NON-LIFE INSURANCE					
Gross premiums earned*	8,622	8,709	8,823	8,963	9,167
Technical interest	58	65	20	14	8
Gross claims incurred	(6,444)	(6,759)	(6,122)	(7,132)	(6,308)
Bonuses and rebates	(74)	(41)	(64)	(74)	(52)
Total operating expenses	(1,298)	(1,340)	(1,372)	(1,415)	(1,408)
Net reinsurance	(204)	312	(193)	445	(88)
TECHNICAL PROFIT ON NON-LIFE INSURANCE	660	945	1,092	801	1,321
LIFE INSURANCE					
Gross premiums written	3,341	3,242	3,059	3,511	4,448
Allocated investment return, net of reinsurance	2,233	579	2,364	2,031	2,691
Claims and benefits	(2,815)	(3,626)	(3,149)	(3,871)	(4,189)
Change in the life insurance provisions	(960)	370	(738)	1,635	831
Bonus	(369)	14	(228)	(704)	(314)
Change in the provisions for unit-linked contracts	(914)	(233)	(978)	(1,968)	(3,079)
Total operating expenses	(302)	(308)	(324)	(337)	(357)
Net reinsurance	0	1	3	(1)	1
TECHNICAL PROFIT ON LIFE INSURANCE	214	38	7	297	32
Profit on investment activities after transfer to technical results	668	359	1,263	813	697
Other income	11	47	12	19	17
Other expenses	(47)	(40)	(40)	(54)	(57)
PRE-TAX PROFIT	1,506	1,349	2,335	1,875	2,010
Taxation	(338)	(326)	(512)	(407)	(452)
PROFIT FOR THE YEAR	1,168	1,023	1,823	1,468	1,558
Run-off profits, net of reinsurance	204	148	201	306	351
Provisions for insurance and investment contracts:					
Non-life insurance	15,139	16,228	16,251	16,721	16,485
Life insurance	31,166	30,618	32,553	33,640	36,375
Total insurance assets	768	1,184	797	1,458	769
Total shareholders' equity	4,553	4,567	5,368	5,184	5,135
Total assets	57,542	61,013	59,435	61,092	64,516
Gross loss ratio (%)	75.5	78.2	70.0	80.4	69.3
Net reinsurance ratio (%)	2.4	(3.6)	2.2	(5.0)	1.0
Claims trend (%)	77.9	74.6	72.2	75.4	70.3
Gross expense ratio (%)	15.4	15.7	15.8	16.2	15.7
Combined ratio (%)	93.3	90.3	88.0	91.5	86.0
Operating ratio (%)	92.7	89.6	87.8	91.4	85.9
Relative run-off profits, net of reinsurance (%)	1.8	1.3	1.6	2.4	2.8
Return on shareholders' equity (%)	26.0	22.7	36.3	27.8	29.7

* Before deducting bonuses and rebates

Income statement • Group

(DKKm)	Note	2013	2014
NON-LIFE INSURANCE			
Gross premiums written	3	9,018	9,121
Reinsurance ceded		(726)	(661)
Change in the provisions for unearned premiums, gross	3	(56)	47
Change in the reinsurers' share of the provisions for unearned premiums		12	2
Premiums earned, net of reinsurance		8,248	8,509
Technical interest, net of reinsurance	4	14	8
Gross claims paid		(6,510)	(7,104)
Reinsurance cover received		424	1,185
Change in the provisions for claims, gross		(622)	796
Change in the reinsurers' share of the provisions for claims		653	(697)
Claims incurred, net of reinsurance	5	(6,055)	(5,819)
Bonuses and rebates		(74)	(52)
Acquisition costs		(947)	(914)
Administrative expenses		(468)	(493)
Reinsurance commission and share of profits		83	82
Total operating expenses, net of reinsurance		(1,332)	(1,325)
TECHNICAL PROFIT ON NON-LIFE INSURANCE	6	801	1,321
LIFE INSURANCE			
Gross premiums written	7	3,511	4,448
Reinsurance ceded		(5)	(7)
Premiums, net of reinsurance		3,506	4,441
Allocated investment return, net of reinsurance		2,031	2,691
Claims and benefits paid	8	(3,860)	(4,200)
Reinsurance cover received		8	9
Change in the provisions for claims and benefits		(11)	12
Claims and benefits paid, net of reinsurance		(3,862)	(4,180)
Change in the life insurance provisions	9	1,635	831
Change in the reinsurers' share		(4)	(1)
Change in the life insurance provisions, net of reinsurance		1,631	830
Bonus	10	(704)	(314)
Change in provisions for unit-linked contracts		(1,968)	(3,079)
Acquisition costs		(115)	(130)
Administrative expenses		(222)	(227)
Total operating expenses, net of reinsurance		(337)	(356)
TECHNICAL PROFIT ON LIFE INSURANCE		297	32

Income statement • Group

(DKKm)	Note	2013	2014
NON-TECHNICAL ACTIVITIES			
Technical profit on non-life insurance		801	1,321
Technical profit on life insurance		297	32
Income from associated companies		57	193
Income from investment properties	11	144	143
Interest income and dividends etc.		1,676	1,786
Revaluations	12	1,543	2,055
Interest charges		(78)	(69)
Expenses on investment business		(45)	(56)
Total investment return		3,298	4,052
Technical interest transferred to non-life insurance business		(182)	(155)
Pension return tax		(272)	(509)
Investment return transferred to life insurance business		(2,031)	(2,691)
Other income		19	17
Other expenses	13	(54)	(57)
PRE-TAX PROFIT		1,875	2,010
Taxation	14	(407)	(452)
PROFIT FOR THE YEAR		1,468	1,558
EPS (DKK)	15	12.5	14.4
EPS, diluted (DKK)	15	12.3	14.3

Statement of comprehensive income • Group

Profit for the year	1,468	1,558
Items which cannot subsequently be reclassified as profit or loss:		
Deferred tax on security fund (change in the tax percentage)	42	0
Revaluation of owner-occupied properties	2	0
Reversed revaluation of owner-occupied properties	0	(12)
Taxation	0	3
Other comprehensive income	43	(10)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,511	1,548

Assets • Group

(DKKm)	Note	2013	2014
INTANGIBLE ASSETS	16	620	610
Machinery and equipment		116	115
Owner-occupied properties		869	857
TOTAL TANGIBLE ASSETS	17	985	972
Investment properties	18	3,951	3,829
Shares in associated companies	19	892	340
Loans to associated companies	20	416	488
Total investment in associated companies		1,309	828
Shares		7,786	7,614
Unit trusts		0	32
Bonds		34,577	33,975
Loans guaranteed by mortgages		6	12
Deposits with credit institutions		1,047	2,267
Derivatives		1,056	1,873
Total other financial investment assets		44,471	45,773
TOTAL INVESTMENT ASSETS		49,731	50,430
INVESTMENT ASSETS RELATED TO UNIT-LINKED CONTRACTS	21	6,673	10,117
Reinsurers' share of the provisions for unearned premiums	22	87	89
Reinsurers' share of the life insurance provisions		34	33
Reinsurers' share of the provisions for claims and benefits	23	1,337	648
Total reinsurers' share of provisions		1,458	769
Amounts due from policyholders		346	304
Amounts due from insurance companies		65	195
Amounts due from associated companies		36	10
Other debtors		121	114
TOTAL DEBTORS		2,026	1,392
Assets held temporarily		2	3
Deferred tax assets	24	22	19
Liquid funds		420	323
Other		75	77
TOTAL OTHER ASSETS		520	422
Accrued interest and rent		373	372
Other prepayments and accrued income		164	201
TOTAL PREPAYMENTS AND ACCRUED INCOME		537	573
TOTAL ASSETS		61,092	64,516

Shareholders' equity and liabilities • Group

(DKK m)	Note	2013	2014
Share capital		125	115
Revaluation reserve		20	10
Security fund		1,146	1,146
Other reserves		34	39
Total reserves		1,180	1,185
Profit carried forward		3,860	3,825
TOTAL SHAREHOLDERS' EQUITY		5,184	5,135
SUBORDINATED LOAN CAPITAL	25	1,155	1,156
Provisions for unearned premiums	26	2,769	2,724
Guaranteed pension benefits		19,231	20,824
Bonus potential on future premiums		3,387	2,192
Bonus potential on paid-up benefits		2,364	746
Total life insurance provisions	27	24,982	23,761
Provisions for claims and benefits	28	13,929	13,723
Collective bonus potential	29	1,472	1,677
Provisions for bonuses and rebates		121	124
Provisions for unit-linked contracts	30	7,088	10,851
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		50,361	52,860
Pensions and similar commitments		30	29
Deferred tax liabilities	24	86	74
Deferred tax on security funds		306	306
TOTAL LIABILITIES PROVIDED		422	409
DEPOSITS RECEIVED FROM REINSURERS		143	154
Creditors arising out of direct insurance operations		93	315
Creditors arising out of reinsurance operations		115	34
Bond loans		58	29
Amounts due to credit institutions		2,159	1,961
Amounts due to associated companies		5	3
Current tax liabilities		15	31
Derivatives		170	870
Other creditors		1,115	1,446
TOTAL CREDITORS		3,731	4,690
ACCRUALS AND DEFERRED INCOME		96	111
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		61,092	64,516

Cash flow statement • Group

(DKK m)	2013	2014
Cash flow from operations		
Gross premiums written	8,964	9,069
Claims paid	(6,428)	(7,053)
Expenses paid	(1,343)	(1,335)
Reinsurance ceded	(55)	432
Cash flow from non-life insurance	1,137	1,113
Gross premiums written	3,569	4,740
Claims and benefits	(3,852)	(4,205)
Expenses paid	(320)	(352)
Reinsurance ceded	6	(29)
Cash flow from life insurance	(599)	154
Total cash flow from insurance business	538	1,267
Payments on investment contracts	39	295
Dividends from associated companies	0	3
Interest income and dividends etc.	1,833	1,903
Interest charges etc.	(120)	(130)
Pension return tax	(322)	(287)
Corporation tax	(472)	(434)
Other items	(32)	(39)
Total cash flow from operations	1,465	2,577
Investments		
Intangible assets, machinery and equipment	(95)	(108)
Properties	45	103
Shares in associated companies	(9)	945
Shares	(920)	1,200
Unit trusts	0	(29)
Bonds	1,849	1,333
Loans	2	1
Derivatives	534	175
Investment assets related to unit-linked contracts	(1,686)	(3,042)
Balances with associated companies	(172)	(199)
Total investments	(451)	379
Financing		
Shares bought back	(1,836)	(1,716)
Share-based payments	133	71
Sale of own shares	0	38
Bond loans	(16)	(30)
Amounts due to credit institutions	152	(198)
Total financing	(1,567)	(1,834)
Change in cash and cash equivalents	(554)	1,121
Cash and cash equivalents at 1 January	2,025	1,467
Revaluation of cash and cash equivalents	(20)	1
Purchase of associated company	15	0
Cash and cash equivalents at 31 December	1,467	2,590
Cash and cash equivalents comprise:		
Liquid funds	420	323
Deposits with credit institutions	1,047	2,267
	1,467	2,590

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
2013						
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)
Shareholders' equity at 31 December 2013	125	20	1,146	34	3,860	5,184
2014						
Shareholders' equity at 31 December prior year	125	20	1,146	34	3,860	5,184
Profit for the year				5	1,553	1,558
Other comprehensive income		(9)		0	(0)	(10)
Total comprehensive income for the year		(9)		5	1,553	1,548
Cancellation of own shares	(10)				10	0
Share buy-back					(1,716)	(1,716)
Sale of own shares					38	38
Reclassification of share options					(30)	(30)
Issue of share options					10	10
Exercise of share options					93	93
Taxation					8	8
Other transactions	(10)				(1,587)	(1,597)
Shareholders' equity at 31 December 2014	115	10	1,146	39	3,825	5,135

Notes to the financial statements • Group

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Taxation	14
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Intangible assets	16
Tangible assets	17
Investment properties	18
Shares in associated companies	19
Loans to associated companies	20
Investment assets related to unit-linked contracts	21
Reinsurers' share of the provisions for unearned premiums	22
Reinsurers' share of the provisions for claims	23
Deferred tax	24
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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
2013								
Non-life insurance								
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
Life insurance								
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)
Investment return				575	100	115	23	813
Other items				20	50	(42)	(64)	(35)
Pre-tax profit				1,361	442	73	0	1,875
Taxation								(407)
Profit for the year								1,468
2014								
Non-life insurance								
Gross premiums earned	5,021	4,116	(20)	9,116				9,116
Technical interest*	4	4	(0)	8				8
Claims incurred	(3,428)	(2,911)	19	(6,320)			12	(6,308)
Expenses	(822)	(608)	3	(1,427)			20	(1,408)
Net reinsurance	3	(91)	0	(88)				(88)
Technical profit on non-life insurance	778	510	1	1,289			32	1,321
Life insurance								
Gross premiums written					4,448			4,448
Allocated investment return					2,691			2,691
Benefits and change in provisions					(6,750)			(6,750)
Expenses					(362)		5	(357)
Net reinsurance					1			1
Technical profit on life insurance					27		5	32
Total investment return				669	3,265	54	63	4,052
Pension return tax				(35)	(473)			(509)
Transferred to technical result				(155)	(2,691)			(2,846)
Investment return				478	101	54	63	697
Other items				36	72	(48)	(100)	(40)
Pre-tax profit				1,803	200	7	0	2,010
Taxation								(452)
Profit for the year								1,558
Amortisations:								
2013	79	64		142	1	0		144
2014	63	58		121	1	0		122

*After discounting DKK 147m (2013: DKK 168m)

Notes to the financial statements • Group

(DKKm)

Note 2. Segment information balance sheet

	Non-life	Life	Parent etc.	Elimin- ated	Group
2013					
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
Total assets	22,791	40,968	158	(2,824)	61,092
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
Total liabilities	19,586	38,436	711	(2,824)	55,908
Purchase of tangible and intangible assets	87	19	0		106
Results from associated companies	6	52	0		57
2014					
Intangible assets	561	49	0		610
Tangible assets	958	12	3		972
Investment properties	455	3,309	66		3,829
Loans to affiliated companies	300	0	0	(300)	0
Shares in associated companies	57	283	0		340
Loans to associated companies	0	488	0		488
Other financial investment assets	16,255	29,511	7		45,773
Investment assets related to unit-linked contracts	0	10,117	0		10,117
Reinsurers' share of provisions	736	33	0		769
Amounts due from affiliated companies	1,681	27	102	(1,810)	0
Other assets	1,016	593	8		1,617
Total assets	22,019	44,421	186	(2,110)	64,516
Subordinated loan capital	749	300	407	(300)	1,156
Total provisions for insurance and investment contracts	16,485	36,375	0		52,860
Amounts due to affiliated companies	178	1,593	39	(1,810)	0
Other liabilities	1,958	3,314	93		5,365
Total liabilities	19,370	41,582	539	(2,110)	59,381
Purchase of tangible and intangible assets	84	33	0		117
Results from associated companies	5	188	0		193

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)	2013	2014
Note 3. Gross premiums earned - non-life insurance		
Gross premiums written	9,018	9,121
Change in gross provisions for unearned premiums	(56)	47
Gross premiums earned	8,963	9,167
Gross premiums earned, direct business, by location of the risk:		
Denmark	8,958	9,162
Other EU-countries	4	4
Other countries	1	1
	8,963	9,167

Note 4. Technical interest, net of reinsurance - non-life insurance		
Calculated interest	182	155
Discounting (amortisation) of technical provisions and reinsurers' share	(168)	(147)
Technical interest, net of reinsurance	14	8

Note 5. Claims incurred, net of reinsurance - non-life insurance		
Run-off profit:		
Gross business	387	253
Reinsurance ceded	(81)	97
Run-off profit, net of reinsurance	306	351
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	(163)	(211)

Note 6. Technical result - non-life insurance		
Gross premiums written	9,018	9,121
Gross premiums earned	8,963	9,167
Gross claims incurred	(7,132)	(6,308)
Bonuses and rebates	(74)	(52)
Gross operating expenses	(1,415)	(1,408)
Net reinsurance	445	(88)
Technical interest, net of reinsurance	14	8
Technical profit	801	1,321
Gross loss ratio (%)	80.4	69.3
Combined ratio (%)	91.5	86.0
Run-off profits, net of reinsurance	306	351
Claims provisions, net of reinsurance	12,494	12,989
Number of claims incurred ('000)	462	418
Average value of claim (DKK '000)	16	16
Annual frequency of claims	123	109

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)

Note 6. Technical result - non-life - continued	2013	2014	2013	2014	2013	2014
						Workers' compensation
			Illness and accident	Health insurance		
Gross premiums written	1,160	1,201	108	130	715	713
Gross premiums earned	1,153	1,204	124	132	712	707
Gross claims incurred	(683)	(758)	(102)	(99)	(605)	(574)
Bonuses and rebates	(11)	(5)	3	(7)	(5)	(3)
Gross operating expenses	(166)	(168)	(10)	(11)	(93)	(90)
Net reinsurance	(9)	(5)	0	(0)	(8)	(7)
Technical interest, net of reinsurance	2	1	0	0	2	1
Technical profit	286	269	15	16	3	34
Gross loss ratio (%)	59.9	63.4	80.3	78.7	85.7	81.6
Combined ratio (%)	75.4	78.0	88.4	87.6	100.2	95.6
Run-off profits / (losses), net of reinsurance	139	106	(6)	(4)	63	52
Claims provisions, net of reinsurance	2,916	3,041	49	52	5,642	6,079
Number of claims incurred ('000)	22	23	16	19	11	9
Average value of claim (DKK '000)	38	37	6	6	64	72
Annual frequency of claims	23	23	448	456	204	166
			Motor third-party liability	Motor own damage	Fire and property Personal	
Gross premiums written	799	741	1,514	1,526	1,930	1,955
Gross premiums earned	810	776	1,486	1,543	1,919	1,976
Gross claims incurred	(726)	(688)	(786)	(819)	(1,690)	(1,436)
Bonuses and rebates	(3)	(3)	(5)	(5)	(5)	(5)
Gross operating expenses	(157)	(150)	(204)	(200)	(296)	(302)
Net reinsurance	2	(7)	14	(4)	121	21
Technical interest, net of reinsurance	1	1	3	1	3	2
Technical profit / (loss)	(72)	(72)	507	517	52	257
Gross loss ratio (%)	90.1	89.1	53.1	53.3	88.4	73.0
Combined ratio (%)	109.6	109.8	66.2	66.7	97.8	87.4
Run-off profits / (losses), net of reinsurance	85	50	7	(9)	(7)	43
Claims provisions, net of reinsurance	1,697	1,767	114	133	633	563
Number of claims incurred ('000)	30	30	93	93	144	115
Average value of claim (DKK '000)	27	24	9	9	12	12
Annual frequency of claims	49	51	187	189	210	165
			Fire and property SME	Liability	Other insurance	
Gross premiums written	1,833	1,853	370	389	589	611
Gross premiums earned	1,814	1,847	368	393	578	590
Gross claims incurred	(1,854)	(1,326)	(249)	(210)	(438)	(400)
Bonuses and rebates	(34)	(11)	(3)	(2)	(12)	(11)
Gross operating expenses	(320)	(315)	(67)	(65)	(103)	(107)
Net reinsurance	347	(53)	(14)	(26)	(8)	(6)
Technical interest, net of reinsurance	2	1	1	0	1	1
Technical profit / (loss)	(45)	143	37	91	18	67
Gross loss ratio (%)	104.4	72.4	68.1	53.7	77.4	69.1
Combined ratio (%)	103.1	92.7	90.5	77.2	97.0	88.6
Run-off profits / (losses), net of reinsurance	22	41	(2)	40	4	31
Claims provisions, net of reinsurance	644	564	528	524	272	265
Number of claims incurred ('000)	45	27	8	8	94	94
Average value of claim (DKK '000)	43	50	33	33	5	5
Annual frequency of claims	241	138	93	90	145	144

Notes to the financial statements • Group

(DKKm)	2013	2014
Note 7. Gross premiums written - life insurance		
Individual policies	345	330
Policies which are part of a tenure	1,385	1,456
Group life	404	404
Regular premiums	2,134	2,191
Individual policies	206	535
Policies which are part of a tenure	1,171	1,721
Single premiums	1,377	2,257
Gross premiums	3,511	4,448
Gross premiums written, direct business, by the policyholders' location:		
Denmark	3,481	4,391
Other EU-countries	27	51
Other countries	4	6
	3,511	4,448
Proportion of gross premiums represented by premiums related to unit-linked contracts not eligible for bonus investment risk is taken by the policyholder.		
	1,881	3,155
All other gross premiums relate to bonus eligible insurance contracts.		
Number of policyholders at 31 December ('000):		
Individual policies	50	46
Policies which are part of a tenure	81	80
Group life	162	151
Note 8. Claims and benefits paid - life insurance		
Claims payable on death	118	136
Claims payable on maturity	480	305
Pension and annuity payments	584	589
Surrenders	2,417	2,942
Bonuses paid in cash	260	228
Claims and benefits paid	3,860	4,200
Surrenders in 2014 includes advanced tax of DKK 761m on capital pension schemes.		
Note 9. Change in life insurance provisions		
Guaranteed benefits	1,847	(1,982)
Bonus potential on future premiums	302	1,195
Bonus potential on paid-up benefits	(515)	1,618
Change in life insurance provisions	1,635	831
Note 10. Bonus		
Provisions for collective bonus potential at 1 January	768	1,472
Provisions for collective bonus potential at 31 December	1,472	1,677
Change in provisions for collective bonus potential	704	205
Advanced tax on capital pension schemes		
Accumulated revaluation	-	48
Collective bonus potential	-	62
Bonus	704	314
Note 11. Income from investment properties		
Rental income	219	199
Operating expenses from properties rented out	(55)	(39)
Operating expenses from properties not rented out	(10)	(9)
Gross profit	153	152
Administrative expenses	(9)	(9)
Income from investment properties	144	143

Notes to the financial statements • Group

(DKKm)	2013	2014
Note 12. Revaluations		
Held for trading:		
Shares	1,060	1,029
Unit trusts	0	3
Bonds	(456)	731
Loans guaranteed by mortgages	(1)	(0)
Derivatives	(45)	300
Total held for trading	559	2,062
Investment assets related to unit-linked contracts:		
Shares	569	654
Unit trusts	64	107
Bonds	(9)	(2)
Derivatives	49	(357)
Total designated at fair value	674	403
Revaluations of financial assets and liabilities at fair value through profit or loss	1,233	2,465
Of which revaluation of derivatives transferred to claims incurred	163	211
Investment properties	(64)	(11)
Shares in associated companies	0	51
Provisions for claims and benefits	231	(663)
Reinsurers' share	(1)	3
Provisions for unearned premiums	1	(1)
Liquid funds	(20)	1
Other	1	(1)
Revaluations	1,543	2,055

Note 13. Other expenses

Holding expenses	41	47
Other	13	10
Other expenses	54	57

Note 14. Taxation

Current tax	436	460
Change in deferred tax	(24)	(9)
Change in deferred tax on security funds	(42)	0
Prior year adjustment	(1)	(6)
Tax in foreign companies	(2)	(3)
Tax for the year	367	441
Tax taken to other comprehensive income	42	3
Tax taken to shareholders' equity	(1)	8
Taxation	407	452
Calculated tax on profit for the year (24.5%)	469	493
Adjusted for the tax effect of:		
Returns on shares etc. not liable to tax	(47)	(31)
Non-deductible expenses / income not liable to tax	(5)	(6)
Change in rate of taxation	(8)	0
Prior year adjustment	(2)	(4)
	407	452
Effective rate of taxation	21.7	22.5

Note 15. Profit per share

Profit for the year	1,468	1,558
Average number of shares ('000)	117,904	107,908
Diluting impact of options ('000)	1,227	897
Average number of shares, diluted ('000)	119,131	108,805
EPS (DKK)	12.5	14.4
EPS, diluted (DKK)	12.3	14.3

Notes to the financial statements • Group

(DKKm)

Note 16. Intangible assets

	Goodwill	software	Completed IT developm't projects	Developm't projects under con- struction	Total
2013					
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)
Intangible assets 2013	441	26	105	48	620
2014					
Cost / valuation at 1 January	441	199	452	48	1,140
Purchased	0	13	0	55	67
Transferred	0	0	39	(39)	0
Sold	0	0	(2)	0	(2)
Cost / valuation at 31 December	441	211	489	64	1,205
Impairment and amortisation at 1 January	0	(173)	(347)	0	(520)
Amortisation for the year	0	(16)	(61)	0	(77)
Disposals	0	0	2	0	2
Impairment and amortisation at 31 December	0	(189)	(406)	0	(595)
Intangible assets 2014	441	22	83	64	610

Completed development projects includes primarily the Group's 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 10% (2013: 12%) corresponding to 7.5% (2013: 9.0%) post-tax. Goodwill relates to the personal segment.

Note 17. Tangible assets

	Machinery & equip- ment	Owner- occupied properties	Total
2013			
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)
Tangible assets 2013	116	869	985

Notes to the financial statements • Group

(DKKm)

Note 17. Tangible assets - continued

	Machinery & equip- ment	Owner- occupied properties	Total
2014			
Cost / revaluation at 1 January	413	869	1,282
Additions, including improvements	48	2	50
Disposals	(23)	0	(23)
Revaluation taken to other comprehensive income	0	(12)	(12)
Transferred on revaluation	0	(2)	(2)
Cost / revaluation at 31 December	438	857	1,295
Impairment and amortisation at 1 January	(297)	0	(297)
Amortisation for the year	(44)	(2)	(45)
Transferred on revaluation	0	2	2
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	18	0	18
Impairment and amortisation at 31 December	(323)	0	(323)
Tangible assets 2014	115	857	972

2013 2014

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 (2013: 40m) in the overall fair value of owner-occupied properties.

Average return requirement	5.3%	5.3%
Cost of revalued owner-occupied properties	747	749

Note 18. Investment properties

Fair value at 1 January	3,983	3,951
Additions - improvements	40	208
Disposals	(4)	(324)
Fair value revaluation for the year taken to to revaluations	(68)	(6)
Investment properties	3,951	3,829
Non-residential	3,124	2,787
Residential and part residential	828	836
Land and buildings under construction	0	206
	3,951	3,829

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 167m (2013: 182m) in the overall fair value of investment properties.

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

Notes to the financial statements • Group

(DKKm)	2013	2014
Note 19. Shares in associated companies		
Book value at 1 January	928	892
Disposals	(92)	(794)
Profit on disposal	0	51
Share of profit	57	193
Dividends received	0	(3)
Shares in associated companies	892	340

2013	Percentage share	Share-holders' equity	Assets	Liabilities	Income	Result
Bornholms Brandforsikring A/S, Rønne Captives, Luxembourg	27	137	231	94	107	18
EjendomsSelskabet af Januar 2002 A/S, Copenhagen	10-20	69	532	463	148	3
Dantop Ejendomme ApS, Copenhagen	25	442	479	37	23	40
Det Tyske Ejendomsselskab P/S, Ballerup	50	166	186	20	7	9
Margrethholm P/S, Hellerup	50	1,281	1,580	300	-	75
	50	0	507	507	0	0
		2,095	3,515	1,420	284	145

2014	Percentage share	Share-holders' equity	Assets	Liabilities	Income	Result
Bornholms Brandforsikring A/S, Rønne Captives, Luxembourg	27	155	273	119	110	18
EjendomsSelskabet af Januar 2002 P/S, Copenhagen	10-20	40	162	122	75	0
Dantop Ejendomme P/S, Copenhagen	25	462	475	12	21	30
Margrethholm P/S, Hellerup	50	166	173	6	6	1
	50	18	1,018	1,001	20	17
		841	2,100	1,259	233	66

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 20. Loans to associated companies

Average effective interest rate	0.5%	0.0%
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Note 21. Investment assets related to unit-linked contracts

Shares	2,896	4,645
Unit trusts	1,113	1,460
Bonds	2,650	3,905
Deposits with credit institutions	14	23
Derivatives	0	83
Investment assets related to unit-linked contracts	6,673	10,117

Note 22. Reinsurers' share of the provisions for unearned premiums

Reinsurers' share at 1 January	75	87
Reinsurance ceded	726	661
Reinsurance earned	(714)	(659)
Reinsurers' share of the provisions for unearned premiums at 31 December	87	89

Notes to the financial statements • Group

(DKKm)	2013	2014
Note 23. Reinsurers' share of the provisions for claims		
Non-life insurance		
Reinsurers' share at 1 January	683	1,337
Reimbursement of claims relating to previous years	(268)	(1,006)
Change in expected income relating to previous years	(81)	97
Reimbursement of claims relating to this year	(157)	(180)
Expected income relating to this year	1,157	392
Discounting effect (annual amortisation)	3	4
Revaluation	(1)	3
Reinsurers' share of the provisions for claims at 31 December	1,337	648

Note 24. Deferred tax	2012	2013	2014
Properties	(65)	(71)	(59)
Machinery and equipment	(35)	(16)	(11)
Provisions	(9)	0	0
Liabilities provided	8	7	7
Other	13	16	9
Deferred tax	(88)	(64)	(55)
Recognised as:			
Deferred tax assets	20	22	19
Deferred tax liabilities	(109)	(86)	(74)
	(88)	(64)	(55)
Changes relating to the year		24	9
Non-capitalised balance of equity losses that can be carried forward		131	0

Note 25. Subordinated loan capital

	Hybrid core capital	Subordinated loan capital	Subordinated loan capital
Borrower	Topdanmark A/S	Topdanmark Forsikring A/S	
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
		2013	2014
Interest charges		61	61
Hybrid core capital has been fully included in the parent company's capital base		407	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		256	256

Notes to the financial statements • Group

(DKKm)	2013	2014
Note 26. Provisions for unearned premiums		
Provisions for unearned premiums at 1 January	2,713	2,769
Gross premiums written	9,018	9,121
Premiums earned	(8,963)	(9,167)
Discounting	1	1
Revaluation	(1)	1
Provisions for unearned premiums at 31 December	2,769	2,724

Note 27. Life insurance provisions

Life insurance provisions at 1 January	26,941	24,982
Accumulated revaluation at 1 January	(1,803)	(1,445)
Retrospective provisions at 1 January	25,138	23,537
Gross premiums written	1,630	1,293
Accrued interest	563	557
Claims and benefits	(3,279)	(3,442)
Expense loading inclusive of expense bonus	(142)	(131)
Risk gain after allocating policyholders' risk bonus	(95)	(77)
Other	45	21
Intra-group transfers	(323)	(390)
Retrospective provisions at 31 December	23,537	21,370
Accumulated revaluation at 31 December	1,445	2,392
Life insurance provisions at 31 December	24,982	23,761
Guaranteed benefits	19,231	20,824
Bonus potential on future premiums	3,387	2,192
Bonus potential on paid-up benefits	2,364	746
Life insurance provisions	24,982	23,761

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

	4	1
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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
2013				
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
Total 2013		19,231	3,387	2,364

Notes to the financial statements • Group

(DKKm)

Note 27. Life insurance provisions - continued

Portfolios analysed by capitalisation rates	Capitalisation rate	Guaranteed benefits	Bonus potential on future premiums	Bonus potential on paid-up benefits
2014				
Interest rate group 9 and 10	1%	535	518	125
Interest rate group 1 and 3	]1%-2%]	9,004	1,074	518
Interest rate group 2 and 4	]2%-3%]	3,678	376	60
Interest rate group 5	]3%-4%]	1,359	60	7
Interest rate group 6	]4%-5%[	5,237	162	16
Interest rate group 7	5%	196	1	1
Group Life		247	0	0
U74-life annuities		341	0	0
Other		227	0	18
Total 2014		20,824	2,192	746

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 28. Provisions for claims

	2013	2014
Non-life insurance:		
Gross		
Provisions at 1 January	13,434	13,831
Claims paid relating to previous years	(3,130)	(3,738)
Change in expected claims payments relating to previous years	(387)	(253)
Claims paid relating to this year	(3,379)	(3,366)
Expected claims payments relating to this year	7,519	6,561
Inflation hedging	(163)	(211)
Discounting (annual amortisation)	169	150
Revaluation	(231)	663
Gross provisions at 31 December	13,831	13,637
Net of reinsurance		
Provisions at 1 January	12,750	12,494
Claims paid relating to previous years	(2,863)	(2,732)
Change in expected claims payments relating to previous years	(306)	(351)
Claims paid relating to this year	(3,223)	(3,186)
Expected claims payments relating to this year	6,361	6,169
Inflation hedging	(163)	(211)
Discounting (annual amortisation)	166	146
Revaluation	(229)	660
Non-life insurance, net of reinsurance, at 31 December	12,494	12,989
Life insurance	98	86
Provisions for claims, net of reinsurance	12,592	13,076
Provisions for workers' compensation insurance, net of reinsurance	5,642	6,079
Average period of settlement	8 years	8 years
Illness / accident insurance, net of reinsurance, administered by the life insurance business	1,946	2,066
Average period of settlement	14 years	13 years

Notes to the financial statements • Group

(DKKm)

Note 28. Provisions for claims - continued

Claims liabilities analysed by claims year

Gross	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	Total
End of year	6,652	7,549	6,414	7,203	6,814	6,730	6,559	6,400	6,122	7,079	
1 year later		7,755	6,439	7,347	6,834	6,526	6,753	6,426	5,934	6,776	
2 years later			6,455	7,282	6,952	6,585	6,769	6,473	5,778	6,612	
3 years later				7,274	6,926	6,583	6,887	6,492	5,682	6,538	
4 years later					6,865	6,513	6,851	6,576	5,718	6,465	
5 years later						6,521	6,735	6,576	5,737	6,499	
6 years later							6,763	6,537	5,721	6,476	
7 years later								6,575	5,699	6,482	
8 years later									5,752	6,433	
9 years later										6,453	67,065
Less paid incl. inflation hedging	3,370	5,732	5,014	6,154	5,924	5,807	5,852	5,816	5,295	6,136	55,098
Provisions before discounting at 31 December	3,283	2,023	1,441	1,120	941	713	911	759	457	317	11,967
Discounting	(18)	(10)	(5)	(3)	(2)	(1)	(1)	(0)	(0)	(0)	(40)
	3,264	2,014	1,436	1,117	940	713	911	759	457	317	11,928
Provisions relating to previous years at 31 December											1,709
Gross provisions at 31 December 2014 - non-life insurance											13,637
Net of reinsurance											
End of year	6,259	6,387	6,028	6,164	6,385	6,389	6,227	6,073	5,813	5,733	
1 year later		6,461	6,098	6,268	6,433	6,191	6,429	6,096	5,651	5,455	
2 years later			6,115	6,218	6,564	6,286	6,467	6,148	5,505	5,321	
3 years later				6,205	6,553	6,295	6,594	6,168	5,407	5,252	
4 years later					6,509	6,226	6,556	6,249	5,451	5,192	
5 years later						6,235	6,446	6,247	5,470	5,226	
6 years later							6,475	6,210	5,456	5,213	
7 years later								6,251	5,436	5,224	
8 years later									5,488	5,174	
9 years later										5,194	61,193
Less paid incl. inflation hedging	3,190	4,683	4,718	5,136	5,590	5,557	5,575	5,497	5,036	4,881	49,863
Provisions before discounting at 31 December	3,069	1,778	1,397	1,068	919	678	900	754	453	313	11,330
Discounting	(17)	(7)	(5)	(3)	(2)	(1)	(1)	(0)	(0)	(0)	(35)
	3,052	1,771	1,392	1,066	917	677	900	754	453	313	11,294
Provisions relating to previous years at 31 December											1,695
Provisions, net of reinsurance, at 31 December 2014 - non-life insurance											12,989
Reconciliation:											
Provisions for claims											13,723
Less amount relating to life insurance											(86)
Less reinsurers' share of provisions											(648)
Provisions, net of reinsurance, at 31 December 2014 - non-life insurance											12,989
Composition of expected payments, net of reinsurance:											
Original payment	6,199	6,397	5,991	6,062	6,379	6,361	6,148	6,068	5,807	5,714	61,126
Loss / (gain) on settlement		(22)	10	(70)	(62)	(391)	(107)	(233)	(620)	(743)	(2,239)
Discounting / revaluation											
workers' compensation insurance and illness / accident	60	87	115	213	191	265	434	416	302	223	2,306
	6,259	6,461	6,115	6,205	6,509	6,235	6,475	6,251	5,488	5,194	61,193

The table shows the historical development in the estimated final liability (the sum of claims payments and provisions) for each claims year from 2005. 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 Topdanmark Livsforsikring A/S are included at discounted values.

Notes to the financial statements • Group

(DKKm)

Note 29. Collective bonus potential

	Capitalisation rate	Bonus ratio		2013	2014
		2013	2014		
Interest rate group 9	1%	7.1%	8.3%	65	76
Interest rate group 10	1%	5.9%	10.9%	21	31
Interest rate group 1	]1%-2%]	3.4%	4.3%	373	421
Interest rate group 3	]1%-2%]	8.8%	8.6%	45	41
Interest rate group 2	]2%-3%]	0.6%	0.0%	23	0
Interest rate group 4	]2%-3%]	10.6%	9.6%	51	49
Interest rate group 5	]3%-4%]	10.6%	9.1%	124	105
Interest rate group 6	]4%-5%]	12.9%	17.9%	572	690
Interest rate group 7	5%	30.2%	52.4%	48	72
Risk groups				143	181
Cost groups				8	12
Collective bonus potential				1,472	1,677

Note 30. Provisions for unit-linked contracts

	Insurance contracts	Investment contracts	Total
2013			
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
Provisions for unit-linked contracts 2013	6,534	554	7,088
2014			
Gross provisions at 1 January	6,534	554	7,088
Retrospective provisions at 1 January	6,534	554	7,088
Gross premiums written	3,155	374	3,529
Return	664	56	720
Claims and benefits	(747)	(79)	(826)
Expense loading inclusive of expense bonus	(35)	(3)	(38)
Risk gain after addition of risk bonus	11	0	11
Premiums waived transferred to life insurance provisions	(22)	0	(22)
Intra-group transfers	356	34	390
Retrospective provisions at 31 December	9,915	936	10,851
Provisions for unit-linked contracts 2014	9,915	936	10,851

	2013	2014
Number of customers with investment contracts	2,981	4,599
The contracts written do not have guarantees.		

Note 31. Technical basis for risk allowance and shadow account

Customers' share of technical basis for risk allowance	1,362	811
Share of technical basis for risk allowance allocated to shareholders' equity	78	77
Insurance technical result	1,440	888

The allocation of the technical basis for risk allowance to policyholders is in accordance with the order on contribution principle.

Notes to the financial statements • Group

(DKK m)

2013 2014

Note 31. Technical basis for risk allowance and shadow account - continued

Shadow account at 1 January		236	72
Amortised		0	(52)
Return		7	1
Provided/(used)		(171)	5
Shadow account at 31 December		72	26

Shadow account by interest rate, risk and cost groups:

	Capitalisation rate	Maximum value		Expected future recognition as income	
		2013	2014	2013	2014
Interest rate group 2	[2%-3%]	0	8	0	8
Risk groups		29	14	10	14
Cost groups		43	4	0	4
Total shadow account		72	26	10	26

Note 32. Advanced tax

2013 2014

The Company has calculated advanced tax of a total of DKK 871 m on capital pension schemes, analysed as follows:

Paid tax on savings			761
Calculated tax on:			
Accumulated revaluation			48
Collective bonus potential			62
Total advanced tax			871

Tax on accumulated revaluation and collective bonus potential to be settled in 2015.

Note 33. Expenses

Expenses by their nature:			
Commission - non-life insurance		253	228
Commission - life insurance		47	58
Staff costs (excl. commission)		1,718	1,768
Other staff costs		118	131
Premises costs etc.		153	151
IT operations and maintenance		162	190
Impairment and amortisation		144	122
Other expenses		151	171
Total expenses		2,746	2,819

These expenses have been disclosed in:

Non-life insurance:			
Acquisition costs		947	914
Administrative expenses		468	493
Claims paid (claims handling and assessment)		820	886
		2,235	2,294
Life insurance:			
Acquisition costs		115	130
Administrative expenses		222	227
		337	357
Income from investment properties (administration and operation)		75	56
Expenses on investment business		45	56
Other expenses		54	57
Total expenses		2,746	2,819

Note 34. Auditors' fee

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*		4	4
		9	8

*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)	2013	2014
Note 35. Staff costs		
Salaries	1,475	1,488
Pensions	234	240
Social security costs	41	42
Payroll tax	189	203
Share options	7	8
	1,947	1,981
Average number of full-time employees	2,616	2,641

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	
2013						
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		
2014						
Outstanding at 1 January		781	1,942	118	2,840	
Granted	157	87	394	0	481	
Exercised		(547)	(751)	(86)	(1,384)	
Outstanding at 31 December 2014		321	1,586	32	1,938	
Average strike price at 31 December 2014		126	118	115		
Per granting:	Exercise period					
2010	March 2013 - February 2015	78	0	109	0	109
2011	March 2014 - February 2016	81	0	200	0	200
2012	March 2015 - February 2017	99	127	458	17	602
2013	March 2016 - February 2018	133	107	425	15	547
2014	March 2017 - February 2019	157	87	394	0	481
Outstanding at 31 December 2014		321	1,586	32	1,938	
Average strike price exercised options 2013		77	77	76	77	
Average strike price exercised options 2014		78	79	78	78	
Average current price on date of exercise 2013					133	
Average current price on date of exercise 2014					171	
Fair value of granting 2013		2	7		9	
Fair value of granting 2014		2	8		10	
Fair value at 31 December 2013		42	94	6	142	
Fair value at 31 December 2014		23	125	3	150	

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 (2013: DKK 121.14) 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% (2013: 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.

	2013	2014
Number of options which could be exercised on 31 December ('000)	1,079	308

Severance pay

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

Notes to the financial statements • Group

(DKKm) 2013 2014

Note 36. 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 4,712,000 (2013: DKK 4,631,000) of which DKK 244,000 (2013: 244,000) related to Topdanmark Forsikring A/S.

Fee (DKK '000):

Michael Pram Rasmussen	1,300	1,192
Søren Thorup Sørensen	758	975
Anders Colding Friis	325	325
Torbjörn Magnusson	-	217
Per Mathiesen	244	325
Birgitte Nielsen	217	433
Annette Sadolin	488	488
Desiree Schultz	325	325
Aage Nedergaard Smidt	-	203
Charlotte Hougaard	325	122
Jens Maaløe	325	108
Anders Knutsen	244	-
Trine Zappe	81	-
Total fee paid to nine Board members	4,631	4,712

The Board of Directors receive only a fixed remuneration.

Remuneration of the Executive Board

Salaries etc.	18	19
Share options	2	2
Total remuneration to three members of the Executive Board	20	20
Christian Sagild	8.6	8.8
Kim Bruhn-Petersen	5.7	5.8
Lars Thykier	5.6	5.7
	19.9	20.3

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	29,130	25,970
Bonds, nominal value DKK '000	157	82
Subordinated notes (subordinated loan capital) Topdanmark Forsikring, nominal value DKK '000	12,050	6,050
Executive Board		
Number of shares	173,430	83,430
Bonds, nominal value DKK '000	1,146	690

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	107	92
Commission received	(6)	(6)
Reimbursed claims	(240)	(145)
Reinsurers' share of provisions	50	23

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

(DKKm)	2013	2014
Note 37. Financial assets		
Financial assets at fair value where the revaluation is taken to the income statement		
Held for trading:		
Shares	7,786	7,614
Bonds	34,577	33,975
Loans guaranteed by mortgages and other loans	6	12
Derivatives	1,056	1,873
	43,424	43,475
Designated at fair value:		
Deposits with credit institutions	1,047	2,267
Investment assets related to unit-linked contracts	6,673	10,117
	7,720	12,384
Total financial assets at fair value where the revaluation is taken to the income statement	51,144	55,859
Loans and receivables at amortised cost		
Loans to associated companies	416	488
Amounts due from policyholders	346	304
Amounts due from insurance companies	65	195
Other debtors	121	114
Liquid funds	420	323
Other	111	87
	1,479	1,511
Total financial assets	52,623	57,370
The book value of loans and receivables at amortised cost approximately corresponds to fair value.		

(DKKbn)

2013	Quoted prices Level 1	Observable inputs Level 2	Non- observable inputs Level 3	Total
Financial assets recorded at fair value				
Held for trading:				
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
Designated at fair value:				
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		6.7
Total financial assets at fair value	26.0	25.1	0.1	51.1
2014				
Financial assets recorded at fair value				
Held for trading:				
Shares	5.3	2.3		7.6
Government bonds	4.7	1.5		6.2
Mortgage bonds	7.0	16.8		23.8
CDOs	0.0	2.1		2.1
Credits	1.2	0.5	0.2	1.9
Bonds	12.9	20.9	0.2	34.0
Loans guaranteed by mortgages and other loans		0.0		0.0
Derivatives		1.9		1.9

Notes to the financial statements • Group

(DKKbn)

Note 37. Financial assets - continued

2014	Quoted prices Level 1	Observable inputs Level 2	Non- observable inputs Level 3	Total
Financial assets recorded at fair value				
Designated at fair value:				
Deposits with credit institutions		2.3		2.3
Shares	4.5	0.1		4.6
Unit trusts	1.5	0.0		1.5
Bonds	0.7	3.2		3.9
Deposits with credit institutions		0.0		0.0
Derivatives		0.1		0.1
Investment assets related to unit-linked contracts	6.7	3.4		10.1
Total financial assets at fair value	24.9	30.7	0.2	55.9

There were no changes in the classification of financial assets or liabilities in 2014.

The Group's investment in financial assets, which are recorded at fair value using valuation models based on non-observable inputs (project financing Carlsberg Byen), was DKK 172m (2013: DKK 71m).

The fair value was equivalent to the acquisition price.

	2013	2014
Bonds measured by reference to non-observable inputs - Level 3:		
Portfolio at 1 January	0.0	0.1
Additions	0.1	0.1
Portfolio at 31 December	0.1	0.2

(DKKm)

Allowance account (policyholders and insurance companies):		
1 January	77	71
Changes	(6)	(3)
31 December	71	68
Group companies have agreed to lend equities against security:		
Book value of equities lent	1,022	1,323
Fair value of bonds received as security for the loan	1,160	1,604

Note 38. Financial liabilities

Financial liabilities measured at fair value through profit or loss

Held for trading:		
Derivatives	170	870
Designated at fair value:		
Amounts due to credit institutions	2,159	1,961
Total financial liabilities measured at fair value through profit or loss	2,329	2,832

Financial liabilities measured at amortised cost

Subordinated loan capital	1,155	1,156
Deposits with ceding undertakings	143	154
Creditors arising out of direct insurance operations	93	315
Creditors arising out of reinsurance operations	115	34
Bond loans	58	29
Amounts due to associated companies	5	3
Current tax liabilities	15	31
Other creditors	1,115	1,446
Total financial liabilities measured at amortised cost	2,700	3,168
Total financial liabilities	5,029	6,000

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

Notes to the financial statements • Group

(DKKm)	2013	2014
Note 38. Financial liabilities - continued		
Financial liabilities payable after five years or more:		
Subordinated loan capital	407	407
Amounts due to credit institutions	4	4
		Observable inputs
Financial liabilities recorded at fair value		Level 2
Held for trading:		
Derivatives	170	870
Designated at fair value:		
Amounts due to credit institutions	2,159	1,961
Total financial liabilities recorded at fair value	2,329	2,832

Note 39. 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	1,155	1,156
Provisions for unearned premiums	177	178
Guaranteed benefits	16,869	18,523
Bonus potential on future premiums	2,645	1,976
Bonus potential on paid-up benefits	2,016	687
Provisions for claims and benefits	9,871	10,317
Collective bonus potential	1,310	1,525
Provisions for unit-linked contracts	6,200	9,592
Deferred tax on security funds	306	306
	40,549	44,260

Note 40. Analysis of assets and their return - life insurance

	Book value		Net investment	Return (%)*
	1 January	31 December		
Land and buildings, directly owned	3,396	3,309	(94)	3.6
Limited property companies	1,250	771	(635)	33.0
Total land and buildings	4,646	4,079	(729)	9.0
Listed Danish shares	1,812	1,170	(1,289)	20.5
Unlisted Danish shares	336	368	26	9.9
Listed foreign shares	2,990	3,131	303	5.0
Unlisted foreign shares	1,381	1,879	224	7.9
Total other shares	6,519	6,548	(737)	8.8
Government bonds (Zone A)	1,041	2,321	985	14.5
Mortgage bonds	15,486	14,956	(1,614)	2.5
Index-linked bonds	1,414	1,368	(46)	6.0
Credit bonds investment grade	2,746	2,185	(747)	3.6
Credit bonds non-investment grade and emerging market bonds	1,599	1,340	(601)	4.7
Total bonds	22,286	22,170	(2,024)	4.0
Other financial investment assets	894	1,155	723	0.1
Derivatives to hedge against the net change in assets and liabilities**	919	1,697		

* 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 2014 was DKK 4,532m (2013: DKK 4,679m).

Notes to the financial statements • Group

(DKKm)

2013

2014

Note 41. Exposure information

Non-life insurance

Event	Effect on shareholders' equity	
0.7-1.0 pp increase in interest rates	(6)	31
0.7-1.0 pp decline in interest rates	9	(11)
12% decline in equity prices	(182)	(145)
8% decline in property prices	(104)	(105)
Exchange rate exposure (VaR 99.0%)	(14)	(6)
Loss on counterparties of 8%	(187)	(138)

Life insurance

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 poten- tial used for such benefits	Max. effect on bonus potential used for benefits of 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

2014

Event	Min. effect on capital base	Max. effect on collective bonus potential	Max. effect on bonus potential on benefits on paid-up policies	Max. effect on bonus potential used for benefits of paid-up policies
0.7-1.0 pp increase in interest rates	(158)	62	530	0
0.7-1.0 pp decline in interest rates	157	(189)	(547)	(26)
12% decline in equity prices	(29)	(570)	0	(58)
8% decline in property prices	(47)	(160)	0	(27)
Exchange rate exposure (VaR 99.0%)	(2)	(3)	0	(1)
Loss on counterparties of 8%	(66)	(227)	0	(37)
10% decline in mortality intensity	(22)	(100)	(6)	(7)
10% increase in mortality intensity	19	96	6	0
10% increase in disability intensity	0	(16)	(2)	(4)

Note 42. Shares analysed by industry and region (%) - life insurance

2014	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	3
Materials	0	1	0	0	0	0	0	0	3
Industrial	6	1	3	0	1	0	0	0	11
Consumer durables	2	2	3	0	1	0	0	0	8
Consumer goods	1	2	3	0	0	0	0	0	6
Health care	4	4	3	0	0	0	0	0	11
Financial	6	3	4	0	1	1	0	0	14
IT	0	1	4	0	0	1	1	0	7
Tele-communication	0	0	0	0	0	0	0	0	1
Supply	0	0	0	0	0	0	0	0	1
Not analysed	6	0	0	0	0	0	0	30	36
Total	26	14	22	0	3	3	2	30	100

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

Notes to the financial statements • Group

(DKKm)

Note 43. Leasing

Operational finance leases:	Minimum lease payment	Interest	Present value
2013			
0-1 years	51	0	51
1-5 years	18	0	18
	70	0	70
2014			
0-1 years	55	0	55
1-5 years	15	0	15
more than 5 years	9	0	9
	79	0	79

Note 44. Number of shares

	2013	2014
Reconciliation of the number of shares ('000)		
Shares issued at 1 January	137,500	125,000
Own shares at 1 January	(13,560)	(12,368)
Number of shares at 1 January	123,940	112,632
Shares bought back	(13,033)	(10,393)
Shares sold	1,725	1,384
Shares issued at 31 December	125,000	115,000
Own shares at 31 December	(12,368)	(11,377)
Number of shares at 31 December	112,632	103,623

Note 45. Own shares

	Number of shares '000	Nominal value DKKm	Percentage of share capital	Bought /sold DKKm
Held at 1 January 2013	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	
Bought in 2014	10,393	10	9.0	1,716
Sold	(1,384)	(1)	1.2	(131)
Written down	(10,000)	(10)	-	
Held at 31 December 2014	11,377	11	9.9	

Number of shares held to cover the granting of options: 1,938,000 (2013: 2,840,000)

Note 46. Provision of security

	2013	2014
The Group's insurance companies have registered the following assets as security for technical provisions:		
Shares in associated companies	723	83
Loans to associated companies	158	1
Shares	5,875	5,565
Bonds	31,804	31,439
Deposits with credit institutions	811	1,543
Investment assets related to unit-linked contracts	6,673	10,375
Liquid funds	18	21
Accrued interest	350	0
Shares in and amounts due from affiliated companies eliminated in the consolidated accounts	7,087	6,959
	53,499	55,986
Bonds provided as security for loans in accordance with standard repo-contracts for Danish mortgage and government bonds	611	432
Other provision of security	58	59

Notes to the financial statements • Group

(DKKm) 2013 2014

Note 47. Contingent liabilities

Contract liabilities	-	310
Adjustments to VAT liabilities	26	28
Other liabilities	11	11
Capital commitments made to loan funds and private equity funds etc.	509	701
Share of associated companies' liabilities:		
Contract liabilities	283	48

The Group companies participate in technical insurance collaboration where they are jointly liable for the insurance liabilities.

Note 48. Companies

Name	Registered office	Activity
Topdanmark A/S	Ballerup	Holding
Non-life:		
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
Life:		
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.201 ApS	Ballerup	Property
Other companies:		
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.

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 included in 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 2014 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.

Claims handling

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

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

Customers should feel "well-helped"

Topdanmark works to ensure that its customers feel "well-helped" in every situation during the claims handling process. It is crucial for the customers' experiences that:

- The customer feels LISTENED TO
- The customer has an OVERALL VIEW of the entire claims process – particularly who is doing what and when
- The customer is CONFIDENT that Topdanmark helps the customer to solve the claims problem.

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

Efficient management of claims incurred

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

- Promptness
- Better replacement purchasing power
- Quality.

Promptness

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

Typically, the claims department operates with day-to-day management of claims notifications and other claims handling in order that the value of the claim does not increase. Simple notification is attended to immediately over the telephone. Turnaround times are continuously monitored.

Better replacement purchasing power

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

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

Scalepoint, Bygma, tradesmen, garages and damage service companies.

Quality

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

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

Claims handling supported by Topdanmark's claims handling system

Topdanmark's claims handling system supports professional accuracy. Measurements show that there has been a significant improvement in the quality of claims handling.

The claims organisation has implemented the version of the Lean / TRIM concept used by service organisations in several departments where it has improved the time it takes to handle a claim, the quality of the claims handling and employee satisfaction.

Emergency plan

Topdanmark has an emergency plan to ensure that prompt, correct and targeted action is taken on a major

Composition of Topdanmark's overall provisions for outstanding claims:

Provisions for outstanding claims (%)	2013	2014
Short-tail	15	13
Annuity provisions in workers' compensation	23	24
Other claims provisions in workers' compensation	22	23
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.

weather event such as storm, hurricane, rainstorm or flood. The emergency programme consists of several levels, and this enables a proportional response depending on the size of the event. Topdanmark has appointed emergency helpers throughout the company whose claims handling knowledge is regularly kept up-to-date. Furthermore, alert drills are held twice a year in order to prepare the employees and improve the emergency programme.

Loss prevention and loss limitation

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

Provisioning risk

Provisions for outstanding claims

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

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

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 3.5bn. 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 5.5bn. 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.

Workers' compensation

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

Cumulative risk

Known cumulative risk is where it has been recognised prior to the event that several policyholders could be affected by the same event. In personal lines Topdanmark's retention is DKK 15m for the first claim, DKK 5m for the second and DKK 15m for any third or subsequent risk. The retention is a maximum of DKK 25m in 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.

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, 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

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.

Market risks	Risk reducing activities
<p>Interest rate risk Topdanmark is exposed to interest rate risk due to provisions for outstanding claims in non-life insurance and guaranteed benefits in life insurance</p>	<p>Generally, the interest rate risk is limited and controlled by investing in interest-bearing assets in order to reduce the overall interest rate exposure of the assets and liabilities to the desired level</p> <p>In life insurance the interest rate risk on 4.5% guaranteed benefits is hedged by interest rate options – EURO CMS floors with a strike rate of 5%, while standard swaptions have been bought for benefits guaranteed lower interest rates in order to supplement the investments in interest-bearing assets</p>
<p>Equity risk 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>Property risk Topdanmark is exposed to property risk from investments in properties rented out for business or private residence</p>	<p>The risk on the property portfolio is limited by a strategy focusing on the four largest cities in Denmark, with main emphasis on Copenhagen and Århus. Topdanmark invests in well-situated properties within the segments of housing and flexible office properties</p>
<p>Currency risk Topdanmark's currency risk relates in practice only to investments</p>	<p>The currency risk is alleviated by derivatives</p>
<p>Inflation risk Future inflation is implicitly included in a number of the models Topdanmark uses to calculate its provisions</p> <p>Workers' compensation and illness / accident insurance differ from the general principles regarding the inclusion of an allowance for inflation. The provisions in workers' compensation insurance are calculated on the basis of the expected future indexation of wages and salaries and those in illness / accident insurance on the basis of the expected net price index</p>	<p>An expected higher future inflation rate would generally be included in the provisions with a certain time delay, while at the same time the result would be impacted by higher future indexation of premiums</p> <p>In order to reduce the risk of inflation within workers' compensation and illness / accident insurance Topdanmark uses index-linked bonds and derivatives hedging a significant proportion of the expected cash flows</p>
<p>Liquidity risk In insurance companies the liquidity risk is very limited as premiums are paid prior to the beginning of the risk period</p> <p>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 flow for the Group's most significant liabilities:

(DKK)m	Book value	1 year	2-6 years	7-16 years	17-26 years	27-36 years	>36 years
2013							
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
2014							
Provisions for claims	13,723	3,748	6,062	3,178	1,410	573	153
Life insurance provisions	23,761	1,026	2,265	6,875	8,578	6,191	2,833

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 (%)	2013	2014
AAA+AA	77	77
A	3	4
BBB	5	3
<BBB	6	5
Money market deposits	9	11

At the end of 2014 Topdanmark received cash margin payments of DKK 1,497m securing unrealised gains on derivatives (2013: 885m).

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, reporting to the IT manager, is responsible for information security.

Risk assessment

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

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

IT emergency plan

The IT emergency plan includes plans for re-establishing the IT environment if the systems suffer breakdowns. The IT emergency plan is tested regularly. Topdanmark's business critical systems can be inaccessible for 24 hours without causing significant business problems. In order to reduce the probability of breakdowns of the IT systems and limit their duration, Topdanmark has invested in, for example, emergency power plants with a diesel

generator, disk mirroring, alarms and automatic fire fighting equipment. Critical IT equipment is in duplicate and placed in two physically discrete machine rooms.

Tests

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.

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

Accessibility

It is Topdanmark's goal that the accessibility of its main systems is no less than 99.5%. In 2014 it was 99.99%.

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 2014 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.

With effect from 1 January 2014, Topdanmark has implemented various new and revised standards and interpretations, which have not resulted in any changes in the accounting policies.

Accordingly, there have been no changes in accounting policies from those adopted in the 2013 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 (provisions too low) or run-off profits (provisions too high).

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 measurement 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 and credit bonds. Valuation methods or other publicly available information are used to value listed securities, where the closing price does not reflect the fair value.

Valuation methods are based on publicly available market data. If there is no active market for the financial instrument, depending on the nature of the asset or liability, the calculation is based on underlying parameters such as interest and foreign exchange rates, volatility or comparison with the market prices of corresponding instruments.

Level 3

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

Insurance and investment contracts – classification

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

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensation if a specified uncertain future event adversely affects the policyholder. Insurance risk is always considered to be material in non-life insurance. In life insurance it is considered to be material when it covers 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, 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 primarily settled with own shares. Any strike amount received on the exercise of the options is taken to shareholders' equity.

Options, where the holder can choose cash payment, are recorded in the balance sheet under "Creditors" and calculated using the Black & Scholes model. Changes in the fair value are included in the income statement.

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

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

Bonuses and rebates

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

Operating expenses

Technical operating expenses which relate, either directly or indirectly, to the acquisition and renewal of the portfolios are included in acquisition costs. 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.

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. 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	26.3	28.6
DFSA's benchmark	24.9	27.5

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. 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	2013	2014
Income from affiliated companies	1	1,511	1,599
Revaluations	2	0	2
Interest charges		(13)	(12)
Total investment return		1,498	1,589
Other expenses	3	(42)	(48)
PRE-TAX PROFIT		1,456	1,541
Taxation	4	12	17
PROFIT FOR THE YEAR		1,468	1,558
Proposed appropriation of profit for the year:			
Transfer to net revaluation reserve at net asset value		1,511	1,599
Transfer to profit carried forward		(43)	(41)
		1,468	1,558

Statement of comprehensive income • Parent company

Profit for the year	1,468	1,558
Other comprehensive income in affiliated companies	1	(10)
Other comprehensive income	1	(10)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,470	1,548

Balance sheet • Parent company

(DKKm)	Note	2013	2014
Assets			
Machinery and equipment	5	3	3
TOTAL TANGIBLE ASSETS		3	3
Shares in affiliated companies	6	6,323	6,034
Total investment in affiliated companies		6,323	6,034
Bonds		1	0
Total other financial investment assets		1	0
TOTAL INVESTMENT ASSETS		6,323	6,034
Amounts due from affiliated companies		155	102
TOTAL DEBTORS		155	102
Deferred tax assets		1	1
Liquid funds		2	2
TOTAL OTHER ASSETS		3	4
TOTAL ASSETS		6,485	6,143

Shareholders' equity and liabilities

Share capital	7	125	115
Other reserves		2,574	2,285
Total reserves		2,574	2,285
Profit carried forward		2,792	3,042
TOTAL SHAREHOLDERS' EQUITY		5,490	5,442
SUBORDINATED LOAN CAPITAL	8	407	407
Bond loans		58	29
Amounts due to affiliated companies		503	217
Current tax liabilities		11	30
Derivatives		0	8
Other creditors		15	11
TOTAL CREDITORS		588	294
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6,485	6,143

Related parties	9
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Statement of changes in equity • Parent company

(DKK m)

	Share capital	Other reserves	Profit carried forward	Total
2013				
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)
Shareholders' equity at 31 December 2013	125	2,574	2,792	5,490
2014				
Shareholders' equity at 31 December prior year	125	2,574	2,792	5,490
Profit / (loss) for the year		1,599	(41)	1,558
Other comprehensive income in affiliated companies		(10)	0	(10)
Total comprehensive income for the year		1,590	(41)	1,548
Dividends received from subsidiaries		(1,887)	1,887	0
Other movements in capital of subsidiaries		8	0	8
Cancellation of own shares	(10)		10	0
Share buy-back			(1,716)	(1,716)
Sale of own shares			38	38
Reclassification of share options			(30)	(30)
Issue of share options			10	10
Exercise of share options			93	93
Other transactions	(10)	(1,879)	292	(1,597)
Shareholders' equity at 31 December 2014	115	2,285	3,042	5,442

Notes to the financial statements • Parent company

(DKKm)	2013	2014
Note 1. Income from affiliated companies		
Topdanmark Forsikring A/S	1,416	1,552
Topdanmark Invest A/S	7	(10)
Topdanmark Kapitalforvaltning A/S	88	57
Income from affiliated companies	1,511	1,599
Note 2. Revaluations		
Derivatives	0	1
Subordinated loan capital	0	1
Revaluations	0	2
Note 3. Other expenses		
Holding expenses	42	48
Other expenses	42	48
Note 4. Taxation		
Current tax	10	14
Prior year adjustment	2	3
Taxation (income)	12	17
Pre-tax profit excl. income from affiliated companies	(55)	(58)
Calculated tax (24.5%)	14	14
Adjusted for the tax effect of:		
Prior year adjustment	(1)	3
	12	17
Effective rate of taxation	21.7	28.8
Note 5. Machinery and equipment		
Cost at 1 January	4	3
Disposals	(1)	0
Cost at 31 December	3	3
Impairment and amortisation at 1 January	(1)	0
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	1	0
Impairment and amortisation at 31 December	0	(0)
Machinery and equipment	3	3
Note 6. Shares in affiliated companies		
Topdanmark Forsikring A/S	6,043	5,794
Topdanmark Invest A/S (investment)	180	170
Topdanmark Kapitalforvaltning A/S	99	69
Other	1	0
Shares in affiliated companies	6,323	6,034

Notes to the financial statements • Parent company

(DKKm)	2013	2014
Note 7. Share capital		
DKK		
Share capital at 1 January	137,500,000	125,000,000
Reduction in capital	(12,500,000)	(10,000,000)
Share capital	125,000,000	115,000,000

Each of Topdanmark's 115,000,000 (2013: 125,000,000) shares has a nominal value of DKK 1.
No share enjoys any special rights. The shares are freely tradeable. Each share has one vote.

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	407	407
Interest charges	9	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 4,712,000 (2013: DKK 4,631,000) of which DKK 244,000 (2013: 244,000) related to Topdanmark Forsikring A/S.

Fee (DKK '000):

Michael Pram Rasmussen	1,300	1,192
Søren Thorup Sørensen	758	975
Anders Colding Friis	325	325
Torbjörn Magnusson	-	217
Per Mathiesen	244	325
Birgitte Nielsen	217	433
Annette Sadolin	488	488
Desiree Schultz	325	325
Aage Nedergaard Smidt	-	203
Charlotte Hougaard	325	122
Jens Maaløe	325	108
Anders Knutsen	244	-
Trine Zappe	81	-
Total fee paid to nine Board members	4,631	4,712

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.	18	19
Share options	2	2
Total remuneration to three members of the Executive Board	20	20
Christian Sagild	8.6	8.8
Kim Bruhn-Petersen	5.7	5.8
Lars Thykier	5.6	5.7
	19.9	20.3

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) 2013 2014

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	29,130	25,970
Bonds, nominal value DKK '000	157	82
Subordinated notes (subordinated loan capital) Topdanmark Forsikring, nominal value DKK '000	12,050	6,050
Executive Board		
Number of shares	173,430	83,430
Bonds, nominal value DKK '000	1,146	690

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	34	36
Dividends received	1,871	1,887

Expenses on investment business are settled on market conditions.

Other expenses are charged to cover costs incurred.

Average effective interest rate on balances is 0.05% (2013: 0.01%).

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	5,490	5,442
Deferred tax assets	(1)	(2)
Deduction related to subsidiaries and associated companies	(420)	(388)
Capital adequacy requirements for insurance companies	(2,500)	(2,507)
Core capital	2,569	2,545
Hybrid core capital	407	407
Capital base	2,976	2,952

With effect from 2014 the core capital and capital base are calculated in accordance with the Danish Executive Order on solvency and operating plans for insurance companies. Till then, the capital base was calculated in accordance with the rules for savings banks. The comparatives have been restated.

Notes to the financial statements • Parent company

(DKK m)

Note 11. Own shares

	Number of shares '000	Nominal value DKK m	Percentage of share capital	Bought /sold DKK m
Parent company				
Held at 1 January 2013	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	
Bought in 2014	10,393	10	9.0	1,716
Sold	(1,384)	(1)	1.2	(131)
Written down	(10,000)	(10)	-	
Held at 31 December 2014	11,377	11	9.9	

Note 12. Contingent liabilities

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 2014 until the presentation of the financial statements which could change the assessment of the annual report.

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 2013 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 DKK m. The amounts have been rounded and consequently the sum of the rounded amounts and totals may differ slightly.

Disclaimer

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

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

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

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

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

Statement by Management on the Annual Report

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Topdanmark A/S for 2014.

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

In our opinion, the consolidated financial statements and annual financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2014 as well as of the Group's and the parent company's activities and the Group's cash flow for the financial year 1 January to 31 December 2014.

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

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

Ballerup, 4 March 2015

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

Torbjörn Magnusson

Per Mathiesen

Birgitte Nielsen

Annette Sadolin

Desirée Schultz

Aage Nedergaard Smidt

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 2014, 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 parent 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 based on our audit.

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 2014, and of the results of its activities and cash flows for the financial year 1 January to 31 December 2014 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 parent company's assets, liabilities and financial position at 31 December 2014, and of the results of its activities for the financial year 1 January to 31 December 2014 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 2015

Lars T. Skovsende
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 2014, 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 parent 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 2014, and of the results of its activities and cash flows for the financial year 1 January to 31 December 2014 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 parent company's assets, liabilities and financial position at 31 December 2014, and of the results of its activities for the financial year 1 January to 31 December 2014 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 2015

Deloitte

Statsautoriseret Revisionspartnerselskab

Erik Holst Jørgensen
State Authorised Public Accountant

Per Rolf Larssen
State Authorised Public Accountant

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