



Topdanmark A/S

# ANNUAL REPORT 2016

# TOPDANMARK'S EQUITY STORY

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

### Focused strategy

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

Watch the video or see the presentation of Topdanmark's equity story on [www.topdanmark.com](http://www.topdanmark.com) → Investor → Share profile

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

# TOPDANMARK ANNUAL REPORT FOR 2016

23 February 2017 Announcement No. 11/2017

## Key features 2016

- Post-tax profit of DKK 1,536m (2015: DKK 1,170m) among other things driven by higher run-off profits and higher investment return
- Profit forecast model was DKK 1,200-1,300m in the interim report for Q1-Q3 2016
- EPS: DKK 16.8 (2015: DKK 11.7)
- Combined ratio: 85.1% (2015: 86.8%)
- Combined ratio excluding run-off profits was 90.4% (2015: 91.1%)
- Premiums declined 1.2% in non-life insurance, but increased 17.6% in life insurance
- Profit on life insurance increased to DKK 189m (2015: DKK 174m)
- After return and revaluation of non-life insurance provisions, investment return was DKK 487m (2015: DKK 165m)
- Share buy-back of DKK 1,524m in 2016, representing a buy-back yield of 9.6%.

## Q4 2016

- Post-tax profit: DKK 421m (Q4 2015: DKK 333m)
- EPS: DKK 4.8 (Q4 2015: DKK 3.4)
- Combined ratio: 84.6% (Q4 2015: 90.5%)
- Combined ratio excluding run-off profits: 93.9% (Q4 2015: 96.0%)
- Premiums declined 1.4% in non-life insurance, but increased 1.9% in life insurance
- Profit on life insurance: DKK 54m (Q4 2014: DKK 85m)
- After return and revaluation of non-life insurance provisions, Investment return was DKK 148m (Q4 2015: DKK 139m).

## Profit forecast model for 2017

- As compared to the profit forecast model for 2017 in the interim report for Q1-Q3 2016, the underlying assumed combined ratio for 2017 remains unchanged at 90-91 excluding run-off. However, the assumed combined ratio for 2017 may increase by 0.5 to 1pp because Topdanmark increasingly invests in digitalisation and automation
- Consequently, the combined ratio is increased to 91-92 in the profit forecast model for 2017

- The efficiency improvement programme will run over the coming years and it is characterized in that expenses are paid before realization of the efficiency savings. However, return on investment is high and consequently, it is expected that additional expenses and gains from efficiency improvement will be offset during 2018 and 2019
- Topdanmark still expects premium growth in non-life insurance of around 0%
- Overall, post-tax profit forecast model: DKK 900-1,000m, excluding run-off.

## Buy-back 2016

Of the overall buy-back programme for 2016 of DKK 1,650m, shares at a value of DKK 1,451m have been bought back. It is expected that the remaining shares at a value of DKK 199m should be bought back before the AGM on 4 April 2017.

## Webcast

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

## Conference call

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

In order to participate in the conference call, please call:  
UK dial-in number: +44 (0)20 7162 9961  
US dial-in number: +1 646 851 2094  
10-15 minutes before the conference quoting reference 961400 and ask the operator to connect you to the Topdanmark conference call – or listen to the live [transmission](#) of the call.

## Please direct any queries to:

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

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

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

# Contents

## **Management's review**

- 1 Key features
- 3 Financial highlights
- 4 Results for 2016
- 4 Results for Q4 2016
- 5 Non-life insurance 2016
- 9 Life insurance 2016
- 10 Investment activities
- 11 Parent company etc.
- 11 Taxation
- 11 Profit forecast model
- 13 Share buy-back
- 13 Future earnings distribution
- 14 Risk management
- 18 Solvency capital requirements
- 19 Capital structure and ownership
- 19 Board of Directors and Articles of Association
- 20 Severance pay
- 20 Remuneration structure
- 22 Corporate Governance
- 22 CSR
- 22 Investor Relations
- 23 Annual General Meeting
- 23 Financial calendar
- 24 Company announcements and trading reports
- 26 Board of Directors
- 30 Executive Board
- 31 Five-year summary • Group

## **Annual financial statements • Group**

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

## **Annual financial statements • parent company**

- 84 Income statement
- 84 Statement of comprehensive income
- 85 Balance sheet
- 86 Statement of changes in equity
- 87 Notes to the financial statements

## **92 Disclaimer**

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

- 94 Internal audit's reports
- 95 Independent auditor's reports

# Financial highlights

(DKKm)	2012	2013	2014	2015	2016	Q4 2015	Q4 2016
<b>Premiums earned:</b>							
Non-life insurance	8,759	8,889	9,116	8,967	8,858	2,235	2,203
Life insurance	3,059	3,511	4,448	6,320	7,430	1,749	1,783
	<b>11,818</b>	<b>12,400</b>	<b>13,563</b>	<b>15,287</b>	<b>16,288</b>	<b>3,984</b>	<b>3,986</b>
<b>Results:</b>							
Non-life insurance	2,103	1,361	1,803	1,325	1,712	334	446
Life insurance	210	442	200	174	189	85	54
Parent company etc.	22	73	7	31	41	20	33
Pre-tax profit	2,335	1,875	2,010	1,530	1,942	439	533
Tax	(512)	(407)	(452)	(360)	(407)	(106)	(112)
<b>Profit</b>	<b>1,823</b>	<b>1,468</b>	<b>1,558</b>	<b>1,170</b>	<b>1,536</b>	<b>333</b>	<b>421</b>
Run-off profits, net of reinsurance	201	306	351	381	470	123	206
Shareholders' equity of parent company at 1 January	4,915	5,716	5,490	5,371	4,948	4,984	5,002
Profit	1,823	1,468	1,558	1,170	1,536	333	421
Share buy-back	(1,200)	(1,836)	(1,716)	(1,667)	(1,524)	(377)	(438)
Share-based payments	177	142	110	76	50	5	23
Other movements in shareholders' equity	2	0	(1)	(3)	(1)	1	(0)
<b>Shareholders' equity of parent company end of period</b>	<b>5,716</b>	<b>5,490</b>	<b>5,442</b>	<b>4,946</b>	<b>5,009</b>	<b>4,946</b>	<b>5,009</b>
Deferred tax on security funds	(348)	(306)	(306)	(306)	(306)	(306)	(306)
<b>Shareholders' equity of Group end of period</b>	<b>5,368</b>	<b>5,184</b>	<b>5,135</b>	<b>4,640</b>	<b>4,702</b>	<b>4,640</b>	<b>4,702</b>
Total assets, parent company	6,895	6,485	6,143	5,653	5,779	5,653	5,779
Total assets, Group	59,435	61,092	64,516	67,654	73,476	67,654	73,476
Provisions for insurance and investment contracts:							
Non-life insurance	16,251	16,721	16,485	16,286	16,264	16,286	16,264
Life insurance	32,553	33,640	36,375	40,537	47,351	40,537	47,351
<b>Financial ratios (parent company)</b>							
Post-tax profit as a % of shareholders' equity	33.9	26.0	28.1	22.3	30.2	6.6	8.5
Post-tax EPS (DKK)	14.2	12.5	14.4	11.7	16.8	3.4	4.8
Post-tax EPS, diluted (DKK)	14.1	12.3	14.3	11.6	16.7	3.4	4.8
Net asset value per share, diluted (DKK)	45.8	48.3	52.2	51.5	57.3	51.5	57.3
Share buy-back per share, diluted (DKK)	9.3	15.4	15.8	16.6	16.6	3.9	4.9
Listed share price end of period	121.3	142.8	200.2	196.0	179.3	196.0	179.3
Average number of shares ('000)	128,276	117,904	107,908	99,971	91,465	96,806	88,297
Average number of shares, diluted ('000)	129,367	119,131	108,805	100,461	91,721	97,241	88,551
Number of shares end of period ('000)	123,940	112,632	103,623	95,672	87,216	95,672	87,216
<b>Ratios non-life insurance (%)</b>							
Gross loss ratio	70.0	80.4	69.3	69.0	67.2	72.0	65.0
Net reinsurance ratio	2.2	(5.0)	1.0	1.9	1.4	2.0	2.6
Claims trend	72.2	75.4	70.3	70.9	68.7	73.9	67.6
Gross expense ratio	15.8	16.2	15.7	15.9	16.4	16.6	16.9
Combined ratio	88.0	91.5	86.0	86.8	85.1	90.5	84.6
Combined ratio excl. run-off profits	90.3	95.0	89.8	91.1	90.4	96.0	93.9

To the extent possible, comparative figures are adapted to the new Executive Order on Financial Reports.  
Please see Accounting Policies

## Results for 2016

Topdanmark's post-tax profit was DKK 1,536m (2015: DKK 1,170m). EPS was DKK 16.8 (2015: DKK 11.7).

Pre-tax profit increased DKK 412m to DKK 1,942m.

The technical result increased DKK 136m to DKK 1,320m primarily due to lower expenses on weather-related claims and higher run-off profits.

After return and revaluation of non-life insurance provisions, the investment return increased DKK 251m to DKK 392m, mainly due to a favourable trend in the result for Danish mortgage bonds and in the result for structured credits.

Profit on life insurance increased DKK 15m to DKK 189m due to an improvement in investment return with favourable impact on the investment return on shareholders' equity.

Profit of the parent company etc. increased DKK 10m to DKK 41m.

The DKK 1,536m profit is higher than assumed in the most recent profit forecast model for 2016 in the interim report for Q1-Q3 2016, which was a post-tax profit of DKK 1,200-1,300m. Aside from run-off profits, the improvement was due to a higher than assumed investment return and lower expenses for weather-related claims.

Results and profit forecast model (DKKm)	Forecast 2016			
	Results 2015	as in Q1-Q3 2016 interim report		Results 2016
Non-life insurance				
- Technical result	1,184	1,050	- 1,100	1,320
- Investment return after return and revaluations non-life insurance provisions	141	300	- 350	392
Profit on non-life insurance	1,325	1,350	- 1,450	1,712
Life insurance	174	160	- 190	189
Parent company etc.	31	20	- 30	41
Pre-tax profit	1,530	1,530	- 1,670	1,942
Taxation	(360)	(330)	- (370)	(407)
<b>Profit for the year</b>	<b>1,170</b>	<b>1,200</b>	<b>- 1,300</b>	<b>1,536</b>

## Results for Q4 2016

Profit for Q4 2016 increased to DKK 421m (Q4 2015: DKK 333m). EPS was DKK 4.8 (Q4 2015: DKK 3.4).

Pre-tax profit for Q4 2016 increased DKK 94m to DKK 533m.

The technical result increased DKK 128m to DKK 340m, due to lower expenses for weather-related claims and higher run-off profits.

After return and revaluation of non-life insurance provisions, the investment return declined DKK 16m to DKK 106m. The investment return was extraordinarily high in Q4 2015, and although the investment return was above the normal level in Q4 2016, it was lower than in Q4 2015.

Profit on life insurance declined DKK 31m to DKK 54m, primarily because DKK 28m from the shadow account was recognized as income in Q4 2015. There was no recognition of income from the shadow account in Q4 2016.

Profit of the parent company etc. increased DKK 13m to DKK 33m due to a higher performance allowance for Topdanmark Kapitalforvaltning (asset management).

Trend in profit (DKKm)	Q4 2015	Q4 2016
Non-life insurance		
- Technical result	212	340
- Investment return etc. - Return and revaluations non-life insurance provisions	122	106
Profit on non-life insurance	334	446
Life insurance	85	54
Parent company etc.	20	33
Pre-tax profit	439	533
Tax	(106)	(112)
<b>Profit</b>	<b>333</b>	<b>421</b>

## Non-life insurance 2016

Premiums earned declined 1.2% to DKK 8,858m. The personal segment accounted for a 1.3% decline, and the SME segment accounted for a 1.0% decline.

Developments in motor insurance continue to reflect an increase in the sale of smaller and safer cars, resulting in a 2.9% decline in average premium in motor insurance in 2016, reducing the Topdanmark Group's total earned premiums by 0.9%.

In the SME segment, the focus on profitability has generated a defection of some large-scale industrial customers, who did not meet Topdanmark's profitability requirements. For the Topdanmark Group, this defection had a 0.8% adverse effect on premiums earned in 2016. At the end of 2016, Topdanmark's exposition to large-scale industrial customers had been significantly reduced.

Topdanmark still experiences an influx of small and medium-size SME businesses, which had a favourable impact on Topdanmark's trend in premiums of 0.4pp.

### Claims trend

The claims trend was 68.7 in 2016 (2015: 70.9).

Weather-related claims were DKK 59m in 2016 (2015: DKK 187m), representing a 1.4pp improvement of the claims trend. Topdanmark assumes a normal level of DKK 170m net of reinsurance for weather-related claims. In 2016, expenses for weather-related claims were DKK 111m below the normal level.

Run-off profits, net of reinsurance, were DKK 470m (2015: DKK 381m), representing a 1.0pp improvement of the claims trend. Run-off profits were primarily generated in motor liability, workers' compensation and illness/accident insurance.

Illness/accident favourably impacted the claims trend by 0.2pp due to improved risk assessment and price differentiation.

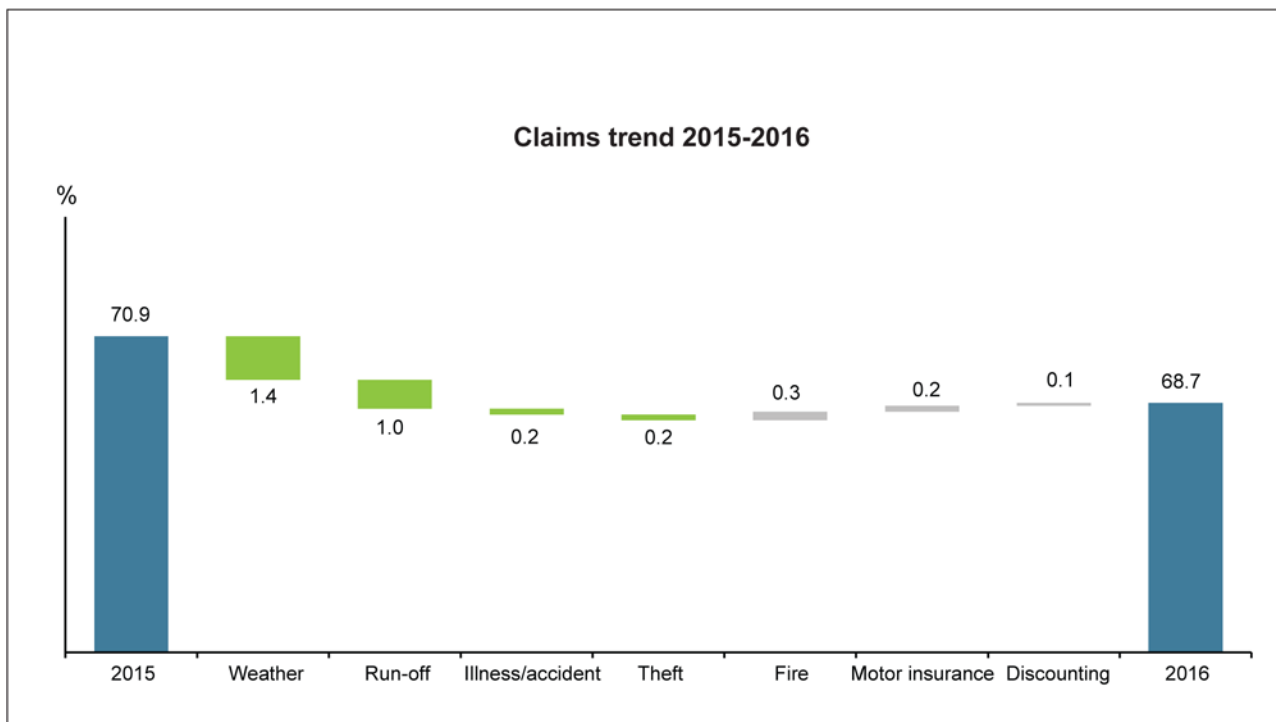
The favourable trend in theft claims continued in 2016, representing a 0.2pp improvement.

The level of fire claims increased in the SME segment but declined in the personal segment. The fire claims trend adversely impacted the overall trend by 0.3pp.

The risk premium (claims frequency x average claim) for motor insurance remained unchanged in 2016. There was a 4.8% increase in comprehensive insurance whereas there was a 6.2% decline in personal injury. The increase in comprehensive motor insurance is i.a. due to new technology in new cars (safety equipment etc.) and a higher volume of road traffic. Due to the overall trend in motor insurance, the claims trend deteriorated 0.2pp.

The interest rate curve used to discount the provisions for outstanding claims was lower in 2016 than in 2015. The lower level of interest rates impacted the claims trend adversely by 0.1pp.

The underlying combined ratio (adjusted for run-off, weather-related claims and large-scale claims) was 71.9 (2015: 72.0)



### Expense ratio

The expense ratio increased to 16.4% in 2016 (2015: 15.9%).

The expense ratio was adversely impacted by the increase in the payroll tax imposed on Danish financial businesses (2016: 13.6%, 2015: 12.2%), a 1.8% contractual wage increase, and non-recurring expenses for managerial adjustments, including changes in the Executive Board, cf. company announcement no. 11/2016. Furthermore, the expense ratio was adversely impacted by the lower level of premiums.

### Combined ratio

Combined ratio was 85.1 in 2016 (2015: 86.8). Excluding run-off profits, the combined ratio was 90.4 in 2016 (2015: 91.1).

### Developments in Q4 2016

Premiums earned declined 1.4% to DKK 2,203m. The decline was 1.2% in the personal segment and 1.7% in the SME segment. The decline in premiums is due to the defection of one of the last large-scale SME customers at the beginning of Q4 2016. This had an adverse impact on premiums earned for SME of 0.7%.

The claims trend improved to 67.6 in Q4 2016 (Q4 2015: 73.9). In Q4 2016, the claims trend was affected by weather-related claims generating expenses of DKK 140m net of reinsurance. In Q4 2016, weather-related claims were limited to the storm Urd causing weather-related claims of DKK 25m. The lower level of weather-related claims favourably impacted the claims trend by 5.2pp in Q4 2016.

Furthermore, the claims trend was favourably impacted by higher run-off profits (3.8pp), primarily run-off profits on workers' compensation and motor liability.

On the other hand, the claims trend was adversely impacted by illness/accident (1.0pp), a lower interest rate level (0.6pp), a slightly higher level of theft claims (0.4pp) and by the fact that Arbejdsmarkedets Erhvervssikring (AES) (Labour Market Insurance) which handles workers' compensation claims has increased its rates from 2016, corresponding to a 0.4pp adverse impact on the claims trend.

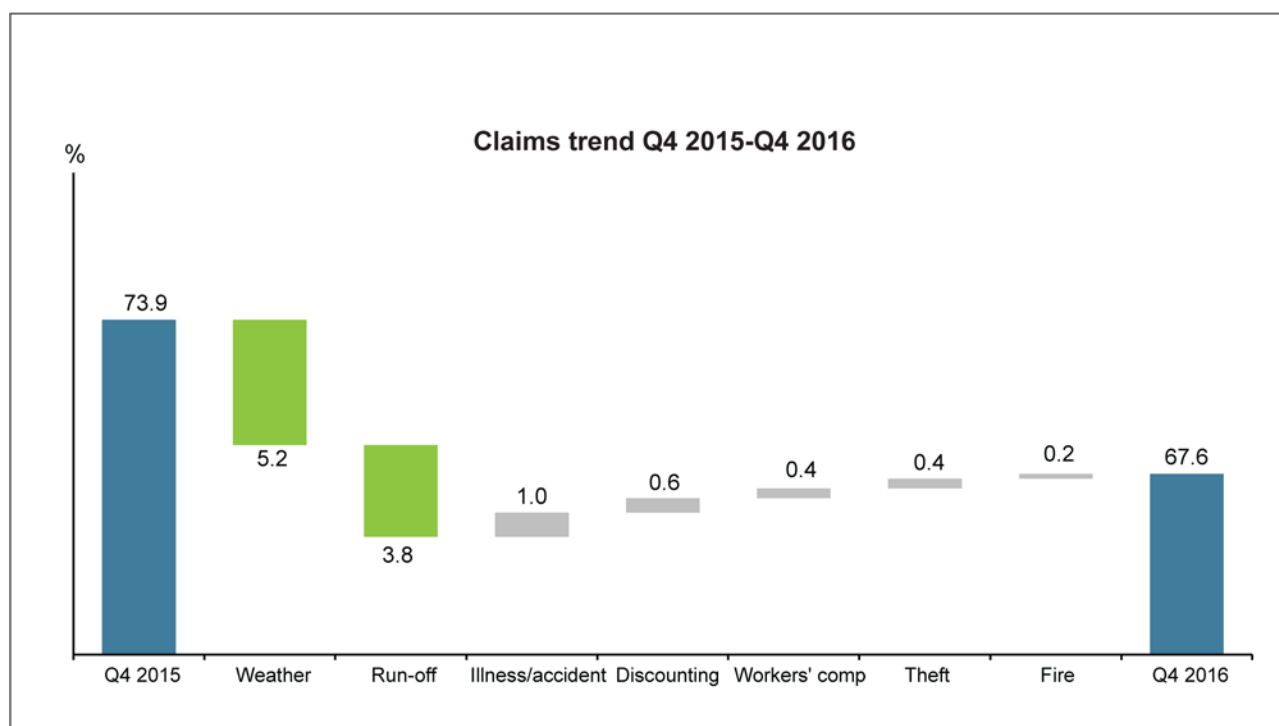
### Expense ratio

The expense ratio increased to 16.9 in Q4 2016 (Q4 2015: 16.6) primarily due to the decline in premiums.

### Combined ratio

The combined ratio was 84.6 in Q4 2016 (Q4 2015: 90.5). Excluding run-off profits, the combined ratio was 93.9 in Q4 2016 (Q4 2015: 96.0).





Financial highlights – Non-life insurance (DKKm)	Q4 2015	Q4 2016	2015	2016
Gross premiums earned	2,235	2,203	8,967	8,858
Claims incurred	(1,608)	(1,432)	(6,184)	(5,955)
Expenses	(371)	(373)	(1,426)	(1,457)
Net reinsurance	(44)	(58)	(174)	(126)
Technical result	212	340	1,184	1,320
Investment return after return and revaluations				
non-life insurance provisions	111	103	102	373
Other items	11	3	39	19
<b>Profit on non-life insurance</b>	<b>334</b>	<b>446</b>	<b>1,325</b>	<b>1,712</b>
Run-off profits, net of reinsurance	123	206	381	470
Gross loss ratio (%)	72.0	65.0	69.0	67.2
Net reinsurance ratio (%)	2.0	2.6	1.9	1.4
Claims trend (%)	73.9	67.6	70.9	68.7
Gross expense ratio (%)	16.6	16.9	15.9	16.4
Combined ratio (%)	90.5	84.6	86.8	85.1
Combined ratio excl. run-off profits (%)	96.0	93.9	91.1	90.4

## Segment reporting

### Personal

The Personal segment offers policies to individual households in Denmark.

Premiums earned declined 1.3% to DKK 4,909m. Premiums earned on motor insurance declined 4.4%, impacted by a decline in average premium (2.6%) and a decline in the number of cars insured (0.9%).

In Q4 2016, premiums earned declined 1.2% to DKK 1,217m, primarily due to a decline in motor insurance premiums.

The technical result increased DKK 43m to DKK 727m.

The claims trend improved by 1.5pp to 68.5. Compared to 2015, the claims trend was primarily favourably impacted by lower expenses for weather-related claims (1.2pp), a better claims trend for fire (0.5pp), and higher run-off profits (0.3pp). On the other hand, the claims trend was adversely impacted by increased expenses for motor insurance claims (0.2pp).

The expense ratio increased to 16.7 from 16.3, due to an increase in the number of sales employees, increase in the payroll tax imposed on Danish financial businesses and the lower level of premiums.

The combined ratio improved to 85.2 (2015: 86.2). Excluding run-off profits, the combined ratio declined to 89.9 (2015: 90.7).

Personal (DKKm)	Q4		Q4	
	2015	2016	2015	2016
Gross premiums earned	1,232	1,217	4,976	4,909
Claims incurred	(897)	(830)	(3,414)	(3,284)
Expenses	(209)	(210)	(809)	(821)
Net reinsurance	(19)	(22)	(68)	(77)
<b>Technical result</b>	<b>106</b>	<b>156</b>	<b>684</b>	<b>727</b>
Run-off profits, net of reinsurance	51	55	221	232
Gross loss ratio (%)	72.9	68.2	68.6	66.9
Net reinsurance ratio (%)	1.5	1.8	1.4	1.6
Claims trend (%)	74.4	70.0	70.0	68.5
Gross expense ratio (%)	17.0	17.2	16.3	16.7
Combined ratio (%)	91.4	87.2	86.2	85.2
Combined ratio excl. run-off profits (%)	95.6	91.7	90.7	89.9

### SME

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

Premiums earned declined 1.0% to DKK 3,969m due to defection of a few less profitable industrial customers. Accordingly, premiums earned declined 5.2% in workers' compensation insurance, where generally profitability is poor. In Q4 2016, premiums earned in the SME segment declined 1.7% to DKK 992m.

The technical result increased by DKK 90m to DKK 595m.

The claims trend improved 3.0pp to 69.0 benefitting from improved run-off (2.0pp), an improved claims trend for weather-related claims (1.6pp) and an improvement in other SME businesses (liability insurance in particular). On the other hand, there was a deterioration in the claims trend for fire in the agricultural area (0.7pp).

The expense ratio increased to 16.0 (2015: 15.4). Besides the increase in the payroll tax imposed on Danish financial businesses, the increase in the expense ratio is due to expenses for the development of a new IT system for the agricultural area.

The combined ratio improved to 85.0 (2015: 87.4). Excluding run-off profits, the combined ratio was 91.0 (2015: 91.4).

SME (DKKm)	Q4	Q4	2015	2016
	2015	2016		
Gross premiums earned	1,010	992	4,011	3,969
Claims incurred	(713)	(608)	(2,783)	(2,689)
Expenses	(162)	(164)	(619)	(636)
Net reinsurance	(25)	(36)	(105)	(49)
<b>Technical result</b>	<b>109</b>	<b>184</b>	<b>505</b>	<b>595</b>
Run-off profits, net of reinsurance	72	151	161	238
Gross loss ratio (%)	70.6	61.3	69.4	67.7
Net reinsurance ratio (%)	2.5	3.6	2.6	1.2
Claims trend (%)	73.1	64.9	72.0	69.0
Gross expense ratio (%)	16.1	16.5	15.4	16.0
Combined ratio (%)	89.2	81.4	87.4	85.0
Combined ratio excl. run-off profits (%)	96.3	96.6	91.4	91.0

## Life insurance 2016

The result from life insurance was a profit of DKK 189m (2015: DKK 174m).

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

(Life Holding). This profit was calculated in accordance with the stated policy on the calculation of profit for the life insurance company, see: [www.topdanmark.com](http://www.topdanmark.com) → About Topdanmark → Business → Life insurance → [Policy for the calculation of profit in life insurance](#).

Result of life insurance (DKKm)	Q4	Q4	2015	2016
	2015	2016		
Investment return on shareholders' equity	40	34	57	71
Sales and administration	(22)	(14)	(45)	(42)
Insurance risk	5	(4)	19	13
Risk return on shareholders' equity	36	38	137	147
Risk return transferred to (minus)/from shadow account	28	(0)	7	0
<b>Profit on life insurance</b>	<b>85</b>	<b>54</b>	<b>174</b>	<b>189</b>
<b>Estimated value of shadow account end of period</b>			12	14

The increase in profit was mainly due to the increase in the investment return on shareholders' equity of DKK 71m (2015: DKK 57m).

The result of sales and administration was a DKK 42m loss (2015: DKK 45m loss).

The risk result declined to DKK 13m (2015: DKK 19m) mainly due to a deterioration in the claims trend for disability cover.

In 2016, the investment return in the with-profits environment was sufficient to recognise as income the full risk return to shareholders' equity from all interest rate groups. The risk return increased to DKK 147m (2015: DKK 137m).

The estimated value of the shadow account increased DKK 2m to DKK 14m at the end of 2016. The shadow account results from losses in the expense groups and it is expected that it will be recognised as income in a subsequent period, when profits are generated in the expense groups that have a shadow account.

## Trend in premiums

Gross premiums increased 17.6% to DKK 7,430 in 2016, of which premiums on unit-linked pension schemes were DKK 5,759m, representing an increase of 18.3% compared to 2015. Unit-linked pension schemes represented 94.0% of new sales in 2016.

Regular premiums increased 5.6% to DKK 2,653m in 2016. Single premiums were DKK 4,777m in 2016, representing a 25.5% increase.

## Developments in Q4 2016

The result of life insurance declined to DKK 54m (Q4 2015: DKK 85m). The Q4 2015 result was impacted by transfer from the shadow account of DKK 28m. The investment result was reduced by DKK 6m to DKK 34m. The result of sales and administration improved by DKK 8m to a DKK 14m loss in Q4 2016 due to an increase in expense contributions. The result of insurance risk declined DKK 9m due to fluctuations in the risk result for disability cover.

Gross premiums increased 1.9% to DKK 1,783 in Q4 2016 of which premiums earned from unit-linked pension schemes were DKK 1,400, representing a 2.3% decline from Q4 2015.

Regular premiums increased 3.7% to DKK 672m in Q4 2016, while single premiums increased to DKK 1,111m, representing a 0.9% improvement.

Sources of gross premiums (DKKm)	Q4	Q4	2015	2016
	2015	2016	2015	2016
With-profits schemes	210	187	753	664
Unit-linked schemes	363	412	1,226	1,454
Group life	75	72	533	534
<b>Regular premiums</b>	<b>648</b>	<b>672</b>	<b>2,513</b>	<b>2,653</b>
With-profits schemes	31	124	165	473
Unit-linked schemes	1,070	987	3,642	4,305
<b>Single premiums</b>	<b>1,101</b>	<b>1,111</b>	<b>3,807</b>	<b>4,777</b>
<b>Gross premiums</b>	<b>1,749</b>	<b>1,783</b>	<b>6,320</b>	<b>7,430</b>

## Investment activities Topdanmark Group excl. life insurance

The investment return in the Topdanmark Group excluding life insurance was DKK 910m in 2016 (2015: DKK 79m).

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 2016 on the most significant classes of assets is disclosed in the following table:

Investment return	Portfolio		Return Q4 2016		Return 2016	
	31 Dec 2016 (DKKbn)		(DKKm)	%	(DKKm)	%
Danish equities	0.3		4	1.4	15	4.5
Foreign equities	0.6		32	5.5	53	9.3
Unlisted equities and hedge funds	0.3		14	3.8	58	17.6
Government and mortgage bonds	12.4		(123)	(0.9)	351	2.7
Credit bonds	0.2		2	0.8	12	3.2
Index linked bonds	0.4		(1)	(0.3)	13	2.8
CDOs	0.6		52	8.4	155	28.5
Properties	1.0		13	1.3	57	5.8
Assets related to IVA	2.3		(38)	(1.7)	159	7.3
Money market etc.	1.9		4	0.2	(4)	(0.2)
Subordinated loan capital	(1.8)		(11)	(0.7)	(59)	(3.1)
Interest-bearing debt	0.0		(0)	(0.0)	(0)	(0.0)
	18.3		(52)	(0.3)	809	4.4
Asset management			54		102	
Investment return			2		910	
Return and revaluations non-life insurance provisions			146		(423)	
Investment return after return and revaluations non-life insurance provisions			148		487	

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

The investment return after return and revaluation of non-life insurance provisions was DKK 487m, which was DKK 235m higher than the assumed return for the year, calculated using Topdanmark's forecast model at the beginning of 2016. The higher return was primarily due to a high return on Danish mortgage bonds as compared to the comparable revaluation of provisions and a very high return on structured credits.

The post-tax equity exposure was DKK 796m (pre-tax: DKK 1,021m) excluding associated companies, but including the impact of derivatives. The equity portfolios are well diversified with no large individual positions.

The composition of the portfolios is based on OMXCCAP for Danish equities representing around 30% of the portfolio at 31 December 2016 and MSCI World in the original currency for foreign equities.

The class "Unlisted equities and hedge funds" includes private equity positions (DKK 61m) and positions in hedge funds where the investment mandates aim at positioning in the credit market (DKK 174m).

The Group's investments have no significant concentration of credit risk except for AAA-rated Danish mortgage bonds. The class of "Government and mortgage bonds" comprises primarily Danish government and mortgage bonds. The assets of the class are interest-rate sensitive - to a significant extent equivalent to the interest-rate sensitivity of the non-life insurance provisions. Consequently, the return on "Government and mortgage bonds" should be assessed in connection with return and revaluation of non-life insurance provisions.

"Credit bonds" are composed of a well-diversified portfolio, primarily exposed to businesses in Europe and in the US, predominantly in the investment grade segment.

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

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

The property portfolio comprises mainly owner-occupied property (DKK 856m). 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. In total, 98% of the property portfolio is let.

The class of "Assets related to I/A" (illness/accident) comprises the investments in Topdanmark Livsforsikring (the life insurance company) 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.

Topdanmark uses the Solvency II discount curve with volatility adjustment (VA) for assessing insurance provisions. The VA component comprises a corrective element for the development in pricing of Danish mortgage bonds, as well as a corrective element for the development in pricing of European business credits. The VA component was 51bp at the end of 2016 and 60bp at the beginning of the year.

## 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, the asset management company) and holding costs.

The result was a profit of DKK 41m in 2016 (2015: DKK 31m).

## Taxation

The tax charge of DKK 407m represents an effective tax rate of 20.9% (2015: 23.5%) due to a reduction in the corporate tax rate from 23.5 to 22.0 and a prior-year adjustment.

## 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](http://www.topdanmark.com) → Investor → [Risk management](#) is additional information on how changes in the assumptions underlying the profit forecast model will affect the results.

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

## Non-life insurance

In the interim report for Q1-Q3 2016, Topdanmark for 2017 assumed an almost unchanged level of premiums earned compared to 2016, and a combined ratio of around 90-91%, excluding run-off.

This was based on the following assumptions:

- A normal year for weather-related claims of DKK 170m, broken down by quarters:
  - Q1: DKK 50m
  - Q2: DKK 25m
  - Q3: DKK 45m
  - Q4: DKK 50m
- A level of interest rates corresponding to the interest rate curve on 4 November 2016
- An annual 7.0% return on equities and unchanged foreign exchange rates from the level on 4 November 2016.

Topdanmark continues to assume a level of premiums earned for 2017 which is practically unchanged, compared to the 2016 level.

As stated in company announcement no. 60/2016, Topdanmark works on increasing the efficiency of and automating a significant part of its business processes in order to offer its customers easy, simple and quick service while maintaining competitive prices.

It was also stated in company announcement no. 60/2016 that the implementation of digital improvement measures might result in yet unknown temporary additional expenses and investments. Furthermore, it was stated that the potential additional expenses or investments or the potential additional earnings had not been taken into account in the profit forecast model for 2017.

Topdanmark has decided to invest in efficiency improvement. The main elements of the efficiency improvement programme are:

- Digitalisation – self-service, online purchase etc.
- Efficiency improvement – optimisation and automation of administrative processes
- Transformation – performance and change culture.

Underlying combined ratio is maintained at 90-91 excluding run-off in the profit forecast model for 2017. However, the efficiency improvement programme may result in additional expenses of 0.5 to 1pp on the combined ratio. Based on that, combined ratio is increased to 91-92 in the profit forecast model.

The efficiency improvement programme will run over the next years and it is characterized in that expenses are booked before realization of the efficiency savings. However, return on investment is high and consequently, it is expected that additional expenses and gains from efficiency improvement will be offset already during 2018 and 2019.

Overall, the assumed pre-tax profit on non-life insurance is DKK 930-1,030m.

## Life insurance

Assumed growth in regular premiums is 0-5% for 2017. At this time of the year, it is not appropriate to assume the level of growth in single premiums.

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

- Full recognition as income of risk return for shareholders' equity from all interest rate groups
- No recognition of income from the shadow account.

Overall, the assumed pre-tax profit on life insurance is DKK 180-210m.

The result is highly sensitive to fluctuations particularly in the investment return. The risk allowance and shadow account will not be finally calculated until the preparation of the 2017 Annual Report.

## Parent company

The profit forecast model for the parent company plus subsidiaries outside of the insurance group assumes a pre-tax profit of DKK 50-60m.

## Taxation

Given a corporation tax rate of 22.0%, the tax charge is expected to be DKK 260-300m.

## Total Group profit

Overall, the assumed post-tax profit forecast model for 2017 is DKK 900-1,000m. The assumed profit for 2017 is exclusive of run-off.

The profit forecast model is based on the assumption of an annual 7.0% return on equities and foreign exchange rates unchanged from the level on 10 February 2017.

Furthermore, it is assumed that the return on interest-bearing assets hedging the discounted claims provisions is just sufficient to cover discounting and revaluation of the claims provisions, while the return on the remaining interest-bearing assets is assumed to be 1.8% (risk-free interest rate plus 2.0pp).

Profit forecast 2017 (DKKm)	Results 2016	Forecast 2017 10 February 2017		
Non-life insurance				
- Technical result	1,320	750	-	800
- Investment return after return and revaluations non-life insurance provisions	392	180	-	230
Profit on non-life insurance	1,712	930	-	1,030
Life insurance	189	180	-	210
Parent company etc.	41	50	-	60
Pre-tax profit	1,942	1,160	-	1,300
Taxation	(407)	(260)	-	(300)
<b>Profit for the year</b>	<b>1,536</b>	<b>900</b>	<b>-</b>	<b>1,000</b>

## Share buy-back

In the interim report for Q1-Q3 2016, it was announced that the share buy-back programme for 2016 was DKK 1,650m. It was also stated that the DFSA had approved buy-back of DKK 1,450 for 2016, until 23 February 2017. Finally, it was stated that Topdanmark would apply for DFSA approval of the remaining DKK 200 of the 2016 buy-back programme before 23 February 2017.

The buy-back of DKK 1,450 before 23 February 2017 is fully executed, and Topdanmark has received DFSA approval for buy-back of the remaining DKK 200m. DKK 1m of the remaining DKK 200m have been bought back by 21 February. The buy-back of the remaining DKK 199m should take place before the AGM on 4 April 2017. Additionally, Topdanmark has received permission for buy-back of another DKK 150m. If Sampo's proposal of revoking the buy-back is not adopted at the AGM, it is expected that the DKK 150m should be bought back before publication of Topdanmark's interim report for Q1 2017 on 23 May 2017.

For the financial year 2016, the share buy-back was DKK 1,524m, representing a buy-back yield of 9.6%.

The reduction of DKK 1,524m in shareholders' equity was partly offset by a DKK 50m strengthening of shareholders' equity by issue and exercise of share options etc.

The number of Topdanmark shares was 95,000,000 at 10 February 2017, of which Topdanmark's holding of own shares was 8,695,000. If, contrary to expectations, no further shares are bought back before the Annual General Meeting on 4 April 2017, the number of voting shares will be 86,305,000.

Since 1998, when Topdanmark started buying back own shares, it has been decided to cancel DKK 16.8bn of own shares, representing a 77.0% write-down of the share capital. The average price of the shares written down is DKK 53 per share.

In the years 2000-2016, the annual average buy-back yield has been 9.4%.

## Future earnings distribution

Sampo has proposed to Topdanmark's AGM on 4 April 2017 that the authority of the Board of Directors to buy back own shares be revoked. Sampo's proposal should be viewed in the context of Sampo's announcement in its Interim Report for Q1-Q3 2016 that Sampo intends to propose discontinuation of Topdanmark's share buy-back programme at the AGM on 4 April 2017 and a switch to earnings distribution by means of payment of dividend.

If Sampo's proposal of switch to 100% payment of dividend is not adopted at Topdanmark's AGM, the Board of Directors will propose a switch to a combination of share buy-back and payment of dividend as future earnings distribution.

In case Sampos proposal of switch to dividend is adopted at the AGM on 4 April 2017, Topdanmark's Board of Directors elected at the AGM will propose a future earnings dividend policy as soon as possible.

## Risk management

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

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

At the end of 2016, Topdanmark's solvency ratio was 174. It is Topdanmark's opinion that due to that solvency ratio, the Company will be able to maintain normal operations and implement planned measures even in the event of, for example, another collapse in the financial markets as in 2008.

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

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

In order to ensure strict control of the overall risk, the exposures are calculated as often as deemed necessary, i.e. daily, monthly, quarterly or in a few cases annually, according to the nature of the exposure.

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

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

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

The internal model has been used in solvency calculations in accordance with the Danish solvency rules in force in 2014 and 2015 and has been amended to meet the EU Solvency II-rules, which took effect on 1 January 2016. The DFSA has approved Topdanmark's internal model to be used in these new EU solvency calculations.

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 2016.

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.



## Overview

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

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

The most important risks are described in the following overview. A more detailed description is available in [note 48](#)

## Risk overview – Topdanmark Group

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

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

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

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

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

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

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

## 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.

Risk scenarios (DKKm) after taxation and pension return tax			
		2015	2016
<b>Non-life insurance</b>			
Underwriting risk			
Combined ratio – 1pp increase		(69)	(69)
Provisioning risk			
Provisions on own account – 1% increase		(96)	(98)
Storm claims up to DKK 5,100m (Plus reinstatement premium etc.)		(77)	(78)
<b>Life insurance</b>			
Disability intensity - 35% increase*		(7)	(12)
Mortality intensity - 20% decline		(33)	(31)
<b>Market risk</b>			
Interest-bearing assets	1 pp increase	(431)	(592)
Provisions for claims and benefits etc.	in effective interest rate	465	672
Index-linked bonds	5% loss	(27)	(36)
Equities	10% loss	(80)	(82)
CDOs < AA	10% loss	(49)	(53)
Properties	10% loss	(127)	(124)
Annual currency loss with an up to 2.5% probability		(19)	(21)

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

## Solvency capital requirements

Solvency II took effect on 1 January 2016.

Solvency II gives the companies the opportunity to fully or partially develop their own internal risk model for the solvency calculation. Topdanmark uses a partial internal model it has developed in-house to calculate the non-life risk.

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

The DFSA has permitted Topdanmark to use the volatility adjusted Solvency II interest rate curve.

## Own funds

Principal elements of own funds:

Shareholders' equity  
 + Deferred tax on security funds  
 + Profit margin  
 - Intangible assets  
 - DFSA-approved share buy-back programme  
 + Tax effect  
 + Usable share, hybrid capital (max. 20% of tier 1)  
+ Usable share, subordinated notes (Max. 50% of SCR)  
 Own funds

Topdanmark has issued EUR 55m hybrid capital without final redemption date with call in 2017.

Topdanmark Forsikring issued subordinated notes in two tranches:

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

At the end of 2016, Topdanmark's own funds were DKK 6,348m (beginning of 2016: DKK 6,943m), among other things because Topdanmark has redeemed a subordinated loan of DKK 400m.

The solvency requirement (SCR) was DKK 3,634m (beginning of 2016: DKK 3,193m).

The solvency rate is 174 (beginning of 2016: 217).

## Capital model

Topdanmark pursues a policy of keeping its shareholders' equity at a relatively low level. Any amounts in excess of the conservatively estimated shareholders' equity considered necessary to support the underlying business, are paid out to shareholders by way of buy-back of own shares.

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

At the end of 2016, shareholders' equity for solvency was DKK 3,992 (beginning of 2016: DKK 4,259m).

## 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.

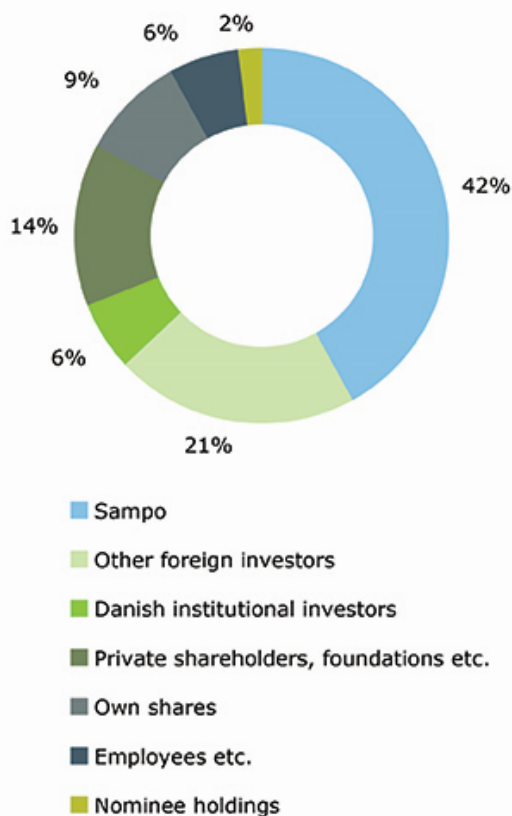
Furthermore, for the period until the Annual General Meeting in 2020, the Board of Directors is authorised to acquire own shares of up to 15% of the share capital for the purpose of ownership or security. The shares can be acquired at a minimum market price of DKK 1.05 per share of DKK 1 each and a maximum 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 the end of 2016, Topdanmark's share capital totalled DKK 95,000,000 divided into 95,000,000 shares of DKK 1 each, corresponding to 95,000,000 voting rights. As of 10 February 2017, Topdanmark held 8,695,000 own shares representing 9.2% of the share capital.

## Shareholders

At the end of December 2016 Topdanmark had 40,201 shareholders registered by name.

Shareholder structure - 1 February 2017



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

Sampo plc  
Fabianinkatu 27  
FL-00100 Helsinki  
Finland

## Board of Directors and Articles of Association

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

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

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

In accordance with this Act, the number of Board members elected by employees should be equivalent to no fewer than half the number of those elected by the shareholders at the general meeting. The rights, duties and responsibilities of the Board members elected by employees are the same as those of the Board members elected by shareholders at the general meeting.

The term of office for members elected by shareholders at the general meeting is one year, while according to legislation, it is four years for members elected by employees.

Board members are elected individually. The majority of the Board Members elected at the general meeting meet the definition of independence set out by the Committee on Corporate Governance.

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, 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 organisation, strategic management, insurance

operations, reinsurance, long-tail business, financial and insurance reporting, general statistics, risk management and assessment, sales to the personal and professional markets, marketing/branding, finance, own funds, solvency and minimum capital requirements, rules for internal models, audit, financing/investment, statutory limits, compliance, IT and IT security, digitalisation and recruitment/HR. With its current composition, Topdanmark's Board of Directors possesses all these skills.

### **Diversity**

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

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

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

Topdanmark works to maintain and develop openness in the company culture to counter any form of discrimination due to gender, race, colour, nationality, social and ethnic origin, religion, beliefs, political opinion, disability, age and sexual orientation. Topdanmark believes that diversity provides business value and that it is important that all employees 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 Annual General Meeting, it is part of the contracts for the Executive Board and three 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, and/or the company of the Topdanmark Group with which the person concerned is employed, is taken over by or merges with a company outside of the Group, or if one or more owners take control of Topdanmark, and/or the company of the Topdanmark Group with which the person concerned is employed. 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 was in control of Topdanmark. As a consequence of this special situation, it has been agreed that Topdanmark's Executive Board earns a compensation over three years, representing six months' salary for each qualifying year. Christian Sagild and Lars Thykier have earned this compensation during the years 2013-2015. Marianne Wier and Brian Rothemejer Jacobsen will earn the compensation during the years 2016-2018. The compensation will be paid on resignation.

## **Remuneration structure**

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

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 Annual General Meeting, is available on [www.topdanmark.com](http://www.topdanmark.com) → 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. A fixed share thereof, 10%, is paid as share options. Individual bonuses 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, 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.

## Share options

For 2017, Topdanmark has granted 263,387 share options to its Executive Board and a number of executives. The strike price of DKK 197 was fixed at 110% of the market price of Topdanmark's shares on 30 December 2016 (average of all trades).

Besides the revolving scheme referred to above, a further 185,000 share options have been granted for 2017 to a number of other executives who have made a special effort or otherwise contributed extraordinarily to value creation in the Company.

Share options granted	Executive Board	Senior Executives	Total
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
2016	71,860	335,600	407,460
Market value of those options granted (DKKm)	2	8	10
2017	96,416	351,971	448,387
Market value of those options granted (DKKm)	2	8	10

The options granted for 2017 are not to be exercised any earlier than subsequent to the publication of the 2019 Annual Report in 2020 and no later than subsequent to the publication of the 2021 Annual Report in 2022. 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 value was calculated using the Black and Scholes model based on a share price of DKK 179.44, an interest rate corresponding to the zero coupon rate based on the swap curve on 30 December 2016, 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.

The market value of the options for 2017 has been calculated at DKK 10m at the time of granting.

At the end of 2016 the exposure of the options held by the Executive Board represented 0.4% of the number of outstanding shares.

Detailed information on Topdanmark's option scheme is available on [www.topdanmark.com](http://www.topdanmark.com) → 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 Multi-employer Occupational Pension Funds" ("Executive Order on Financial Reports"), is available on [www.topdanmark.com](http://www.topdanmark.com) → Investor Relations → Reports and presentations → [Statutory Corporate Governance Reports](#) (<http://inv.topdanmark.com/governancestatement.cfm>).

## CSR

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

## Investor Relations

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

- Value-creating activities are reflected in a fair price for Topdanmark's shares
- Topdanmark's shares are not traded at a discount due to lack of information
- 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 takes place through the following information channels:

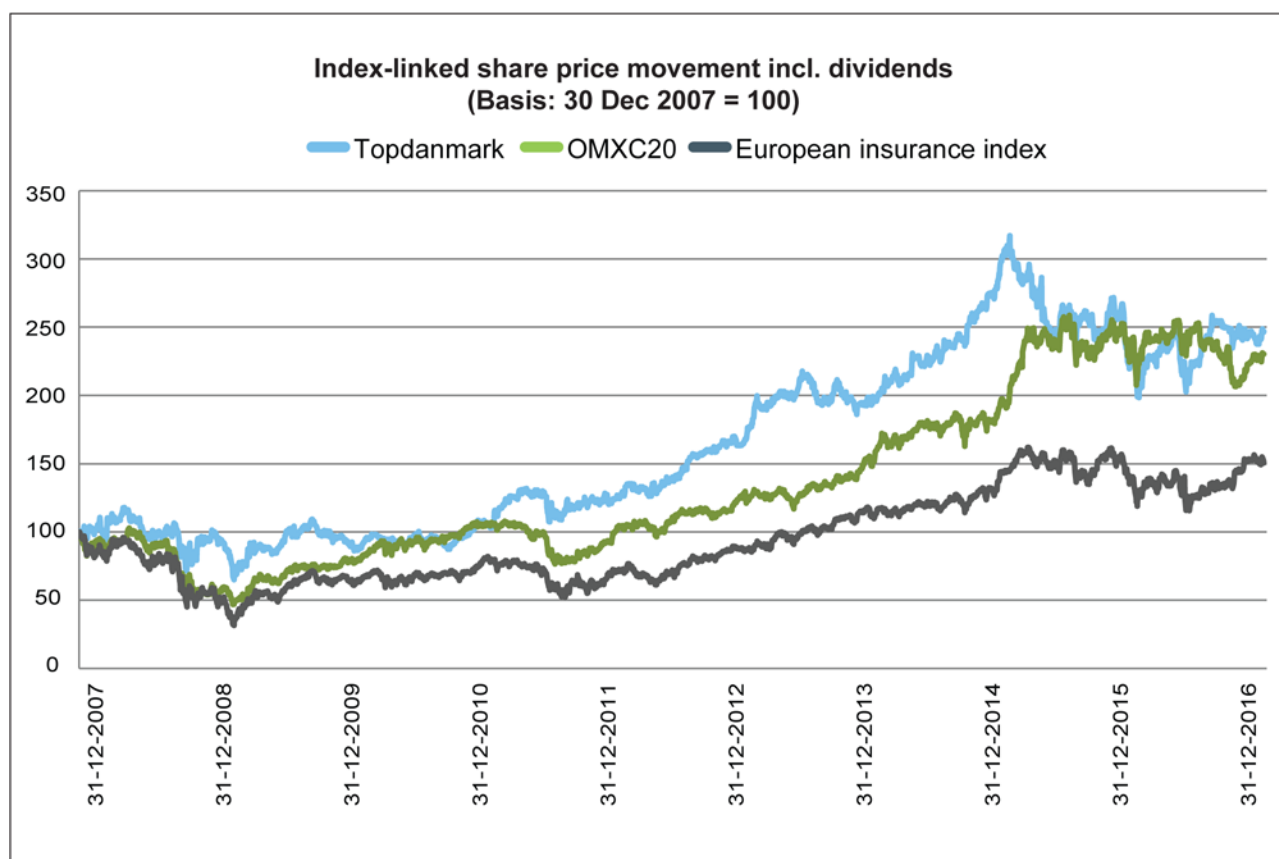
- Investor meetings
- Telephone meetings
- Conference calls
- Webcasts
- Investment and insurance conferences.

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

## Topdanmark shares

Topdanmark shares are listed on NASDAQ Copenhagen and included in the following share indices:

- C25
- OMXC Large Cap.





## Previous 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 decided to cancel DKK 16.8bn of own shares representing a 77.0% write-down of the share capital. The average price of the shares written down is DKK 53 per share.

Topdanmark's buy-back programme is executed under the European Commission's Regulation No. 2273/2003 of 22 December 2003 (the "Safe Harbour" method). Topdanmark has made an agreement with Danske Bank, which is the lead manager for the share buy-back. The agreement with Danske Bank ensures that trade decisions and the execution of the buy-back will be independent of and without influence from Topdanmark.

Topdanmark's future distribution policy is stated in "Future earnings distribution".

## Trading in Topdanmark's shares

Daily share trading on all stock exchanges was DKK 72m in 2016 (2015: DKK 70m).

NASDAQ Copenhagen continues to be the primary stock exchange for trading in Topdanmark's shares with a daily turnover of DKK 47m in 2016 (2015: DKK 45m).

NASDAQ Copenhagen's market share was 65% in 2016 (2015: 64%). The share of trading on other platforms such as BATS, Chi-x and Turquoise was 35% (2015: 36%).

Most active brokers at NASDAQ Copenhagen A/S in 2016	
	%
Danske Bank	16
Nordea	15
Deutsche Bank	13
Morgan Stanley	8
Credit Suisse	7
Merrill Lynch	5
Hudson River	4
Société Générale	3
Instinet Europe	3
UBS	3

Topdanmark is monitored by 21 share analysts. The analysts' recommendations of Topdanmark's shares are available on Topdanmark's investor site [www.topdanmark.com](http://www.topdanmark.com) → Investor Relations → Share profile → [Analysts](#).

## Annual General Meeting

The Annual General Meeting will be held on 4 April 2017, 15:00 (CET) at:

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

All of the Board members elected at the Annual General Meeting are up for re-election.

As stated in company announcement no. 08/2017, the Board of Directors proposes election of the following:

- Torbjörn Magnusson
- Lone Møller Olsen
- Petri Niemisvirta
- Annette Sadolin
- Ricard Wennerklint
- Jens Aaløse.

The agenda for the Annual General Meeting will be published in the period 27 February to 13 March 2017.

## Financial calendar

AGM	4 Apr 2017
Q1 2017 Interim Report	23 May 2017
2017 Half-year Report	15 Aug 2017
Q1-Q3 2017 Interim Report	14 Nov 2017
2017 Annual Report	22 Feb 2018
Deadline for submitting items for AGM agenda	28 Feb 2018

# Company announcements and trading reports

## Company announcements

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

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

### 2017

20 Feb 10/2017 Topdanmark – weekly report on share buy-backs  
13 Feb 09/2017 Topdanmark – weekly report on share buy-backs  
10 Feb 08/2017 CORRECTION - Sampo wishes to increase its number of members of Topdanmark's Board of Directors and switch to payment of dividends as earnings distribution  
10 Feb 08/2017 Sampo wishes to increase its number of members of Topdanmark's Board of Directors and switch to payment of dividends as earnings distribution  
06 Feb 07/2017 Topdanmark – weekly report on share buy-backs  
30 Jan 06/2017 Topdanmark – weekly report on share buy-backs  
23 Jan 05/2017 Topdanmark – weekly report on share buy-backs  
16 Jan 04/2017 Topdanmark – weekly report on share buy-backs  
09 Jan 03/2017 CORRECTION - Topdanmark – weekly report on share buy-backs  
09 Jan 03/2017 Topdanmark – weekly report on share buy-backs  
02 Jan 02/2017 Issue of options  
02 Jan 01/2017 Topdanmark – weekly report on share buy-backs

### 2016

27 Dec 73/2016 Topdanmark – weekly report on share buy-backs  
19 Dec 72/2016 Topdanmark – weekly report on share buy-backs  
12 Dec 71/2016 Topdanmark – weekly report on share buy-backs  
05 Dec 70/2016 Topdanmark – weekly report on share buy-backs  
28 Nov 69/2016 Topdanmark – weekly report on share buy-backs  
21 Nov 68/2016 Topdanmark – weekly report on share buy-backs  
15 Nov 67/2016 Topdanmark Interim Report for Q1-Q3 2016  
07 Nov 66/2016 Topdanmark – weekly report on share buy-backs  
31 Oct 65/2016 Topdanmark – weekly report on share buy-backs  
26 Oct 64/2016 Result of the mandatory offer by Sampo plc  
24 Oct 63/2016 CORRECTION - Topdanmark – weekly report on share buy-backs  
24 Oct 63/2016 Topdanmark – weekly report on share buy-backs  
17 Oct 62/2016 Topdanmark – weekly report on share buy-backs  
10 Oct 61/2016 Topdanmark – weekly report on share buy-backs  
07 Oct 60/2016 Statement by Topdanmark's Board of Directors on the mandatory offer by Sampo plc  
07 Oct 59/2016 Topdanmark's profit forecast model for 2016 and assumptions for profit forecast model for 2017  
03 Oct 58/2016 Topdanmark – weekly report on share buy-backs  
27 Sep 57/2016 Sampo has published Offer Document  
26 Sep 56/2016 Topdanmark – weekly report on share buy-backs  
21 Sep 55/2016 Employee shares  
19 Sep 54/2016 Topdanmark – weekly report on share buy-backs  
12 Sep 53/2016 Topdanmark – weekly report on share buy-backs  
07 Sep 52/2016 Sampo has acquired 33.34% of the Topdanmark shares and announces a mandatory no-premium offer for Topdanmark  
05 Sep 51/2016 Topdanmark – weekly report on share buy-backs  
01 Sep 50/2016 Topdanmark's holding of own shares exceeds 5%  
31 Aug 49/2016 Share capital and voting rights in Topdanmark  
29 Aug 48/2016 Topdanmark – weekly report on share buy-backs  
23 Aug 47/2016 Write-down of Topdanmark's share capital – Topdanmark's holding of own shares below 10%  
22 Aug 46/2016 Topdanmark – weekly report on share buy-backs

17 Aug 45/2016 Topdanmark – weekly report on share buy-backs  
16 Aug 44/2016 Topdanmark Half-Year Report for 2016  
15 Aug 43/2016 CORRECTION - Topdanmark – weekly report on share buy-backs  
15 Aug 43/2016 Topdanmark – weekly report on share buy-backs  
08 Aug 42/2016 Topdanmark – weekly report on share buy-backs  
01 Aug 41/2016 Topdanmark – weekly report on share buy-backs  
25 Jul 40/2016 Topdanmark – weekly report on share buy-backs  
18 Jul 39/2016 Topdanmark – weekly report on share buy-backs  
11 Jul 38/2016 Topdanmark – weekly report on share buy-backs  
01 Jul 37/2016 Topdanmark – weekly report on share buy-backs  
27 Jun 36/2016 Topdanmark – weekly report on share buy-backs  
20 Jun 35/2016 Topdanmark – weekly report on share buy-backs  
13 Jun 34/2016 Topdanmark – weekly report on share buy-backs  
06 Jun 33/2016 Topdanmark – weekly report on share buy-backs  
30 May 32/2016 Topdanmark – weekly report on share buy-backs  
23 May 31/2016 Topdanmark – weekly report on share buy-backs  
18 May 30/2016 CORRECTION - Topdanmark – weekly report on share buy-backs  
17 May 30/2016 Topdanmark – weekly report on share buy-backs  
10 May 29/2016 Topdanmark Interim Report for Q1 2016  
09 May 28/2016 Topdanmark – weekly report on share buy-backs  
02 May 27/2016 Topdanmark – weekly report on share buy-backs  
25 Apr 26/2016 Topdanmark – weekly report on share buy-backs  
18 Apr 25/2016 Topdanmark – weekly report on share buy-backs  
11 Apr 24/2016 Topdanmark – weekly report on share buy-backs  
07 Apr 23/2016 Annual General Meeting of Topdanmark – 7 April 2016  
06 Apr 22/2016 CORRECTION - Topdanmark resumes buy-back programme for 2016  
06 Apr 22/2016 Topdanmark resumes buy-back programme for 2016  
04 Apr 21/2016 Topdanmark – weekly report on share buy-backs  
29 Mar 20/2016 Topdanmark – weekly report on share buy-backs  
21 Mar 19/2016 Topdanmark – weekly report on share buy-backs  
14 Mar 18/2016 Topdanmark – weekly report on share buy-backs  
09 Mar 18/2016 Notice Convening AGM, 7 April 2016  
07 Mar 17/2016 Topdanmark – weekly report on share buy-backs  
02 Mar 16/2016 Topdanmark Annual Report for 2015  
29 Feb 15/2016 Topdanmark – weekly report on share buy-backs  
24 Feb 14/2016 Topdanmark temporarily suspends its buy-back programme for 2016  
22 Feb 13/2016 Topdanmark – weekly report on share buy-backs  
15 Feb 12/2016 Topdanmark – weekly report on share buy-backs  
11 Feb 11/2016 Topdanmark appoints two new members to its Executive Board  
11 Feb 10/2016 Topdanmark Announcement of 2015 Annual Results  
11 Feb 09/2016 Topdanmark – share buy-back programme concluded  
08 Feb 08/2016 Topdanmark – weekly report on share buy-backs  
01 Feb 07/2016 Topdanmark – weekly report on share buy-backs  
29 Jan 06/2016 Topdanmark increases its holding of own shares  
25 Jan 05/2016 Topdanmark – weekly report on share buy-backs  
18 Jan 04/2016 Topdanmark – weekly report on share buy-backs  
11 Jan 03/2016 Topdanmark – weekly report on share buy-backs  
04 Jan 02/2016 Issue of options  
04 Jan 01/2016 Topdanmark – weekly report on share buy-backs

## Trading Reports

### 2016

04 Jan 01/2016 Trading in Topdanmark's shares by insiders

## Board of Directors



### **Søren Thorup Sørensen, Chairman**

Elected at the AGM.

#### **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:

- LEGO A/S
- 5 subsidiaries of KIRKBI A/S
- Koldingvej 2, Billund A/S
- Merlin Entertainments Plc
- Falck A/S
- Boston Holding A/S
- Ole Kirk's Fund.

#### **Member of**

The Audit Committee, Remuneration Committee and Nomination Committee of Topdanmark.

#### **Independence:**

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



### **Torbjörn Magnusson, Deputy Chairman**

Elected at the AGM.

#### **DOB:**

9 November 1963.

#### **Joined Topdanmark's Board of Directors:**

2014.

#### **Current position held:**

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.

#### **Member of**

The Remuneration Committee and Nomination Committee of Topdanmark.

#### **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.



**Ann-Jeanette Bakbøl**

Elected by employees.

**DOB:**

15 August 1957.

**Joined Topdanmark's Board of Directors:**

2015.

**Current position held:**

Claims Executive.

**Offices held:**

Chairman of Topdanmark's Senior Officers' Association.



**Tina Møller Carlsson**

Elected by employees.

**DOB:**

18 August 1976.

**Joined Topdanmark's Board of Directors:**

2015.

**Current position held:**

Deputy Chairman of the Staff Association of Topdanmark.



**Mette Jensen**

Elected by employees.

**DOB:**

20 June 1976.

**Joined Topdanmark's Board of Directors:**

2015.

**Current position held:**

Chairman of the Staff Association of Topdanmark.

**Member of**

The Remuneration Committee of Topdanmark.

**Birgitte Nielsen**

Elected at the AGM.

**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, Denmark
- B.Com Degree (HD), Accounting and Financial Management, CBS, Denmark
- General Management Program, CEDEP/INSEAD.

**Offices held:**

Member of the Boards of Directors of:

- Kirk Kapital A/S
- Gigtforeningen (the Danish Rheumatoid Arthritis Society)
- Matas A/S
- Chairman of the Audit Committee, Matas A/S
- Coloplast A/S
- Deputy Chairman of Arkil Holding A/S
- Chairman of the Audit Committee, Arkil A/S
- De Forenede Ejendomsselskaber A/S
- Amager Strandvej 60-64/Ved Amagerbanen 37 ApS
- Valby Maskinfabrik 7-8 ApS

- Valby Maskinfabrik 10-12 ApS
- Nimbusparken I ApS
- Nimbusparken III ApS

**Member of:**

The Audit Committee of Topdanmark.

**Independence:**

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

**Lone Møller Olsen**

Elected at the AGM.

**DOB:**

14 April 1958.

**Joined Topdanmark's Board of Directors:**

2016.

**Current position held:**

Professional Board Member.

**Previous positions held:**

1979-2016: Deloitte, Denmark and New York.

**Education:**

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

**Offices held:**

- Member of the Board of Directors of BankInvest.

**Independence:**

Because Lone Møller Olsen has been a partner at Deloitte, Topdanmark's external auditor, formally she does not meet the definition of independence set out by the Committee on Corporate Governance, when joining the Board of Directors. However, Lone Møller Olsen has not worked with Topdanmark for the last 20 years. Therefore, it is the opinion of the Board of Directors that Lone Møller Olsen meets the definition of independence.



**Annette Sadolin**

Elected at the AGM.

**DOB:**

4 January 1947.

**Joined Topdanmark's Board of Directors:**

2004.

**Current position held:**

Professional Board Member.

**Previous positions held:**

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

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

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

1993-1996: CEO, Employers Reinsurance International, Copenhagen.

1996-2003: Member of 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.

**Member of:**

The Audit Committee of Topdanmark.

**Independence:**

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



**Jens Aaløse**

Elected at the AGM.

**DOB:**

26 September 1966.

**Joined Topdanmark's Board of Directors:**

2016.

**Current position held:**

Senior Executive Vice President, TDC A/S.

**Previous positions held:**

1990-2002: Various executive positions, SAS Scandinavian Airlines A/S

2002-2006: Vice President, SAS Scandinavian Airlines A/S

2006-2010: CEO, Nordic Media Link AB and Dansk Reklame Film A/S

2010-2013: CEO, Danske Licens Spil A/S.

**Education:**

BSc Business Administration, Copenhagen Business School, Denmark.

**Offices held:**

Member of the Board of Directors of:

- FDM Travel A/S
- Ecosys A/S (Chairman).

**Independence:**

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

## 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:

- HR
- Communications, IR, CSR
- Group Secretariat, Corporate Legal Matters.

#### Member of the Executive Board of:

- Zulu ApS.

#### Member of the Boards of Directors of:

- Forsikring & Pension
- Ambu A/S
- Gobike A/S
- Bikeshare Danmark A/S.



### Brian Rothemejer Jacobsen

COO of Topdanmark A/S.

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

#### Education:

- Henley Executive MBA.

#### Managerial responsibilities:

- Personal
- Partners
- Agricultural
- SME
- Claims handling
- Marketing
- Topdanmark Livsforsikring (life insurance).

#### Member of the Board of Directors of:

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



### 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.

#### Member of the Board of Directors of:

- Green World Society Ltd.



### Marianne Wier

COO of Topdanmark A/S.

DOB 1963, joined Topdanmark in 2013, joined Topdanmark's Executive Board on 1 March 2016.

#### Education:

- MA (Laws), Attorney.

#### Managerial responsibilities:

- Claims Handling
- IT
- Group Development.

#### Member of the Board of Directors of:

Danish Employers' Association for the Financial Sector.

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)	2012	2013	2014	2015	2016
<b>NON-LIFE INSURANCE</b>					
Gross premiums earned*	8,823	8,963	9,167	9,029	8,906
Technical interest	20	14	8	-	-
Gross claims incurred	(6,122)	(7,132)	(6,308)	(6,170)	(5,939)
Bonuses and rebates	(64)	(74)	(52)	(62)	(48)
Total operating expenses	(1,372)	(1,415)	(1,408)	(1,404)	(1,432)
Net reinsurance	(193)	445	(88)	(174)	(126)
<b>TECHNICAL PROFIT ON NON-LIFE INSURANCE</b>	<b>1,092</b>	<b>801</b>	<b>1,321</b>	<b>1,220</b>	<b>1,361</b>
<b>LIFE INSURANCE</b>					
Gross premiums written	3,059	3,511	4,448	6,320	7,430
Allocated investment return, net of reinsurance	2,364	2,031	2,691	1,194	3,147
Pension return tax	(396)	(272)	(509)	(165)	(501)
Claims and benefits	(3,146)	(3,860)	(4,200)	(3,240)	(3,453)
Change in the life insurance provisions and profit margin	(1,948)	(1,048)	(2,550)	(3,680)	(6,197)
Total operating expenses	(324)	(337)	(357)	(406)	(416)
Net reinsurance	3	(1)	1	(3)	(4)
<b>TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE</b>	<b>(389)</b>	<b>25</b>	<b>(477)</b>	<b>19</b>	<b>7</b>
<b>Profit on investment activities after transfer to technical results</b>					
	1,659	1,085	1,206	313	619
Other income	12	19	17	20	19
Other expenses	(40)	(54)	(57)	(42)	(64)
<b>PRE-TAX PROFIT</b>	<b>2,335</b>	<b>1,875</b>	<b>2,010</b>	<b>1,530</b>	<b>1,942</b>
Taxation	(512)	(407)	(452)	(360)	(407)
<b>PROFIT FOR THE YEAR</b>	<b>1,823</b>	<b>1,468</b>	<b>1,558</b>	<b>1,170</b>	<b>1,536</b>
Run-off profits, net of reinsurance	201	306	351	381	470
Provisions for insurance and investment contracts:					
Non-life insurance	16,251	16,721	16,485	16,286	16,264
Life insurance	32,553	33,640	36,375	40,537	47,351
Total insurance assets	797	1,458	769	684	685
Total shareholders' equity	5,368	5,184	5,135	4,640	4,702
Total assets	59,435	61,092	64,516	67,654	73,476
Gross loss ratio (%)	70.0	80.4	69.3	69.0	67.2
Net reinsurance ratio (%)	2.2	(5.0)	1.0	1.9	1.4
Claims trend (%)	72.2	75.4	70.3	70.9	68.7
Gross expense ratio (%)	15.8	16.2	15.7	15.9	16.4
Combined ratio (%)	88.0	91.5	86.0	86.8	85.1
Combined ratio excl. run-off profits (%)	90.3	95.0	89.8	91.1	90.4
Operating ratio (%)	87.8	91.4	85.9	86.8	85.1
Relative run-off profits, net of reinsurance (%)	1.6	2.4	2.8	3.0	3.7
Return on shareholders' equity (%)	36.3	27.8	29.7	23.7	32.2
Solvency cover** (unaudited)	-	-	-	-	174.3

Comparative figures for non-life insurance have been adapted to new Executive Order on Financial Reports as of 2015. For life-insurance it has not been possible to correct the comparative figures, other than the changes for presentation of income statement and balance sheet, due to the new Executive Order on Financial Reports.

\* Before deducting bonuses and rebates.

\*\* The ratio solvency cover is exempt from the requirement of audit, cf. Executive Order no. 937 of 27 July 2015 on financial reports for insurance companies and Multi-employer Occupational Pension Funds and consequently not revised.

## Income statement • Group

(DKKm)	Note	2015	2016
<b>NON-LIFE INSURANCE</b>			
Gross premiums written	3	8,883	8,745
Ceded reinsurance premiums		(671)	(637)
Change in the provisions for unearned premiums	3	28	110
Change in profit margin and risk margin	3	117	51
Change in the reinsurers' share of the provisions for unearned premiums		3	(0)
<b>Premiums earned, net of reinsurance</b>		<b>8,361</b>	<b>8,269</b>
Gross claims paid		(6,254)	(6,286)
Reinsurance cover received		476	424
Change in the provisions for claims		71	349
Change in risk margin		14	(1)
Change in the reinsurers' share of the provisions for claims		(68)	(1)
<b>Claims incurred, net of reinsurance</b>	4	<b>(5,762)</b>	<b>(5,516)</b>
<b>Bonuses and rebates</b>		<b>(62)</b>	<b>(48)</b>
Acquisition costs		(920)	(945)
Administrative expenses		(484)	(487)
Reinsurance commission and share of profits		86	88
<b>Total operating expenses, net of reinsurance</b>		<b>(1,318)</b>	<b>(1,344)</b>
<b>TECHNICAL PROFIT ON NON-LIFE INSURANCE</b>	5	<b>1,220</b>	<b>1,361</b>
<b>LIFE INSURANCE</b>			
Gross premiums written	6	6,320	7,430
Ceded reinsurance premiums		(10)	(6)
<b>Premiums, net of reinsurance</b>		<b>6,309</b>	<b>7,424</b>
<b>Allocated investment return, net of reinsurance</b>		<b>1,194</b>	<b>3,147</b>
<b>Pension return tax</b>		<b>(165)</b>	<b>(501)</b>
Claims and benefits paid	7	(3,240)	(3,453)
Reinsurance cover received		7	6
<b>Claims and benefits paid, net of reinsurance</b>		<b>(3,233)</b>	<b>(3,447)</b>
Change in the life insurance provisions	8	(3,680)	(6,159)
Change in the reinsurers' share		(1)	(5)
<b>Change in the life insurance provisions, net of reinsurance</b>		<b>(3,681)</b>	<b>(6,164)</b>
<b>Change in profit margin</b>		<b>-</b>	<b>(37)</b>
Acquisition costs		(153)	(146)
Administrative expenses		(253)	(270)
Reinsurance commission and share of profits		1	2
<b>Total operating expenses, net of reinsurance</b>		<b>(405)</b>	<b>(414)</b>
<b>TECHNICAL PROFIT ON LIFE INSURANCE</b>		<b>19</b>	<b>7</b>

## Income statement • Group

(DKKm)	Note	2015	2016
<b>NON-TECHNICAL ACTIVITIES</b>			
Technical profit on non-life insurance		1,220	1,361
Technical profit on life insurance		19	7
Income from associated companies	18	93	46
Income from investment properties	9	94	74
Interest income and dividends etc.		1,938	1,740
Revaluations	10	(577)	2,464
Interest charges		(61)	(78)
Expenses on investment business		(66)	(57)
<b>Total investment return</b>		<b>1,421</b>	<b>4,189</b>
Return and revaluations non-life insurance provisions	11	87	(423)
Investment return transferred to life insurance business		(1,194)	(3,147)
Other income		20	19
Other expenses	12	(42)	(64)
<b>PRE-TAX PROFIT</b>		<b>1,530</b>	<b>1,942</b>
Taxation	13	(360)	(407)
<b>PROFIT FOR THE YEAR</b>		<b>1,170</b>	<b>1,536</b>
EPS (DKK)	14	11.7	16.8
EPS, diluted (DKK)	14	11.6	16.7

## Statement of comprehensive income • Group

Profit for the year	1,170	1,536
Items which cannot subsequently be reclassified as profit or loss:		
Revaluation of owner-occupied properties	1	1
Other comprehensive income	1	1
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,171</b>	<b>1,537</b>

## Assets • Group

(DKK m)	Note	2014	2015	2016
<b>INTANGIBLE ASSETS</b>	15	610	689	806
Operating equipment		115	127	132
Owner-occupied properties		857	857	856
<b>TOTAL TANGIBLE ASSETS</b>	16	972	984	988
Investment properties	17	3,488	3,717	3,448
Shares in associated companies	18	328	172	1,180
Loans to associated companies		1	0	0
Total investment in associated companies		329	172	1,180
Shares		7,626	6,740	5,663
Unit trusts		32	0	0
Bonds		33,975	31,455	35,277
Loans guaranteed by mortgages		12	7	7
Other loans		0	32	0
Deposits with credit institutions		2,267	3,721	1,451
Derivatives		1,873	1,350	36
Total other financial investment assets		45,785	43,304	42,434
<b>TOTAL INVESTMENT ASSETS</b>		49,602	47,193	47,061
<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS</b>	19	10,458	15,796	21,528
Reinsurers' share of the provisions for unearned premiums	20	67	71	72
Reinsurers' share of the life insurance provisions		33	32	27
Reinsurers' share of the provisions for claims and benefits	21	646	582	586
Total reinsurers' share of provisions		746	684	685
Amounts due from policyholders		304	328	383
Amounts due from insurance companies		195	81	100
Amounts due from associated companies		497	353	366
Other debtors		114	259	226
<b>TOTAL DEBTORS</b>		1,856	1,706	1,761
Assets held temporarily		3	0	0
Current tax assets		0	34	0
Deferred tax assets	22	19	14	10
Liquid funds		323	640	831
Other		77	120	23
<b>TOTAL OTHER ASSETS</b>		422	808	865
Accrued interest and rent		372	284	278
Other prepayments and accrued income		201	193	188
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>		573	477	467
<b>TOTAL ASSETS</b>		64,493	67,654	73,476

## Shareholders' equity and liabilities • Group

(DKK m)	Note	2014	2015	2016
Share capital		115	105	95
Revaluation reserve		10	11	13
Security fund		1,146	1,146	1,146
Other reserves		39	47	57
Total reserves		1,185	1,193	1,203
Profit carried forward		3,754	3,331	3,392
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>5,064</b>	<b>4,640</b>	<b>4,702</b>
<b>OTHER SUBORDINATED LOAN CAPITAL</b>	23	1,156	2,154	1,754
Provisions for unearned premiums	24	1,960	1,944	1,881
Profit margin, non-life insurance contracts	24	878	772	711
Products with guarantees and profits sharing	25	25,524	24,321	24,465
Unit-linked products	26	10,851	16,216	22,783
Total life insurance provisions		36,375	40,537	47,248
Profit margin, life insurance and investment contracts	27	-	-	103
Provisions for claims and benefits	28	13,289	13,121	13,209
Risk margin, non-life insurance contracts		320	313	320
Provisions for bonuses and rebates		124	137	143
<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>		<b>52,946</b>	<b>56,823</b>	<b>63,615</b>
Pensions and similar commitments		29	28	28
Deferred tax liabilities	22	74	73	59
Deferred tax on security funds		306	306	306
<b>TOTAL LIABILITIES PROVIDED</b>		<b>409</b>	<b>407</b>	<b>394</b>
<b>DEPOSITS RECEIVED FROM REINSURERS</b>		<b>154</b>	<b>62</b>	<b>64</b>
Creditors arising out of direct insurance operations		315	394	329
Creditors arising out of reinsurance operations		34	43	18
Bond loans		29	0	0
Amounts due to credit institutions		1,961	1,346	44
Amounts due to associated companies		3	0	0
Current tax liabilities		11	1	59
Derivatives		866	527	880
Other creditors		1,454	1,133	1,508
<b>TOTAL CREDITORS</b>		<b>4,674</b>	<b>3,445</b>	<b>2,837</b>
<b>ACCRUALS AND DEFERRED INCOME</b>		<b>89</b>	<b>123</b>	<b>109</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>64,493</b>	<b>67,654</b>	<b>73,476</b>

## Cash flow statement • Group

(DKK m)	2015	2016
<b>Cash flow from operations</b>		
Gross premiums written	8,827	8,724
Claims paid	(6,182)	(6,266)
Expenses paid	(1,314)	(1,315)
Reinsurance ceded	(12)	(150)
Cash flow from non-life insurance	1,319	992
Gross premiums written	6,398	7,282
Claims and benefits	(3,365)	(3,460)
Pension return tax	(496)	(259)
Expenses paid	(385)	(395)
Reinsurance ceded	(52)	(7)
Cash flow from life insurance	2,099	3,161
Cash flow from insurance business	3,418	4,154
Payments on investment contracts	525	620
Dividends from associated companies	8	0
Interest income and dividends etc.	1,999	1,889
Interest charges etc.	(131)	(144)
Corporation tax	(403)	(393)
Other items	(20)	(37)
<b>Cash flow from operations</b>	<b>5,396</b>	<b>6,089</b>
<b>Investments</b>		
Intangible assets, operating equipment	(200)	(203)
Properties	48	(162)
Shares in associated companies	245	(3)
Shares	1,458	1,320
Unit trusts	33	1
Bonds	1,974	(3,181)
Loans	(28)	32
Derivatives	(970)	1,897
Investment activities related to unit-linked products	(5,107)	(4,675)
Balances with associated companies	123	15
<b>Investments</b>	<b>(2,424)</b>	<b>(4,959)</b>
<b>Financing</b>		
Shares bought back	(1,652)	(1,533)
Exercise of share options	50	34
Sale of own shares	16	0
Redemption of subordinated loan capital	(350)	(400)
Issue of subordinated loan capital	1,345	0
Bond loans	(29)	0
Amounts due to credit institutions	(615)	(1,302)
<b>Financing</b>	<b>(1,235)</b>	<b>(3,202)</b>
Change in cash and cash equivalents	1,736	(2,072)
Cash and cash equivalents at 1 January	2,590	4,361
Revaluation of cash and cash equivalents	35	(6)
Cash and cash equivalents at 31 December	4,361	2,282
Cash and cash equivalents comprise:		
Liquid funds	640	831
Deposits with credit institutions	3,721	1,451
	4,361	2,282

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

## Statement of changes in equity • Group

(DKKm)

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Total
<b>2015</b>						
Shareholders' equity at 31 December prior year	115	10	1,146	39	3,825	5,135
Effect of new Executive Order on Financial Statements					(71)	(71)
Equity end of year 2015 according to new Executive Order on Financial Statements	115	10	1,146	39	3,754	5,064
Profit for the year				8	1,162	1,170
Other comprehensive income		1		0	0	1
Total comprehensive income for the year		1		8	1,162	1,171
Cancellation of own shares	(10)				10	0
Share buy-back					(1,667)	(1,667)
Sale of own shares					16	16
Share-based payments					10	10
Exercise of share options					50	50
Taxation					(4)	(4)
Other transactions	(10)				(1,586)	(1,596)
<b>Shareholders' equity at 31 December 2015</b>	<b>105</b>	<b>11</b>	<b>1,146</b>	<b>47</b>	<b>3,331</b>	<b>4,640</b>

### 2016

Shareholders' equity at 31 December prior year	105	11	1,146	47	3,364	4,673
Effect of new Executive Order on Financial Statements					(31)	(31)
Shareholders' equity beginning of the year according to new Executive Order on Financial Reports	105	11	1,146	47	3,333	4,642
Profit for the year				11	1,525	1,536
Other comprehensive income		1		0	0	1
Total comprehensive income for the year		1		11	1,525	1,537
Cancellation of own shares	(10)				10	0
Share buy-back					(1,524)	(1,524)
Share-based payments					18	18
Exercise of share options					32	32
Taxation					(2)	(2)
Other transactions	(10)				(1,466)	(1,476)
<b>Shareholders' equity at 31 December 2016</b>	<b>95</b>	<b>13</b>	<b>1,146</b>	<b>57</b>	<b>3,392</b>	<b>4,702</b>

	<b>1 January</b>	
<b>Own funds</b>	<b>2016</b>	<b>2016</b>
Shareholders' equity	4,642	4,702
Deferred tax on security funds	306	306
Profit margin	898	735
Intangible assets	(689)	(806)
DFSA-approved share buy-back programme	0	(210)
Other	(95)	(80)
Correction for tax	(126)	(62)
Available share hybrid capital	410	409
Available share subordinated notes	1,597	1,353
<b>Own funds</b>	<b>6,943</b>	<b>6,348</b>

## Notes to the financial statements • Group

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



## Notes to the financial statements • Group

(DKKm)

### Note 1. Segment information income statement

	Per- sonal	SME	Eli- min- ated	Non-life	Life	Parent etc.	Eli- min- ated	Group
<b>2015</b>								
<b>Non-life insurance</b>								
Gross premiums earned	4,976	4,011	(20)	8,967				8,967
Claims incurred	(3,414)	(2,783)	13	(6,184)			14	(6,170)
Expenses	(809)	(619)	2	(1,426)			22	(1,404)
Net reinsurance	(68)	(105)	0	(174)				(174)
Technical profit / (loss) on non-life insurance	684	505	(6)	1,184			36	1,220
<b>Life insurance</b>								
Gross premiums written					6,320			6,320
Allocated investment return					1,194			1,194
Pension return tax					(165)			(165)
Benefits and change in provisions					(6,920)			(6,920)
Expenses					(412)		6	(406)
Net reinsurance					(3)			(3)
Technical profit on life insurance					13		6	19
Total investment return				11	1,265	66	78	1,421
Pension return non-life insurance				4	(4)			0
Return and revaluations non-life insurance provisions				87				87
Transferred to technical result					(1,194)			(1,194)
Other items				39	94	(35)	(120)	(22)
<b>Pre-tax profit</b>				1,325	174	31	0	1,530
Taxation								(360)
<b>Profit for the year</b>								1,170
<b>2016</b>								
<b>Non-life insurance</b>								
Gross premiums earned	4,909	3,969	(20)	8,858				8,858
Claims incurred	(3,284)	(2,689)	18	(5,955)			16	(5,939)
Expenses	(821)	(636)	(0)	(1,457)			24	(1,432)
Net reinsurance	(77)	(49)	0	(126)				(126)
Technical profit / (loss) on non-life insurance	727	595	(3)	1,320			40	1,361
<b>Life insurance</b>								
Gross premiums written					7,430			7,430
Allocated investment return					3,147			3,147
Pension return tax					(501)			(501)
Benefits and change in provisions					(9,649)			(9,649)
Expenses					(422)		6	(416)
Net reinsurance					(4)			(4)
Technical profit on life insurance					1		6	7
Total investment return				815	3,198	94	82	4,189
Pension return non-life insurance				(19)	19			0
Return and revaluations non-life insurance provisions				(423)				(423)
Transferred to technical result					(3,147)			(3,147)
Other items				19	118	(53)	(129)	(45)
<b>Pre-tax profit</b>				1,712	189	41	(0)	1,942
Taxation								(407)
<b>Profit for the year</b>								1,536
Amortisations:								
2015	51	47		98	2	0		100
2016	41	38		79	2	0		81

## Notes to the financial statements • Group

(DKKm)

### Note 2. Segment information balance sheet

	Non-life	Life	Parent etc.	Elimin- ated	Group
<b>2015</b>					
Intangible assets	565	124	0		689
Tangible assets	964	18	3		984
Investment properties	95	3,559	63		3,717
Loans to affiliated companies	300	0	0	(300)	0
Shares in associated companies	53	118	0		172
Other financial investment assets	18,085	25,212	7		43,304
Investment assets related to unit-linked products	0	15,796	0		15,796
Reinsurers' share of provisions	652	32	0		684
Amounts due from affiliated companies	614	462	453	(1,529)	0
Other assets	781	1,480	46		2,307
<b>Total assets</b>	<b>22,111</b>	<b>46,800</b>	<b>572</b>	<b>(1,829)</b>	<b>67,654</b>
Other subordinated loan capital	1,745	300	409	(300)	2,154
Provisions for insurance and investment contracts	16,286	40,537	0		56,823
Amounts due to affiliated companies	855	628	46	(1,529)	0
Other liabilities	1,623	2,375	40		4,037
<b>Total liabilities</b>	<b>20,510</b>	<b>43,840</b>	<b>494</b>	<b>(1,829)</b>	<b>63,014</b>
Purchase of tangible and intangible assets	114	82	0		196
Results from associated companies	8	85	0		93
<b>2016</b>					
Intangible assets	558	247	0		806
Tangible assets	962	23	3		988
Investment properties	112	3,307	29		3,448
Loans to affiliated companies	300	0	0	(300)	0
Shares in associated companies	64	1,115	0		1,180
Other financial investment assets	17,403	25,024	7		42,434
Investment assets related to unit-linked products	0	21,528	0		21,528
Reinsurers' share of provisions	658	27	0		685
Amounts due from affiliated companies	1,551	60	0	(1,611)	0
Other assets	717	1,595	95		2,407
<b>Total assets</b>	<b>22,326</b>	<b>52,927</b>	<b>133</b>	<b>(1,911)</b>	<b>73,476</b>
Other subordinated loan capital	1,346	300	408	(300)	1,754
Provisions for insurance and investment contracts	16,264	47,351	0		63,615
Amounts due to affiliated companies	0	1,594	17	(1,611)	0
Other liabilities	1,399	1,921	83		3,404
<b>Total liabilities</b>	<b>19,010</b>	<b>51,166</b>	<b>508</b>	<b>(1,911)</b>	<b>68,773</b>
Purchase of tangible and intangible assets	75	132	0		208
Results from associated companies	11	35	0		46
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) 2015      2016

### Note 3. Gross premiums earned - non-life insurance

Gross premiums written	8,883	8,745
Change in provisions for unearned premiums	28	110
Change in profit margin and risk margin	117	51
<b>Gross premiums earned</b>	<b>9,029</b>	<b>8,906</b>
Gross premiums earned, direct business, by location of the risk:		
Denmark	9,023	8,900
Other EU-countries	5	5
Other countries	1	1
	9,029	8,906

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

Run-off result:		
Gross business	387	502
Reinsurance ceded	(5)	(32)
Run-off result, net of reinsurance (profit)	381	470
Specification of run-off result on lines in Note 5.		
Claims incurred include revaluation of derivatives hedging the inflation risk in workers' compensation and illness / accident insurance	14	50

### Note 5. Technical result - non-life insurance

Gross premiums written	8,883	8,745
Gross premiums earned	9,029	8,906
Gross claims incurred	(6,170)	(5,939)
Bonuses and rebates	(62)	(48)
Gross operating expenses	(1,404)	(1,432)
Net reinsurance	(174)	(126)
Technical profit	1,220	1,361
Gross loss ratio (%)	69.0	67.2
Combined ratio (%)	86.8	85.1
Run-off profits, net of reinsurance	381	470
Claims provisions, net of reinsurance	12,540	12,623
Number of claims incurred ('000)	432	421
Average value of claim (DKK '000)	15	15
Frequency of claims (per thousand value)	114	110

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

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

## Notes to the financial statements • Group

(DKKm)

<b>Note 5. Technical result - non-life - continued</b>	2015	2016	2015	2016	2015	2016
						Workers' compensation
			Illness and accident	Health insurance		
Gross premiums written	1,207	1,243	143	157	648	576
Gross premiums earned	1,214	1,232	137	153	650	596
Gross claims incurred	(810)	(841)	(112)	(118)	(519)	(440)
Bonuses and rebates	(6)	(8)	(2)	(0)	(3)	(5)
Gross operating expenses	(161)	(166)	(16)	(14)	(85)	(85)
Net reinsurance	(27)	(16)	0	(0)	(2)	(5)
Technical profit	210	201	7	21	41	61
Gross loss ratio (%)	67.2	68.9	82.9	77.1	80.4	74.7
Combined ratio (%)	83.0	84.0	94.7	86.2	94.0	90.2
Run-off profits / (losses), net of reinsurance	86	55	(4)	(3)	83	113
Claims provisions, net of reinsurance	2,981	3,168	58	68	5,750	5,970
Number of claims incurred ('000)	24	25	21	22	8	6
Average value of claim (DKK '000)	38	36	6	6	75	88
Frequency of claims (per thousand value)	24	24	450	414	151	116
			Motor third-party liability	Motor own damage	Fire and property Personal	
Gross premiums written	690	678	1,478	1,436	1,921	1,897
Gross premiums earned	710	701	1,514	1,454	1,959	1,916
Gross claims incurred	(555)	(404)	(828)	(849)	(1,464)	(1,332)
Bonuses and rebates	(2)	(2)	(5)	(4)	(6)	(6)
Gross operating expenses	(151)	(129)	(204)	(216)	(290)	(309)
Net reinsurance	(3)	(3)	(7)	(6)	(35)	(56)
Technical profit / (loss)	(3)	163	470	378	164	214
Gross loss ratio (%)	78.7	58.0	55.0	58.7	75.1	69.9
Combined ratio (%)	100.9	77.1	69.2	74.3	92.0	89.2
Run-off profits / (losses), net of reinsurance	134	220	(8)	3	(17)	4
Claims provisions, net of reinsurance	1,655	1,481	145	140	646	577
Number of claims incurred ('000)	30	29	95	96	120	107
Average value of claim (DKK '000)	23	22	9	9	12	12
Frequency of claims (per thousand value)	50	49	194	194	175	162
			Fire and property SME	Liability	Other insurance	
Gross premiums written	1,798	1,740	403	387	594	630
Gross premiums earned	1,823	1,823	399	402	622	629
Gross claims incurred	(1,214)	(1,350)	(305)	(192)	(362)	(413)
Bonuses and rebates	(22)	(14)	(2)	(3)	(14)	(5)
Gross operating expenses	(322)	(332)	(66)	(67)	(108)	(113)
Net reinsurance	(122)	(12)	30	(21)	(7)	(7)
Technical profit	142	115	56	118	131	89
Gross loss ratio (%)	67.6	74.8	76.9	48.2	59.6	66.3
Combined ratio (%)	92.5	94.2	86.2	70.7	78.5	85.7
Run-off profits, net of reinsurance	18	24	21	24	69	30
Claims provisions, net of reinsurance	587	567	508	457	211	196
Number of claims incurred ('000)	29	25	7	7	99	103
Average value of claim (DKK '000)	42	54	46	34	4	4
Frequency of claims (per thousand value)	152	131	80	70	154	161

## Notes to the financial statements • Group

(DKKm)	2015	2016
<b>Note 6. Gross premiums written - life insurance</b>		
Individual policies	330	316
Policies which are part of a tenure	1,650	1,803
Group life	533	534
<b>Regular premiums</b>	<b>2,513</b>	<b>2,653</b>
Individual policies	1,047	1,921
Policies which are part of a tenure	2,760	2,856
<b>Single premiums</b>	<b>3,807</b>	<b>4,777</b>
<b>Gross premiums</b>	<b>6,320</b>	<b>7,430</b>
Gross premiums written, direct business, by the policyholders' location:		
Denmark	6,206	7,306
Other EU-countries	83	96
Other countries	30	28
	6,320	7,430
Proportion of gross premiums represented by premiums related to unit-linked products not eligible for bonus investment risk is taken by the policyholder.		
	4,868	5,759
All other gross premiums relate to insurance policies entitled to a bonus.		
Number of policyholders at 31 December ('000):		
Individual policies	45	46
Policies which are part of a tenure	83	84
Group life	190	181
<b>Note 7. Claims and benefits paid - life insurance</b>		
Claims payable on death	167	148
Claims payable on maturity	176	167
Pension and annuity payments	593	598
Surrenders	2,025	2,199
Bonuses paid in cash	278	341
<b>Claims and benefits paid</b>	<b>3,240</b>	<b>3,453</b>
Surrenders in 2015 includes advanced tax of DKK 94m on capital pension schemes.		
<b>Note 8. Change in life insurance provisions</b>		
Products with guarantees and profitssharing	789	(284)
Unit-linked products	(4,469)	(5,875)
<b>Change in life insurance provisions</b>	<b>(3,680)</b>	<b>(6,159)</b>
<b>Note 9. Income from investment properties</b>		
Rental income	188	188
Operating expenses from properties rented out	(62)	(95)
Operating expenses from properties not rented out	(19)	(10)
Gross profit	106	83
Administrative expenses	(13)	(9)
<b>Income from investment properties</b>	<b>94</b>	<b>74</b>
<b>Note 10. Revaluations</b>		
Held for trading:		
Shares	571	512
Unit trusts	1	1
Bonds	(546)	642
Loans guaranteed by mortgages	(1)	0
Derivatives	(1,155)	230
Total held for trading	(1,130)	1,385

## Notes to the financial statements • Group

(DKKm)	2015	2016
<b>Note 10. Revaluations - continued</b>		
Designated at fair value:		
Deposits with credit institutions	0	1
Investment assets related to unit-linked products:		
Shares	710	761
Unit trusts	59	82
Bonds	(41)	145
Derivatives	(308)	88
Total designated at fair value	421	1,078
Revaluations of financial assets and liabilities at fair value through profit or loss	(709)	2,463
Of which revaluation of derivatives transferred to claims incurred	(14)	(50)
Investment properties	87	56
Shares in associated companies	1	1
Liquid funds	35	(8)
Other	24	1
<b>Revaluations</b>	<b>(577)</b>	<b>2,464</b>
<b>Note 11. Return and revaluations non-life insurance provisions</b>		
<b>Annual amortisation</b>		
Provisions for unearned premiums and profit margin	(28)	(23)
Reinsurers' share of provisions for unearned premiums	2	2
Provisions for claims and benefits	(135)	(115)
Risk margin	(2)	(1)
Reinsurers' share of the provisions for claims and benefits	4	4
	(158)	(133)
<b>Revaluation</b>		
Provisions for unearned premiums and profit margin	(2)	(15)
Provisions for claims and benefits	246	(272)
Risk margin	2	(5)
Reinsurers' share of the provisions for claims and benefits	(1)	1
	245	(291)
<b>Return and revaluations non-life insurance provisions</b>	<b>87</b>	<b>(423)</b>
<b>Note 12. Other expenses</b>		
Holding expenses	35	52
Other	6	12
<b>Other expenses</b>	<b>42</b>	<b>64</b>
<b>Note 13. Taxation</b>		
Current tax	359	437
Change in deferred tax	5	(11)
Prior year adjustment	(1)	(18)
Tax for the year	364	409
Tax taken to shareholders' equity	(4)	(2)
<b>Taxation</b>	<b>360</b>	<b>407</b>
Calculated tax on profit for the year 22.0% (2015: 23.5%)	359	427
Adjusted for the tax effect of:		
Returns on shares etc. not liable to tax	5	(6)
Non-deductible expenses / income not liable to tax	(1)	4
Change in rate of taxation	(1)	0
Prior year adjustment	(2)	(18)
	360	407
Effective rate of taxation	23.5	20.9

## Notes to the financial statements • Group

(DKK m)	2015	2016
<b>Note 14. Profit per share</b>		
Profit for the year	1,170	1,536
Average number of shares ('000)	99,971	91,465
Diluting impact of options ('000)	490	256
Average number of shares, diluted ('000)	100,461	91,721
EPS (DKK)	11.7	16.8
EPS, diluted (DKK)	11.6	16.7

### Note 15. Intangible assets

	Goodwill	IT software	Completed IT development projects	Development projects under construction	Total
<b>2015</b>					
Cost / valuation at 1 January	441	211	489	64	1,205
Purchased	0	15	0	122	137
Transferred	0	0	19	(19)	0
Cost / valuation at 31 December	441	227	508	167	1,342
Impairment and amortisation at 1 January	0	(189)	(406)	0	(595)
Amortisation for the year	0	(18)	(39)	0	(57)
Impairment and amortisation at 31 December	0	(207)	(445)	0	(653)
<b>Intangible assets 2015</b>	441	19	62	167	689
<b>2016</b>					
Cost / valuation at 1 January	441	227	508	167	1,342
Purchased	0	1	0	154	156
Transferred	0	0	75	(75)	0
Cost / valuation at 31 December	441	228	582	247	1,498
Impairment and amortisation at 1 January	0	(207)	(445)	0	(653)
Amortisation for the year	0	(10)	(29)	0	(40)
Impairment and amortisation at 31 December	0	(218)	(475)	0	(692)
<b>Intangible assets 2016</b>	441	10	107	247	806

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

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

#### Goodwill

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

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

#### Primary assumptions:

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

The calculation of the terminal value includes a growth rate of 0% (2015: 0%).

The pre-tax discount rate is 9.6% (2015: 9.8%) and the post-tax rate 7.5% (2015: 7.5%). The discount rate is calculated as the risk-free interest rate and a risk allowance.

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

## Notes to the financial statements • Group

(DKKm)

### Note 15. Intangible assets - continued

Development projects under construction primarily comprise new administration system for life-insurance. Book value of finished development projects primarily comprises the Group's digital platform for communication with customers. Amortisation of intangible assets is primarily included in claims incurred and operating expenses.

### Note 16. Tangible assets

	Operating equip- ment	Owner- occupied properties	Total
<b>2015</b>			
Cost / revaluation at 1 January	438	857	1,295
Additions, including improvements	60	0	60
Disposals	(73)	0	(73)
Revaluation taken to other comprehensive income	0	1	1
Transferred on revaluation	0	(1)	(1)
Cost / revaluation at 31 December	424	857	1,281
Impairment and amortisation at 1 January	(323)	0	(323)
Amortisation for the year	(41)	(1)	(43)
Transferred on revaluation	0	1	1
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	67	0	67
Impairment and amortisation at 31 December	(297)	0	(297)
<b>Tangible assets 2015</b>	<b>127</b>	<b>857</b>	<b>984</b>
<b>2016</b>			
Cost / revaluation at 1 January	424	857	1,281
Additions, including improvements	52	0	52
Disposals	(20)	(2)	(21)
Revaluation taken to other comprehensive income	0	1	1
Transferred on revaluation	0	(1)	(1)
Cost / revaluation at 31 December	456	856	1,312
Impairment and amortisation at 1 January	(297)	0	(297)
Amortisation for the year	(41)	(1)	(42)
Transferred on revaluation	0	1	1
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	14	0	14
Impairment and amortisation at 31 December	(324)	0	(324)
<b>Tangible assets 2016</b>	<b>132</b>	<b>856</b>	<b>988</b>

2015      2016

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 rate of return.

A general plus/minus 0.5pp change in the rate of return will have an effect of minus DKK 75m / plus DKK 91m on the fair value (2015: minus DKK 76m / plus DKK 92m).

Average rate of return	5.3%	5.3%
Book value if the properties had been valued at cost price with depreciations	749	748

### Note 17. Investment properties

Fair value at 1 January	3,829	3,868
Additions, including improvements	256	198
Disposals	(305)	(538)
Fair value revaluation for the year taken to to revaluations	88	50
Total investment properties	3,868	3,579
Office property	2,673	2,719
Residential and part residential	774	771
Land and buildings under construction	421	89
	3,868	3,579



## Notes to the financial statements • Group

(DKKm)	2015	2016
<b>Note 17. Investment properties - continued</b>		
Investment properties are included in the balance sheet as:		
Investment properties	3,717	3,448
Investment assets related to unit-linked products	151	131
Investment properties are measured at fair value (level three). The measurement is based on an expected annual return on operations and a rate of return. A general plus/minus 0.5pp change in the rate of return will have an effect of minus DKK 282m / plus DKK 339m on the fair value (2015: minus DKK 285m / plus DKK 341m). Average rate of return:		
Office property	5.8%	5.6%
Residential and part residential	4.7%	4.7%

### Note 18. Shares in associated companies

Book value at 1 January	328	172
Additions	0	962
Share of profit	93	46
Dividends received	(8)	0
Disposals	(242)	0
Profit on disposal	1	0
<b>Shares in associated companies</b>	<b>172</b>	<b>1,180</b>

2015	Percentage share	Activity	Shareholders' equity	Result
Margretheholm P/S, Frederiksberg	50	Property	237	219
Bornholms Brandforsikring A/S, Rønne	27	Insurance	180	25
<b>2016</b>				
Carlsberg Byen P/S, Copenhagen	23	Property development	1,793	179
Havneholmen P/S, Kgs. Lyngby	50	Property	992	4
Margretheholm P/S, Frederiksberg	50	Property	303	67
Bornholms Brandforsikring A/S, Rønne	27	Insurance	210	30

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

### Note 19. Investment assets related to unit-linked products

Shares	7,809	10,889
Unit trusts	1,858	2,378
Bonds	5,978	8,130
Investment properties	151	131
<b>Investment assets related to unit-linked contracts</b>	<b>15,796</b>	<b>21,528</b>

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

Reinsurers' share at 1 January	67	71
Offset in periodized commissions	(1)	(0)
Ceded reinsurance premiums	671	637
Reinsurance earned	(668)	(638)
Annual amortisation	2	2
<b>Reinsurers' share of the provisions for unearned premiums at 31 December</b>	<b>71</b>	<b>72</b>
Net present value of expected future cashflows	(10)	(7)
Profit margin	81	79

## Notes to the financial statements • Group

(DKKm)	2015	2016
<b>Note 21. Reinsurers' share of the provisions for claims</b>		
Reinsurers' share at 1 January	646	582
Reimbursement of claims relating to previous years	(357)	(222)
Change in expected income relating to previous years	(5)	(32)
Reimbursement of claims relating to this year	(119)	(202)
Expected income relating to this year	413	455
Annual amortisation	4	4
Revaluation	(1)	1
<b>Reinsurers' share of the provisions for claims at 31 December</b>	<b>582</b>	<b>586</b>

<b>Note 22. Deferred tax</b>	2014	2015	2016
Properties	59	43	43
Operating equipment	11	9	15
Liabilities provided	(7)	(6)	(6)
Deferred pension return tax	0	16	0
Other	(9)	(3)	(2)
Deferred tax	55	60	49
Recognised as:			
Deferred tax assets	(19)	(14)	(10)
Deferred tax liabilities	74	73	59
	55	60	49
Changes relating to the year		5	(11)

### Note 23. Other subordinated loan capital

	Hybrid core capital	Subordinated loan capital	Subordinated loan capital	Subordinated loan capital
Borrower	Topdanmark A/S	Topdanmark Forsikring A/S	Topdanmark Forsikring A/S	Topdanmark Forsikring A/S
Principal	EUR 55m	DKK 400m	DKK 500m	DKK 850m
Book value				
2016	408	Redeemed	499	848
2015	409	400	498	847
Market value*				
2016	409	Redeemed	503	850
2015	410	405	500	850
Date of issue	July 2007	June 2011	December 2015	December 2015
Maturity	Bullet	24 June 2019	11 December 2025	11 June 2026
If permitted by the DFSA, the borrower can give notice of termination from	15 Sep 2017	24 June 2016	11 December 2020	11 June 2021
Interest rate	EURIBOR 3 months +1.90% to 2017	6.633% to 2016	2.92% to 2020	Cibor 3 months +270bp to 2026
Subsequently	EURIBOR 3 months +2.90%	Cibor 3 months +525bp	Cibor 3 months +250bp	
* Market value calculated on the basis of observable input, level 2.				
			2015	2016
Interest charges			50	59
Costs of raising the loan capital			5	-

Subordinated loan capital is fully included in the Group's own funds 2016.

## Notes to the financial statements • Group

(DKKm)	2015	2016
<b>Note 24. Provisions for unearned premiums and profit margin - non-life insurance</b>		
Provisions for unearned premiums at 1 January	1,960	1,944
Profit margin at 1 January	878	772
	2,838	2,715
Gross premiums written	8,883	8,745
Premiums earned	(9,029)	(8,906)
Change in risk margin	(6)	0
Annual amortisation	28	23
Revaluation	2	15
Provisions for unearned premiums at 31 December	1,944	1,881
Profit margin at 31 December	772	711
<b>Provisions for unearned premiums and profit margin at 31 December</b>	<b>2,715</b>	<b>2,592</b>

### Note 25. Life insurance provisions with guarantees and profitsharing

Life insurance provisions direct business at beginning of year	25,524	24,318
Total insurance provisions at beginning of year	25,524	24,318
Collective bonus potential at 1 January	(1,677)	(1,977)
Accumulated revaluation at 1 January	(2,392)	(1,606)
Retrospective provisions at 1 January	21,456	20,735
Gross premiums written	1,451	1,671
Addition of return	595	649
Claims and benefits	(2,287)	(2,090)
Expense loading inclusive of expense bonus	(170)	(150)
Risk gain after allocating policyholders' risk bonus	(47)	(66)
Other	109	61
Intra-group transfers	(370)	(137)
Retrospective provisions at 31 December	20,736	20,674
Accumulated revaluation at 31 December	1,888	1,831
Collective bonus potential at 31 December	1,697	1,960
Insurance provisions direct business at end of year	24,321	24,465
Total insurance provisions at end of year	24,321	24,465
<b>Life insurance provisions with guarantees and profitsharing</b>	<b>24,321</b>	<b>24,465</b>

Provisions at end of 2015 (DKK 24,321m) deviates by DKK 3m from beginning of 2016 (DKK 24,318m), due to recalculation of provisions at beginning of 2016 according to new Executive Order on Financial Reports. See note Accounting policies.

Portfolios analysed by technical interest rates 1 January 2016	Technical interest rate	Guaranteed benefits	Individual bonus potential	Collective bonus potential	Life insurance provisions
Interest rate group 9	1%	787	277	53	1,116
Interest rate group 10	1%	285	2	30	317
Interest rate group 1	]1%-2%]	8,319	1,145	513	9,977
Interest rate group 3	]1%-2%]	501	6	36	543
Interest rate group 2	]2%-3%]	3,025	226	94	3,346
Interest rate group 4	]2%-3%]	577	14	50	641
Interest rate group 5	]3%-4%]	1,351	12	157	1,520
Interest rate group 6	]4%-5%]	4,835	0	791	5,626
Interest rate group 7	5%	92	0	44	136
Risk groups		0	0	192	192
Cost groups		0	0	18	18
Total contribution		19,772	1,683	1,977	23,432
Group Life					338
U74-life annuities					299
Other					250
<b>Total 1 January 2016</b>		<b>19,772</b>	<b>1,683</b>	<b>1,977</b>	<b>24,318</b>

## Notes to the financial statements • Group

(DKKm)

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

Portfolios analysed by technical interest rates <b>2016</b>	Technical interest rate	Guaranteed benefits	Individual bonus potential	Collective bonus potential	Life insurance provisions
Interest rate group 9	1%	1,305	265	57	1,627
Interest rate group 10	1%	314	2	35	351
Interest rate group 1	]1%-2%]	8,327	840	465	9,632
Interest rate group 3	]1%-2%]	569	4	42	616
Interest rate group 2	]2%-3%]	3,011	112	94	3,216
Interest rate group 4	]2%-3%]	681	10	73	763
Interest rate group 5	]3%-4%]	1,703	8	249	1,960
Interest rate group 6	]4%-5%[	4,429	0	686	5,114
Interest rate group 7	5%	61	0	37	98
Risk groups		0	0	201	201
Cost groups		0	0	21	21
Total contribution		20,398	1,241	1,960	23,600
Group Life					337
U74-life annuities					256
Other					272
<b>Total 2016</b>		<b>20,398</b>	<b>1,241</b>	<b>1,960</b>	<b>24,465</b>

<b>Risk margin (share of guaranteed benefits)</b>	Technical interest rate	1 January 2016	2016
Interest rate group 9	1%	4	5
Interest rate group 10	1%	0	0
Interest rate group 1	]1%-2%]	25	29
Interest rate group 3	]1%-2%]	1	1
Interest rate group 2	]2%-3%]	9	10
Interest rate group 4	]2%-3%]	2	3
Interest rate group 5	]3%-4%]	10	14
Interest rate group 6	]4%-5%[	43	43
Interest rate group 7	5%	2	1
Total contribution		96	105
U74-life annuities		6	5
Other		3	3
<b>Total risk margin</b>		<b>105</b>	<b>113</b>

	Technical interest rate	Bonus ratio 1 Jan. 2016	Bonus ratio 2016	Return (%) 2015	Return (%) 2016
Interest rate group 9	1%	31.0%	20.6%	2.3	3.9
Interest rate group 10	1%	11.1%	11.8%	0.7	4.7
Interest rate group 1	]1%-2%]	17.8%	14.6%	3.5	3.8
Interest rate group 3	]1%-2%]	8.4%	8.4%	0.5	6.9
Interest rate group 2	]2%-3%]	10.2%	7.0%	3.3	4.3
Interest rate group 4	]2%-3%]	11.3%	12.8%	0.3	10.6
Interest rate group 5	]3%-4%]	14.2%	18.1%	(0.7)	11.0
Interest rate group 6	]4%-5%[	21.2%	20.3%	(1.0)	6.4
Interest rate group 7	5%	66.8%	87.8%	(0.9)	4.1

## Notes to the financial statements • Group

(DKKm)	2015	2016	
<b>Note 25. Life insurance provisions with guarantees and profitsharing - continued</b>			
<b>Risk groups</b>			
Risk result after addition of risk bonus	30	35	
Risk result after addition of risk bonus in per cent	0.1	0.2	
<b>Cost groups</b>			
Customers' share of administration expenses after addition of expense bonus	101	78	
Operating expenses - insurance	203	196	
Result of sales and administration	(101)	(118)	
Result of sales and administration in per cent	(0.4)	(0.5)	
Return on customer funds after expenses before tax in per cent	0.7	4.4	
<b>Note 26. Life insurance provisions unit-linked products</b>			
	Insurance contracts	Investment contracts	Total
<b>2015</b>			
Gross provisions at 1 January	9,915	936	10,851
Retrospective provisions at 1 January	9,915	936	10,851
Gross premiums written	4,868	685	5,553
Addition of return	565	58	623
Claims and benefits	(953)	(160)	(1,113)
Expense loading inclusive of expense bonus	(47)	(6)	(53)
Risk gain after addition of risk bonus	9	0	9
Premiums waived transferred to life insurance provisions	(22)	0	(22)
Intra-group transfers	336	34	370
Retrospective provisions at 31 December	14,670	1,546	16,216
<b>Gross provisions 31 December 2015</b>	<b>14,670</b>	<b>1,546</b>	<b>16,216</b>
<b>2016</b>			
Gross provisions at 1 January	14,610	1,541	16,151
Profit margin at 1 January	60	5	66
Retrospective provisions at 1 January	14,670	1,546	16,216
Gross premiums written	5,759	841	6,600
Addition of return	1,433	167	1,600
Claims and benefits	(1,363)	(220)	(1,584)
Expense loading inclusive of expense bonus	(56)	(7)	(63)
Risk gain after addition of risk bonus	10	0	10
Premiums waived transferred to life insurance provisions	(30)	0	(30)
Other	(1)	1	1
Intra-group transfers	114	23	137
Retrospective provisions at 31 December	20,535	2,351	22,886
Profit margin at 31 December	(94)	(9)	(103)
<b>Gross provisions 31 December 2016</b>	<b>20,441</b>	<b>2,342</b>	<b>22,783</b>
	2015	2016	
Return on customer funds after expenses before tax in per cent	5.9	10.1	
Number of customers with investment contracts:			
Individual policies	2,657	3,685	
Policies which are part of a tenure	3,947	5,264	
The contracts written do not have guarantees.			
<b>Note 27. Profit margin, life insurance and investment contracts</b>			
Profit margin unit-linked products	-	103	

## Notes to the financial statements • Group

(DKKm)	2015	2016
<b>Note 28. Provisions for claims</b>		
<b>Gross</b>		
Provisions at 1 January	13,289	13,121
Claims paid relating to previous years	(2,991)	(2,970)
Change in expected claims payments relating to previous years	(387)	(502)
Claims paid relating to this year	(3,263)	(3,317)
Expected claims payments relating to this year	6,570	6,440
Inflation hedging	14	50
Annual amortisation	135	115
Revaluation	(246)	272
<b>Provisions for claims and benefits</b>	<b>13,121</b>	<b>13,209</b>
<b>Net of reinsurance</b>		
Provisions at 1 January	12,642	12,540
Claims paid relating to previous years	(2,634)	(2,748)
Change in expected claims payments relating to previous years	(381)	(470)
Claims paid relating to this year	(3,144)	(3,115)
Expected claims payments relating to this year	6,157	5,984
Inflation hedging	14	50
Annual amortisation	131	111
Revaluation	(245)	271
Provisions for claims, net of reinsurance	12,540	12,623
Provisions for workers' compensation insurance, net of reinsurance	5,750	5,970
Average period of settlement	7 years	7 years
Illness / accident insurance, net of reinsurance, administered by the life insurance business	2,056	2,223
Average period of settlement	13 years	13 years

## Notes to the financial statements • Group

(DKKm)

### Note 28. Provisions for claims - continued

#### Claims liabilities analysed by claims year

Gross	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	Total
End of year	6,468	6,599	6,652	7,549	6,414	7,203	6,814	6,730	6,559	6,400	
1 year later		6,685	6,715	7,755	6,439	7,347	6,834	6,526	6,753	6,426	
2 years later			6,691	7,771	6,455	7,282	6,952	6,585	6,769	6,473	
3 years later				7,742	6,402	7,274	6,926	6,583	6,887	6,492	
4 years later					6,321	7,209	6,865	6,513	6,851	6,576	
5 years later						7,160	6,810	6,521	6,735	6,576	
6 years later							6,770	6,499	6,763	6,537	
7 years later								6,454	6,577	6,575	
8 years later									6,514	6,380	
9 years later										6,375	67,179
Less paid incl. inflation hedging	3,317	4,836	5,303	6,535	5,421	6,399	6,104	5,943	5,974	5,927	55,757
Provisions before discounting at 31 December	3,151	1,848	1,388	1,207	901	761	667	511	540	448	11,422
Discounting	(9)	(6)	(4)	(3)	(2)	(1)	(3)	(1)	(0)	(4)	(34)
	3,142	1,842	1,384	1,204	899	759	664	511	539	444	11,388
Provisions relating to previous years at 31 December											1,822
Gross provisions at 31 December 2016											13,209
<b>Net of reinsurance</b>											
End of year	6,007	6,183	6,259	6,387	6,028	6,164	6,385	6,389	6,227	6,073	
1 year later		6,270	6,301	6,461	6,098	6,268	6,433	6,191	6,429	6,096	
2 years later			6,288	6,476	6,115	6,218	6,564	6,286	6,467	6,148	
3 years later				6,449	6,066	6,205	6,553	6,295	6,594	6,168	
4 years later					5,990	6,151	6,509	6,226	6,556	6,249	
5 years later						6,103	6,450	6,235	6,446	6,247	
6 years later							6,411	6,224	6,475	6,210	
7 years later								6,182	6,290	6,251	
8 years later									6,228	6,056	
9 years later										6,055	61,984
Less paid incl. inflation hedging	3,115	4,588	4,941	5,309	5,109	5,363	5,745	5,674	5,698	5,607	51,149
Provisions before discounting at 31 December	2,893	1,682	1,347	1,140	881	740	666	508	530	448	10,835
Discounting	(9)	(6)	(4)	(2)	(2)	(1)	(3)	(1)	(0)	(4)	(31)
	2,884	1,676	1,343	1,138	879	739	664	507	529	444	10,804
Provisions relating to previous years at 31 December											1,820
Provisions, net of reinsurance, at 31 December 2016											12,623
Reconciliation:											
Provisions for claims											13,209
Less reinsurers' share of provisions											(586)
Provisions, net of reinsurance, at 31 December 2016											12,623
Composition of expected payments, net of reinsurance:											
Original payment	6,001	6,200	6,199	6,397	5,991	6,062	6,379	6,361	6,148	6,068	61,806
Loss / (gain) on settlement		47	12	(52)	(137)	(193)	(179)	(462)	(374)	(445)	(1,783)
Discounting / revaluation											
workers' compensation insurance and illness / accident	6	23	77	104	137	234	211	283	454	431	1,960
	6,007	6,270	6,288	6,449	5,990	6,103	6,411	6,182	6,228	6,055	61,984

The table shows the historical development in the estimated final liability (the sum of claims payments and provisions) for each claims year from 2007. 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)	2015	2016
<b>Note 29. Technical basis for risk allowance and shadow account</b>		
Customers' share of technical basis for risk allowance	433	554
Share of technical basis for risk allowance allocated to shareholders' equity	37	44
Insurance technical result	470	598
The allocation of the technical basis for risk allowance to policyholders is in accordance with the executive order on the contribution principle.		
Shadow account at 1 January	26	26
Depreciation over 5 years	-	(5)
Provided/(used)	0	14
Shadow account at 31 December	26	35
Shadow account by interest rate, risk and cost groups (expected future recognition as income):		
Risk groups	1	0
Cost groups	11	14
Total shadow account	12	14

### Note 30. Advanced tax

The Company has calculated advanced tax on capital pension schemes for 2015:

Paid tax on savings	94	
Calculated tax on:		
Accumulated revaluation	13	
Collective bonus potential	6	
Total advanced tax	113	

### Note 31. Expenses

Expenses by their nature:

Commission - non-life insurance	204	187
Commission - life insurance	76	73
Staff costs (excl. commission)	1,831	1,902
Other staff costs	112	116
Premises costs etc.	154	159
It operations and maintenance	197	191
Impairment and amortisation	100	82
Other expenses	187	226
Total expenses	2,860	2,936

These expenses have been disclosed in:

Non-life insurance:

Acquisition costs	920	945
Administrative expenses	484	487
Claims paid (claims handling and assessment)	848	852
	2,253	2,285

Life insurance:

Acquisition costs	153	146
Administrative expenses	253	270
	406	416

Income from investment properties (administration and operation)

Expenses on investment business	66	57
Other expenses	42	64
Total expenses	2,860	2,936



## Notes to the financial statements • Group

(DKKm)	2015	2016
<b>Note 32. Auditors' fee</b>		
Fee to the auditors elected at the Annual General Meeting		
Deloitte:		
Fee for statutory audit of the annual accounts	4	4
Fee for other assurance engagements	0	0
Fee for tax advice	0	0
Fee for services, other than audit work*	0	7
	5	11

\*In 2016, primarily fee for one-off services related to the acquisition of It systems.

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

### Note 33. Staff costs

Salaries	1,524	1,526
Pensions	246	251
Social security costs	41	41
Payroll tax	218	247
Share options	8	8
Employee shares	-	8
	2,036	2,080
Average number of full-time employees	2,668	2,650

### 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).

There are no special earnings conditions to the option programme than employment in the full year of allocation. Options are allocated at beginning of year and in connection with resignation in the year of allocation a proportional deduction in the number of allocated options is made.

The table below is categorised by the option holders' current standing:

Total number of options ('000)	Strike price	Executive Board	Senior executives	Resigned	Total	
<b>2015</b>						
Outstanding at 1 January		321	1,586	32	1,938	
Granted	220	68	295	0	363	
Transferred		0	(90)	90	0	
Disposal		0	0	(20)	(20)	
Exercised		(92)	(471)	(17)	(580)	
Outstanding at 31 December 2015		296	1,320	85	1,701	
Average strike price at 31 December 2015		156	151	116		
<b>2016</b>						
Outstanding at 1 January		296	1,320	85	1,701	
Granted	215	72	336	0	407	
Transferred		(29)	(186)	216	0	
Exercised		0	(290)	(36)	(326)	
Outstanding at 31 December 2016		339	1,179	265	1,783	
Average strike price at 31 December 2016		171	177	165		
Per granting	Exercise period					
2012	February 2015 - February 2017	99	35	59	19	112
2013	February 2016 - February 2018	133	77	271	83	431
2014	February 2017 - February 2019	157	87	305	76	469
2015	February 2018 - February 2020	220	68	253	42	363
2016	February 2019 - February 2021	215	72	291	44	407
Outstanding at 31 December 2016		339	1,179	265	1,783	

## Notes to the financial statements • Group

(DKKm)

### Note 33. Staff costs - continued

	Executive Board	Senior executives	Resigned	Total
Total number of options ('000)				
Average strike price exercised options 2015	99	91	99	92
Average strike price exercised options 2016	-	104	102	104
Average current price on date of exercise 2015				219
Average current price on date of exercise 2016				167
Fair value of granting 2015	2	8		10
Fair value of granting 2016	2	8		10
Fair value at 31 December 2015	14	70	6	91
Fair value at 31 December 2016	10	32	9	52

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a price of DKK 195.41 (2015: DKK 200.28) 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% (2015: 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.

	2015	2016
Number of options which could be exercised on 31 December ('000)	330	543

#### Severance pay

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

### Note 34. Related parties

The Group has no related parties with controlling influence.

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

#### Remuneration of the Board of Directors

Directors' fees adopted by the AGM were DKK 5,075,000 (2015: DKK 5,075,000) of which DKK 263,000 (2015: 263,000) related to Topdanmark Forsikring A/S.

Due to vacancy of one directorship part of the year, the fee paid is DKK 4,958,000

(DKK '000):

Søren Thorup Sørensen	1,378	1,488
Torbjörn Magnusson	678	788
Jens Aaløse	-	233
Ann-Jeanette Bakbøl	233	350
Tina Møller Carlsson	233	350
Mette Jensen	233	350
Birgitte Nielsen	525	525
Lone Møller Olsen	-	233
Annette Sadolin	525	525
Anders Colding Friis	350	117
Bjarne Graven Larsen	233	-
Per Mathiesen	117	-
Michael Pram Rasmussen	335	-
Desiree Schultz	117	-
Aage Nedergaard Smidt	117	-
Total fee paid to nine Board members	5,075	4,958

The Board of Directors receive only a fixed remuneration.

## Notes to the financial statements • Group

(DKKm)	2015	2016
<b>Note 34. Related parties - continued</b>		
<b>Remuneration of the Executive Board</b>		
Salaries etc.	19	26
Share options	2	2
Employee shares	-	0
Total remuneration to four (2015 three) members of the Executive Board	21	29
Fixed remuneration	21	26
Variable remuneration	0	2
Christian Sagild	8.9	9.0
Brian Rothemejer Jacobsen (10 months)	-	3.9
Lars Thykier	5.9	6.0
Marianne Wier (10 months)	-	3.8
Kim Bruhn-Petersen resigned from the Executive Board in 2016	5.9	5.9
	20.7	28.6

In addition, the Executive Board successively accrues a remuneration corresponding to 18 months' salary. The compensation will be paid on resignation.

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 and subordinated notes held by the Board of Directors and Executive Board

The information relates to the Board of Directors and Executive Board notified on 31 December.

#### Board of Directors

Number of shares		
Søren Thorup Sørensen	3,729	3,729
Torbjörn Magnusson	500	500
Jens Aaløse	-	50
Ann-Jeanette Bakbøl	0	0
Tina Møller Carlsson	1,270	1,270
Mette Jensen	1,400	1,400
Birgitte Nielsen	350	350
Lone Møller Olsen	-	2,425
Annette Sadolin	2,620	2,620
Anders Colding Friis	4,450	-

Subordinated notes (subordinated loan capital) Topdanmark Forsikring, nominal value DKK '000

Søren Thorup Sørensen	4,050	3,000
-----------------------	-------	-------

#### Executive Board

Number of shares		
Christian Sagild	21,160	21,160
Brian Rothemejer Jacobsen	-	68,200
Lars Thykier	14,130	14,130
Marianne Wier	-	0
Kim Bruhn-Petersen	14,640	-

#### Sampo plc

At 1 February 2017, Sampo plc holds 39,579,226 shares in Topdanmark A/S.

At 31 December 2015, IF P&C Insurance Holding Ltd (publ) held 31,476,920 shares in Topdanmark A/S.

At 31 December 2016, Sampo plc owned nom. EUR 33,5m subordinated notes in Topdanmark A/S (31 December 2015 nom. EUR 33,5m).

#### Associated companies

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

Balances are disclosed in the balance sheet.

Trading takes place under normal market conditions.

## Notes to the financial statements • Group

(DKKm)	2015	2016
<b>Note 35. Financial assets</b>		
<b>Financial assets at fair value where the revaluation is taken to the income statement</b>		
Held for trading:		
Shares	6,740	5,663
Bonds	31,455	35,277
Loans guaranteed by mortgages and other loans	39	7
Derivatives	1,350	36
	39,584	40,983
Designated at fair value:		
Deposits with credit institutions	3,721	1,451
Investment assets related to unit-linked products	15,796	21,528
	19,517	22,980
Total financial assets at fair value where the revaluation is taken to the income statement	59,100	63,962
<b>Loans and receivables at amortised cost</b>		
Amounts due from policyholders	328	383
Amounts due from insurance companies	81	100
Other debtors	259	226
Liquid funds	640	831
Other	473	390
	1,781	1,930
Accrued interest and rent	284	278
<b>Total financial assets</b>	<b>61,166</b>	<b>66,170</b>

2015	Quoted prices Level 1	Observable inputs Level 2	Non-observable inputs Level 3	Total
<b>Financial assets recorded at fair value</b>				
<b>Held for trading:</b>				
Shares	4,670	2,070		6,740
Bonds	11,130	19,803	523	31,455
Loans guaranteed by mortgages and other loans		39		39
Derivatives		1,350		1,350
<b>Designated at fair value:</b>				
Deposits with credit institutions		3,721		3,721
Shares	7,565	244		7,809
Unit trusts	1,858	0		1,858
Bonds	1,019	4,958		5,978
Investment properties			151	151
Investment assets related to unit-linked products	10,442	5,203	151	15,796
<b>Total financial assets at fair value</b>	<b>26,242</b>	<b>32,185</b>	<b>674</b>	<b>59,100</b>

2016	Quoted prices Level 1	Observable inputs Level 2	Non-observable inputs Level 3	Total
<b>Held for trading:</b>				
Shares	4,196	1,467		5,663
Bonds	6,337	28,515	426	35,277
Loans guaranteed by mortgages and other loans		7		7
Derivatives		36		36
<b>Designated at fair value:</b>				
Deposits with credit institutions		1,451		1,451
Shares	10,877	12		10,889
Unit trusts	2,378			2,378
Bonds	1,328	6,646	156	8,130
Investment properties			131	131
Investment assets related to unit-linked products	14,583	6,658	288	21,528
<b>Total financial assets at fair value</b>	<b>25,116</b>	<b>38,133</b>	<b>713</b>	<b>63,962</b>

Financial assets, level 3, of DKK 713m, comprises of investment properties DKK 131m and bonds DKK 582m.

## Notes to the financial statements • Group

(DKKm)	2015	2016
<b>Note 35. Financial assets - continued</b>		
Bonds measured by reference to non-observable inputs - Level 3:		
Portfolio at 1 January	172	523
Purchases	97	287
Transferred from level 2	254	0
Repayments	0	(234)
Foreign exchange adjustment	0	6
Portfolio at 31 December	523	582

The item consists of project financing in Carlsberg Byen (DKK 55m), Skovkvarteret I (DKK 126m) and Vindmøllefarm (wind farm) guaranteed by EKF (DKK 156m) and bonds of DKK 244m, for which current return depends on payment on life annuity contracts.

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

Allowance account (policyholders and insurance companies):

1 January	68	67
Changes	(2)	1
31 December	67	68

Group companies have agreed to lend equities against security:

Book value of equities lent	1,075	2,470
Fair value of bonds received as security for the loan	1,154	2,910

Outline of capital shares can be obtained on application.

### Note 36. Financial liabilities

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

Held for trading:

Derivatives	527	880
Designated at fair value:		
Amounts due to credit institutions	1,346	44
Total financial liabilities measured at fair value through profit or loss	1,873	923

#### Financial liabilities measured at amortised cost

Other subordinated loan capital	2,154	1,754
Deposits with ceding undertakings	62	64
Creditors arising out of direct insurance operations	394	329
Creditors arising out of reinsurance operations	43	18
Current tax liabilities	1	59
Other creditors	1,133	1,508
Total financial liabilities measured at amortised cost	3,787	3,732
<b>Total financial liabilities</b>	<b>5,660</b>	<b>4,655</b>

Financial commitments entered at current value based on observable input, level 2.

Financial liabilities payable after five years or more:

Other subordinated loan capital	1,256	0
Amounts due to credit institutions	3	3

### Note 37. Collateral relating to financial assets and liabilities

Derivatives	Gross position	Offsetting	Book value	Collateral in liquid assets	Net position
<b>2016</b>					
Assets	36	0	36	(9)	27
Shareholders' equity and liabilities	(880)	0	(880)	1,025	145
<b>2015</b>					
Assets	1,350	0	1,350	(1,305)	45
Shareholders' equity and liabilities	(527)	0	(527)	511	(23)

## Notes to the financial statements • Group

(DKKm) 2015 2016

### Note 38. 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:

Other subordinated loan capital	1,754	1,347
Provisions for unearned premiums	172	174
Life insurance provisions	36,861	43,324
Provisions for claims and benefits	9,783	9,115
Deferred tax on security funds	306	306
	48,875	54,267

### Note 39. Analysis of assets and their return - life insurance

<b>Assets related to products with guarantees and profitsharing</b>	Book value		Return (%)*
	1 January	31 December	
Land and buildings	3,371	3,565	3.8
Listed shares	5,088	4,405	9.2
Unlisted shares	304	103	33.6
Total shares	5,391	4,508	10.0
Government and mortgage bonds	10,264	11,866	3.0
Index-linked bonds	1,082	1,112	4.2
Credit bonds and emerging market bonds	2,560	2,611	11.4
Total bonds	13,906	15,588	4.5
Other investment assets	984	117	0.0
Derivatives to hedge against the net change in assets and liabilities	1,204	(109)	

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

### Assets related to unit-linked products

Land and buildings	136	147	3.8
Listed shares	6,423	8,302	10.6
Unlisted shares	1	2	11.4
Total shares	6,424	8,304	10.6
Government and mortgage bonds	610	1,120	0.8
Credit bonds and emerging market bonds	4,603	5,352	11.6
Total bonds	5,213	6,472	9.9
Other investment assets	380	1,504	0.0

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

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

The exposure in foreign shares is adjusted by means of derivatives and comprises:

	2015	2016
Guarantees and profitsharing	5,582	4,640
Unit-linked	7,636	9,702

## Notes to the financial statements • Group

(DKKm)

### Note 40. Return and risk - unit-linked products

Selected age periods in relation to time of retirement	Years to retirement	Percentage of average provisions	Return in percentage before PAL	Risk
Life cycle:				
	30 years	1.4	11.1	4.75
	15 years	3.8	8.8	4.50
	5 years	1.2	6.5	3.75
	5 years later	0.1	6.6	3.75
Non-life cycle				
		24.6	7.4	4.75

### Note 41. Exposure information

2016

Event	Effect on shareholders' equity
1.0 pp increase in interest rates	32
1.0 pp decline in interest rates	(26)
12% decline in equity prices	(155)
8% decline in property prices	(112)
Exchange rate exposure (VaR 99.0%)	(46)
Loss on counterparties of 8%	(188)

### Note 42. Number of shares

2015

2016

Reconciliation of the number of shares ('000)		
Shares issued at 1 January	115,000	105,000
Own shares at 1 January	(11,377)	(9,328)
Number of shares at 1 January	103,623	95,672
Shares bought back	(8,551)	(8,782)
Shares sold	600	326
Shares issued at 31 December	105,000	95,000
Own shares at 31 December	(9,328)	(7,784)
Number of shares at 31 December	95,672	87,216

### Note 43. Own shares

	Number of shares '000	Nominal value DKKm	Percentage of share capital	Bought /sold DKKm
Held at 1 January 2015	11,377	11	9.9	
Bought in 2015	8,551	9	8.1	1,667
Sold	(600)	(1)	0.6	(66)
Written down	(10,000)	(10)	-	
Held at 31 December 2015	9,328	9	8.9	
Bought in 2016	8,782	9	9.2	1,524
Sold	(326)	(0)	0.3	(32)
Written down	(10,000)	(10)	-	
Held at 31 December 2016	7,784	8	8.2	

Number of shares held to cover the granting of options: 1,783,000 (2015: 1,701,000).

## Notes to the financial statements • Group

(DKKm) 2015 2016

### Note 44. Collateral

The Group's insurance companies have registered the following assets as security for technical provisions:

Shares in associated companies	0	404
Shares	4,845	4,184
Bonds	30,904	33,761
Deposits with credit institutions	3,100	280
Investment assets related to unit-linked products	15,796	21,528
Liquid funds	349	462
Accrued interest	275	278
Shares in and amounts due from affiliated companies eliminated in the consolidated accounts	5,173	7,111
	60,441	68,008
Other provision of security	56	51

### Note 45. Contingent liabilities

Contract liabilities	121	394
Adjustments to VAT liabilities	39	52
Other liabilities	13	10
Capital commitments made to loan funds and private equity funds etc.	1,254	1,461

Topdanmark EDB II ApS has concluded a contract with Schantz A/S on procurement and implementation of a new administration system for Topdanmark Life insurance.

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

### Note 46. Companies

Name	Registered office	Activity
<b>Topdanmark A/S</b>	Ballerup	Holding
<b>Non-life:</b>		
Topdanmark 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
<b>Life:</b>		
Topdanmark Liv Holding A/S	Ballerup	Holding
Topdanmark Livsforsikring A/S	Ballerup	Insurance
Nykredit Livsforsikring A/S	Ballerup	Insurance
Topdanmark EDB II ApS	Ballerup	IT services
Topdanmark Ejendom A/S	Ballerup	Property
TDE.201 ApS	Ballerup	Property
Bygmestervej ApS	Ballerup	Property
<b>Other companies:</b>		
Topdanmark Kapitalforvaltning A/S	Ballerup	Asset management
Topdanmark Invest A/S	Ballerup	Investment
Hotel Kongens Ege ApS	Ballerup	Property
Topdanmark Ejendomsadministration A/S	Ballerup	Property

All of the companies are 100% owned.

### Note 47. Other disclosures

The five-year summary, in accordance with Section 91(a) of the Danish Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds, is included in "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 2016 until the presentation of the consolidated financial statements which could change the assessment of the annual report.



## Notes to the financial statements • Group

### Note 48. Risk factors

---

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

#### Non-life insurance

##### Underwriting risk

###### Acceptance policy

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

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

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

###### Follow-up policy

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

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

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

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

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

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

##### Claims handling

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

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

##### 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 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 learn from the incident.

##### Efficient management of claims incurred

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

- Promptness
- Better replacement purchasing power
- Quality.

##### Promptness

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

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

##### Better replacement purchasing power

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

The responsibility for arranging co-operation and purchase agreements has been channelled into one centralised purchasing function to ensure the highest possible discount, quality and security when delivering products and services. Service agreements have been made with, for example, SOS International, Falck Health Care, Scalepoint, 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, and Topdanmark continuously works to optimise its systems in order to improve the claims handling processes through automation.

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

### Emergency plan

Topdanmark has an emergency plan to ensure that prompt, correct and targeted action is taken on a major weather event such as storm, hurricane, rainstorm or flood. The emergency programme consists of several levels, and this enables a proportional response depending on the size of the event. Topdanmark has appointed emergency helpers throughout the company whose claims handling knowledge is regularly kept up-to-date. 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.

Composition of Topdanmark's overall provisions for outstanding claims:

Provisions for outstanding claims (%)	2015	2016
Short-tail	13	13
Annuity provisions in workers' compensation	23	24
Other claims provisions in workers' compensation	25	23
Accident	24	26
Motor personal liability	12	11
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 Labour Market Insurance which awards compensation for injury and loss of earnings potential in all cases of serious industrial injuries.

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

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

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

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

#### **Provisions for unearned premiums**

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

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

Topdanmark's level of provisions is based on the latest prognosis for the coming 12 months.

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

#### **Disaster risks**

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

#### **Storm and rainstorms**

Reinsurance covers storm claims of up to DKK 5.1bn with a retention of DKK 100m. Snow loading, snow thawing and rainstorms are also covered. Reinstatement for the proportion of the cover used up is activated by payment of a reinstatement premium. In the event of another storm within the same year, there is cover of a further DKK 5.1bn with a retention of DKK 100m. In the event of a third and fourth storm, there is cover of up to DKK 670m with a retention of DKK 20m if the events occur within the same calendar year. To this should be added the cover not already hit twice by the first two storms. The cover of a third or fourth storm is dependent on the storm programme not having been hit previously by two individual storms each exceeding DKK 3.3bn. The storm programme is renewed on 1 July.

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

#### **Fire**

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

#### **Terror**

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

A national guarantee scheme of DKK 15bn covering terror claims including an element of NBCR (nuclear, biological, chemical, radiological) has been established. In 2016, the national guarantee scheme covered any market retention in excess of DKK 13.73bn. With effect from 1 January 2017, the market retention was reduced to DKK 9.9bn.

The Danish non-life companies have established a terror pool. In 2016, the terror pool bought reinsurance, which covered DKK 5,425m after DKK 500m. In 2017, reinsurance covers DKK 4.5bn after DKK 500m. Industrial injuries caused by any form of terror are covered by the Government with a few exceptions.

#### **Workers' compensation**

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

## **Cumulative risk**

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

## **Life insurance**

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

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

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

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

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

All policies have been split into contribution groups according to the guaranteed benefit scheme. In each contribution group, the investment policy is intended to ensure the ability to meet the guaranteed benefits, and the market risk is adjusted in accordance with the risk capacity of the contribution groups.

## **Disability**

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

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

## **Lifetime**

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

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

## **Market**

Market risk represents the risk of losses due to changes in the market value of the Group's assets, liabilities and off-balance items as a result of changes in market conditions. Market risk includes interest rate, equity, property, currency, inflation and liquidity risk. The limits for these financial risks are 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><b>Interest rate risk</b> Topdanmark is exposed to interest rate risk due to provisions for outstanding claims in non-life insurance and guaranteed benefits in life insurance.</p>	<p>Generally, the interest rate risk is limited and controlled by investing in interest-bearing assets in order to reduce the overall interest rate exposure of the assets and liabilities to the desired level.</p> <p>With regard to cover of interest-bearing assets, supplementary hedging by swaps and standard swaptions have been bought.</p>
<p><b>Equity risk</b> Topdanmark is exposed to equity risk from direct investments as well as investments made via derivatives.</p>	<p>The equity risk is alleviated by trades in the market and by derivatives.</p>
<p><b>Property risk</b> Topdanmark is exposed to property risk from investments in properties rented out for business or private residence.</p>	<p>The risk on the property portfolio is limited by a strategy focusing on the four largest cities in Denmark, with main emphasis on Copenhagen and Århus. Topdanmark invests in well-situated properties within the segments of housing and flexible office properties.</p>
<p><b>Credit Spread risk</b> Topdanmark is exposed to credit spread risk from bonds and other investments where prices are dependent on counterparty creditworthiness.</p>	<p>The credit spread risk is alleviated by focusing on bonds etc. with very high creditworthiness and by a spread on counterparties.</p>
<p><b>Concentration risk</b> Concentration risk is a risk that increases when investments are consolidated with individual issuers, whereby dependence on these issuers' solvency grows.</p>	<p>The concentration risk is limited by ensuring that investment size reconciles with counterparty creditworthiness.</p>
<p><b>Currency risk</b> Topdanmark's currency risk relates in practice only to investments.</p>	<p>The currency risk is alleviated by derivatives.</p>
<p><b>Inflation risk</b> Future inflation is implicitly included in a number of the models Topdanmark uses to calculate its provisions.</p> <p>Workers' compensation and illness/accident insurance differ from the general principles regarding the inclusion of an allowance for inflation. The provisions in workers' compensation insurance are calculated on the basis of the expected future indexation of wages and salaries, and those in illness/accident insurance on the basis of the expected net price index.</p>	<p>An expected higher future inflation rate would generally be included in the provisions with a certain time delay, while at the same time the result would be impacted by higher future indexation of premiums.</p> <p>In order to reduce the risk of inflation within workers' compensation and illness/accident insurance, Topdanmark uses index-linked bonds and derivatives hedging a significant proportion of the expected cash flows.</p>
<p><b>Liquidity risk</b> In insurance companies the liquidity risk is very limited as premiums are paid prior to the beginning of the risk period.</p> <p>Topdanmark's liquidity risk is therefore primarily related to the parent company.</p>	<p>Topdanmark finances its activities and share buy-back programme by using its subsidiaries' surplus liquidity via inter-group accounts, which are reduced by paying dividends.</p> <p>Further financing requirements are covered by short-term money market loans, typically with a maturity of one month or less.</p>

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

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

Undiscounted expected cash 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
Provisions for claims							
2015	13,121	3,869	5,788	3,054	1,318	534	135
2016	13,209	4,045	5,153	2,841	1,272	552	174
Life insurance provisions guarantees and profitsharing							
2015	22,557	960	2,128	6,905	8,013	5,178	2,231
2016	24,465	2,444	6,783	9,673	4,585	2,088	0

In cashflows for life insurance provisions, repurchase and rewrite to paid-up policies are included in 2016. Comparative figures for 2015 have not been adjusted.

Life insurance provisions for unit-linked products are covered by corresponding investment assets and therefore not stated in the table.

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.

## Counterparty risk

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

## Reinsurance

Within insurance the reinsurance companies' ability to pay is the most important risk factor. Topdanmark minimises this risk by spreading and primarily buying reinsurance cover from reinsurance companies with a minimum rating of A-. Accordingly, almost 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 (%)	2015	2016
AAA+AA	71	78
A	6	3
BBB	2	0
<BBB	9	13
Money market deposits	12	7

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

## Operational risk

Operational risk includes the risk of errors and deficiencies 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 on risks and events to the Compliance Function on a quarterly basis.

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

### **Cyber-crime risk**

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

### **IT emergency plan**

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

### **Tests**

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

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.

### **Accessibility**

It is Topdanmark's goal that the accessibility of its main systems is no less than 99.5%. In 2016, the mainframe platform had an average accessibility level of 99.86%, while average accessibility of the de-centralised systems was a little lower because they are dependent on the mainframe platform.

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

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

### **Internal audit**

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

### **Central Claims**

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

### **Event register**

According to the Executive Order on management and control of insurance companies (the Section 71 Executive Order) Topdanmark shall monitor and report on operational risks. Therefore, Topdanmark should have a process and a tool to register events. Accordingly, the events are collected in a database and communicated onwards in the management system, when and if relevant, in order that the organisation learns from its errors.

### **Digitalisation/automation**

Topdanmark is working continuously on digitalisation and automation to ensure efficient business and a good customer experience. Focus is on automation of a number of processes, which will help to reduce the risk of human error.

## **Compliance risk**

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

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

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

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

## **Compliance Function's work**

The Compliance Function is intended to:

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

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

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

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

## **Event register**

The Compliance Function administers Topdanmark's event register.



# Notes to the financial statements • Group

## Note 49. Accounting policies

Topdanmark Group's 2016 Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the additional Danish disclosure requirements of NASDAQ Copenhagen A/S and the Danish Financial Business Act on annual reports prepared by listed financial services companies.

### Change in accounting policies

#### New Executive Order on Financial Reports

In 2016, Topdanmark has implemented the Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds amended to comply with the European solvency rules, Solvency II, which took effect on 1 January 2016.

Solvency II lays down the basic principles for calculation of insurance provisions:

- Best estimate of present value of expected future cashflows for insurance contracts concluded by the company
- A risk margin corresponding to the amount an acquirer of the Group's insurance portfolio is expected to demand for taking on the risk of deviations between best estimate and final settlement of future cashflows
- An interest rate curve adjusted to Solvency II. Topdanmark uses the volatility adjusted interest rate curve

Unlike Solvency II, the assumed profit at the time when insurance contracts are concluded is included in a separate provision (profit margin) and taken to the profit and loss account over the period of cover of the insurance contracts.

In Solvency II, the assumed profit is included in own funds when the insurance contracts are concluded.

The table below discloses the financial effect on result and shareholders' equity for 2015:

Result and equity (DKKm)	Result		Equity	
	2015	2014	2015	2015
<b>Result and equity according to financial statement</b>	1,132	5,135		4,673
<b>Adjustments</b>				
Claims provisions				
Best estimate	0	266		266
New interest rate curve	51	82		133
Reinsurance share	(1)	(1)		(2)
Risk margin	7	(320)		(313)
Premium provisions/profit margin	(11)	(114)		(125)
Others	3	(4)		(2)
Pre-tax effect	49	(91)		(42)
Tax	(11)	20		9
Effect of adjustments, post-tax	38	(71)		(33)
<b>Result and equity, new accounting policy</b>	1,170	5,064		4,640

The transition to the new Executive Order on Financial Reports results in an increase in the post-tax result for 2015 of DKK 38m from 1,132m to 1,170m. At the end of 2015, shareholders' equity was reduced by DKK 33m from DKK 4,673 to DKK 4,640.

Comparative figures for the Group excluding life insurance are adjusted with effect as from the 2015 opening balance from which time EIOPA published interest rate curves and the Group's models for calculating premium provisions and profit margin, according to the new accounting policies, have been established.

For life insurance, it has not been practicable to recalculate insurance provisions for the periods before the opening balance of 1 January 2016. Consequently, comparative figures are only corrected due to the changed form of presentation where accounting items have been summarized or moved. In the opening balance of 1 January 2016, the financial value of insurance provisions for life insurance remain almost unchanged. The provisions for life insurance have been reduced by DKK 3m compared to the value in the financial statement for 2015.

Correspondingly, it has not been possible to calculate the effect in terms of value for the 2016 financial year according to previous accounting policies.

The changes in comparative figures for 2015 are specified at the end of the accounting policies.

#### *IFRS*

A new range of standards, amendments and interpretations which took effect on 1 January 2016 have not resulted in changes in accounting policies.

### **Future accounting standards**

#### *IFRS*

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

The most significant new standards are: IFRS 9 "Financial instruments", IFRS 15 "Revenue from contracts with customers" and IFRS 16 "Leases". IFRS 16 has not yet been adopted by the EU.

IFRS 15 takes effect on 1 January 2018. IFRS 16 becomes effective on 1 January 2019. For insurance companies, the implementation date of IFRS 9 is deferred in order that it takes effect at the same time as IFRS 17 "Insurance Contracts" on 1 January 2021. It is expected that the standard for IFRS 17 will be issued in H1 2017.

IFRS 9 replaces the existing IAS 39 and changes the classification of financial assets to the classification being dependent on the company's business model for holding of assets and the cash flow generated by the asset. Furthermore, the IFRS 9 contains changed provisions for hedge accounting and impairment.

IFRS 15 is applicable to all contracts with customers not comprised by other standards (e.g. financial contracts or insurance contracts).

As a result of IFRS 16, most of the existing operational lease contracts will be recognised in the balance sheet as a lease asset (right to use the asset) and a lease liability, respectively.

Future changes to IFRS are not expected to materially change Topdanmark Group's accounting policies. As regards IFRS 17, further analysis of the final standard awaits. It is expected to be available in H1 2017.

Topdanmark expects to implement the new standards on the effective date.

### **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 insurance provisions and investment properties.

### **Provisions for outstanding claims**

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

The 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 Labour Market Insurance.

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.

### **Premium provisions**

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

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

## **Life insurance provisions**

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

## **Investment properties**

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

## **General**

### **Consolidated financial statements**

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

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

### **Consolidation**

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

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

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

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

## **Recognition and measurement**

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group, and where the asset has a value that can be measured reliably. Liabilities are recognised in the balance sheet, when it is probable that future economic benefits will flow from the Group, and where the value of the liability can be measured reliably. The recognition and measurement take into consideration predictable losses and risks, which have occurred prior to the presentation of the Annual Report, and which provide evidence of conditions that existed at the balance sheet date.

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

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

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

### **Measurement of fair value**

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

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

#### **Level 1**

The calculation at fair value is based on the listed prices of transactions in active markets. If there is an active market for listed 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.

### **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.

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.

#### **Employee shares**

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

#### **Calculation of profit in life insurance**

The calculation of profit for life insurance is regulated by the Danish Financial Business Act. 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 and on the profit margin determined by the company for the year.

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

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

### **Segment information**

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

**Personal** offers policies to individual households in Denmark.

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

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

**Life insurance** is considered 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 Finance Society in 2015, 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 Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds. 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. For loss-making insurance, the expected loss is included at the time the contract is concluded.

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

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.

### **Allocated investment return net of reinsurance in life insurance**

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

### **Pension return tax**

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

### **Claims incurred and benefits paid**

In non-life insurance, claims incurred net of reinsurance comprise claims paid during the year adjusted for changes in the provisions for outstanding claims and net of the reinsurers' share. Accordingly, claims incurred comprise known and expected claims relating to the year as well as any adjustments to the provisions made in previous years. Furthermore, they comprise direct and indirect expenses on claims handling. However, the proportion of the change in provisions for outstanding claims relating to 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, exchange rate adjustments, and realised gains and losses on owner-occupied properties are included in revaluations. Administrative expenses on investment activities comprise the cost of asset management including transaction costs.

### **Return and revaluation of non-life insurance provisions**

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

### **Other income and expenses**

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

### **Taxation**

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

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**

#### **Operating equipment**

Operating equipment is measured at cost less depreciation on a straight-line basis and net of any impairment. Depreciation on a straight-line basis is calculated on the basis of the expected useful life and the residual value, which is annually revalued. If there is an indication of impairment, the 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, which comprises the purchase price of the properties plus any directly related initial expenditure.

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

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

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

Market trends and the rates of return of the market are regularly analysed. Each property is assessed annually by the Group's own valuation experts.

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

### **Associated companies**

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.

Shares held in associated companies are measured at their net asset value, in accordance with the Group's accounting policies with payment of goodwill added.

Shares held are regularly tested for depreciation and devalued to the recovery value if this is lower than the financial value.

### **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.

### **Other subordinated loan capital**

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

### **Provisions for insurance and investment contracts**

#### **Provisions for unearned premiums**

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

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



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

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

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

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

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

#### **Profit margin on non-life insurance contracts**

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

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

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

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

For profit margin, the share of the risk margin related to settlement of premium provisions is deducted.

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

#### **Life insurance provisions**

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

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

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

Remaining Life expectancy	60 year old man	60 year old woman
Topdanmark Livsforsikring	27.0	29.2
DFSA's benchmark	25.8	28.4

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

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

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

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

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

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

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

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

### **Profit margin on life insurance and investment contracts**

Profit margin is the expected future profit for the company from contracts concluded and when possible, it is financed by the individual bonus potential and secondarily by the collective bonus potential. The value is calculated as an interest margin in accordance with the going-concern principle where the included profit on future premiums follows the contract terms according to Solvency II.

As a consequence of the DFSA's interpretation of 20 May 2016 concerning the financial calculation of profit margin, the balance item has conservatively been estimated at zero for the traditional savings product with guaranteed yield.

### **Claims provisions**

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

Claims provisions are assessed for each line of business, either on a claim-by-claim basis (individual provisions), or by using statistical methods (collective as well as incurred but not reported (IBNR) and incurred but not enough reported (IBNER) provisions). Claims exceeding a fixed amount, dependent on the line of business, are assessed individually, and provisions for smaller claims are assessed collectively. IBNR provisions cover expenses on post-notified large claims. IBNER provisions cover extra expenses on already reported claims for which the individually assessed provisions are not sufficient due to, for example, inadequate information at the time of assessment. The collective provisions are calculated using de Vylder's credibility model adjusted for each line of business. The IBNR and IBNER provisions are calculated using models developed in-house.

In agricultural and commercial lines, claims are assessed individually. IBNR and IBNER provisions are also included in the total provision. In personal lines, claims not exceeding DKK 100,000 are assessed collectively while larger claims and all claims on change of ownership policies are assessed individually. IBNR and IBNER provisions are also included in the total provision. In motor and accident lines, total provisions comprise the sum of the collective and individual provisions. Individual provisions are the result of an assessment where the claims handler has assessed the total claim payment to exceed DKK 1.5m, and the case is estimated to exceed the amount paid out. Large claims and claims relating to previous years are individually assessed within personal liability in motor insurance.

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

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

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

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

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

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

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

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

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

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

#### **Risk margin for non-life insurance contracts**

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

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

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

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

#### **Other liabilities**

##### **Provisions for pensions and similar liabilities**

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

#### **Corporation tax and deferred tax**

Current tax liabilities and tax receivable, including joint tax contributions, are included in the balance sheet as calculated tax on taxable income for the year adjusted for tax on previous years' taxable income and prepaid tax on account. Deferred tax on temporary differences between the accounting, and tax value of assets and liabilities is charged in accordance with the balance sheet liability method. Deferred tax on 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.

## Changes in comparative figures for 2015 due to new Executive Order on Financial Report

The subsequent tables disclose the changes in the financial statement for 2015 due to the transition to new accounting policies for the income statement in key items,

technical result, non-life insurance and effect on combined ratio, technical result for life insurance and the balance sheet at 31 December 2015.

Income statement key items (DKKm)	Technical	Technical	Invest-	Trans-	Return	Other	Pre-tax	Tax	Result
	result non-life	result life	ment return	ferred return	and re- valuation non-life	items	result		
<b>Financial statement 2015</b>	1,169	19	1,616	(1,135)	(165)	(22)	1,481	(349)	1,132
<b>Effect of change in accounting policies</b>									
Amortisation premium provisions	21					(21)			
Amortisation profit margin	5					(5)			
Change in enhancement of premium provision Amortisation	(16)					(2)	(17)	4	(13)
Claims provisions	23					(23)			
Change in risk margin	14					(1)	13	(3)	10
Change in valuation of claims provisions net of reinsurance (new interest rate curve)						50	50	(11)	39
Change in valuation of derivatives (new interest rate curve)	3						3	(1)	2
<b>Effect of change in form requirements</b>									
Item "Technical interest rate" excluded	2			106		(108)			
Revaluation of insurance provisions moved to new item			(195)			195			
New item "Pension return tax" under technical result		0		(165)	165				
<b>Total effect of changes</b>	51	0	(195)	(59)	165	87	49	(11)	38
<b>Financial statement 2015 new policy</b>	1,220	19	1,421	(1,194)	0	87	1,530	(360)	1,170

Technical profit Non-life insurance (DKKm)	Gross premiums earned	Technical interest	Claims	Reinsurance	Expenses	Technical profit
<b>Financial Statement 2015</b>	8,956	(2)	(6,210)	(171)	(1,404)	1,169
Eliminated operating profit ow ner-occupied properties			(14)		(22)	(36)
<b>Segment non-life 2015 (ratio basis)</b>	8,956	(2)	(6,224)	(171)	(1,426)	1,133
Amortisation premium provisions	22			(2)		21
Amortisation profit margin	5			()		5
Change in enhancement premium provisions	(16)					(16)
Item "Technical interest" excluded		2				2
Change in amortisation claims provisions			23	(1)		23
Change in valuation of derivatives (new interest rate curve)			3			3
Change in risk margin claims provisions			14			14
<b>Segment non-life new policy</b>	8,967	0	(6,184)	(174)	(1,426)	1,184
Eliminated operating profit ow ner-occupied properties			(14)		(22)	(36)
<b>Financial statement 2015 new policy</b>	8,967	0	(6,170)	(174)	(1,404)	1,220

Combined ratio	Full year 2015	
	Accounts	New practice
Gross claims ratio	69.5	69.0
Net reinsurance ratio	1.9	1.9
Claims trend	71.4	70.9
Expense ratio	15.9	15.9
Combined ratio	87.3	86.8
Combined ratio excl. run-off profits	91.6	91.1

Technical result life insurance (DKK m)	Invest- ment return	Pension return tax	Benefits	Changes in provisions			Ex- penses	Re- insu- rance	Tech- nical result		
				Claims	Life	Unit- linked					
<b>Financial statement 2015</b>	6,320	1,029	0	(3,240)	20	810	(4,471)	(39)	(406)	(3)	19
<b>Effect of change in form requirements</b>											
New item "Pensions return tax" under technical result		165	(165)								0
Change in claims provisions transferred to change in life insurance provisions					(20)	20					0
Bonus transferred to "Change in life insurance provisions"						(39)		39			0
Change in provisions for unit-linked products transferred to "Change in life insurance provisions"						(4,471)	4,471				0
<b>Financial statement 2015 new policy</b>	6,320	1,194	(165)	(3,240)	0	(3,680)	0	0	(406)	(3)	19

"Change in profit margin" will be separated from "Change in life insurance provisions" to individual item in 2016.

Balance sheet at 31 December 2015 (DKK m)	Balance sheet		Reclassification		SII interest rate	Best	Premium provisions/ profit	Risk	Other incl. tax	Adjusted balance
	2015	NON-LIFE	LIFE		curve	estimate	margin	margin	effect	2015
<b>ASSETS</b>										
<b>INTANGIBLE ASSETS</b>	689									689
<b>TANGIBLE ASSETS</b>	984									984
Investment properties	3,868		(151)							3,717
Shares in associated companies	184		(12)							172
Total other financial investment assets	43,292		12							43,304
<b>TOTAL INVESTMENT ASSETS</b>	47,344		(151)							47,193
<b>INVESTMENT ASSET RELATED TO UNIT-LINKED PRODUCTS</b>	15,645		151							15,796
<b>DEBTORS</b>	1,730		(23)		(2)					1,706
<b>OTHER ASSETS</b>	799							9		808
<b>PREPAYMENTS AND ACCRUED INCOME</b>	477									477
<b>TOTAL ASSETS</b>	67,670									67,654
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>										
<b>SHAREHOLDERS' EQUITY</b>	4,673				131	266	(125)	(313)	8	4,640
<b>OTHER SUBORDINATED LOAN CAPITAL</b>	2,154									2,154
Provisions for unearned premiums	2,590						(646)			1,944
Profit margin, non-life insurance contracts							772			772
Products with guarantees and profitsharing	22,557		1,764							24,321
Unit Linked products	16,216									16,216
Provisions for claims and benefits	13,587		(67)	(133)	(266)					13,121
Risk margin, non-life insurance contracts								313		313
Collective bonus potential	1,697		(1,697)							
Provisions for bonuses and rebates	137									137
<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>	56,785									56,823
<b>LIABILITIES PROVIDED</b>	407									407
<b>DEPOSITS RECEIVED FROM REINSURERS</b>	62									62
<b>CREDITORS</b>	3,443							2		3,445
<b>ACCRUALS AND DEFERRED INCOME</b>	146		(23)							123
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	67,670									67,654

## Income statement • Parent company

(DKKm)	Note	2015	2016
Income from affiliated companies	1	1,208	1,585
Revaluations	2	(4)	2
Interest charges		(9)	(8)
<b>Total investment return</b>		1,195	1,577
Other expenses	3	(35)	(53)
<b>PRE-TAX PROFIT</b>		1,159	1,525
Taxation	4	11	11
<b>PROFIT FOR THE YEAR</b>		1,170	1,536
Proposed appropriation of profit for the year:			
Transfer to net revaluation reserve at net asset value		1,208	1,585
Transfer to profit carried forward		(38)	(49)
		1,170	1,536

## Statement of comprehensive income • Parent company

Profit for the year	1,170	1,536
Other comprehensive income in affiliated companies	1	1
Other comprehensive income	1	1
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	1,171	1,537

## Balance sheet • Parent company

(DKKm)	Note	2015	2016
<b>Assets</b>			
Operating equipment	5	3	3
<b>TOTAL TANGIBLE ASSETS</b>		3	3
Shares in affiliated companies	6	5,111	5,643
Total investment in affiliated companies		5,111	5,643
<b>TOTAL INVESTMENT ASSETS</b>		5,111	5,643
Amounts due from affiliated companies		497	65
Other debtors		4	65
<b>TOTAL DEBTORS</b>		501	129
Current tax assets		34	0
Deferred tax assets		1	2
Liquid funds		2	2
<b>TOTAL OTHER ASSETS</b>		37	4
<b>TOTAL ASSETS</b>		5,653	5,779

## Shareholders' equity and liabilities

Share capital	7	105	95
Other reserves		1,362	1,894
Total reserves		1,362	1,894
Profit carried forward		3,479	3,019
<b>TOTAL SHAREHOLDERS' EQUITY</b>		4,946	5,009
<b>OTHER SUBORDINATED LOAN CAPITAL</b>	8	409	408
Amounts due to affiliated companies		274	289
Current tax liabilities		0	58
Other creditors		24	16
<b>TOTAL CREDITORS</b>		298	363
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		5,653	5,779
Related parties	9		
Own funds	10		
Own shares	11		
Contingent liabilities	12		
Other note disclosures	13		
Accounting policies	14		

## Statement of changes in equity • Parent company

(DKKm)

	Share capital	Other reserves	Profit carried forward	Total
<b>2015</b>				
Shareholders' equity at 31 December prior year	115	2,285	3,042	5,442
Effect of new Executive Order on Financial Statements		(71)		(71)
Equity end of year 2015 according to new Executive Order on Financial Statements	115	2,214	3,042	5,371
Profit / (loss) for the year		1,208	(38)	1,170
Other comprehensive income in affiliated companies		1	0	1
Total comprehensive income for the year		1,209	(38)	1,171
Dividends received from subsidiaries		(2,057)	2,057	0
Other movements in capital of subsidiaries		(4)	0	(4)
Cancellation of own shares	(10)		10	0
Share buy-back			(1,667)	(1,667)
Sale of own shares			16	16
Share-based payments			10	10
Exercise of share options			50	50
Other transactions	(10)	(2,060)	475	(1,596)
<b>Shareholders' equity at 31 December 2015</b>	<b>105</b>	<b>1,362</b>	<b>3,479</b>	<b>4,946</b>
<b>2016</b>				
Shareholders' equity at 31 December prior year	105	1,395	3,479	4,979
Effect of new Executive Order on Financial Statements		(31)		(31)
Shareholders' equity beginning of the year according to new Executive Order on Financial Reports	105	1,364	3,479	4,948
Profit / (loss) for the year		1,585	(49)	1,536
Other comprehensive income in affiliated companies		1	0	1
Total comprehensive income for the year		1,586	(49)	1,537
Dividends received from subsidiaries		(1,062)	1,062	0
Other movements in capital of subsidiaries		6	0	6
Cancellation of own shares	(10)		10	0
Share buy-back			(1,524)	(1,524)
Share-based payments			10	10
Exercise of share options			32	32
Other transactions	(10)	(1,056)	(410)	(1,476)
<b>Shareholders' equity at 31 December 2016</b>	<b>95</b>	<b>1,894</b>	<b>3,019</b>	<b>5,009</b>



## Notes to the financial statements • Parent company

(DKKm)	2015	2016
<b>Note 1. Income from affiliated companies</b>		
Topdanmark Forsikring A/S	1,148	1,506
Topdanmark Kapitalforvaltning A/S	63	79
Topdanmark Invest A/S	(3)	(0)
<b>Income from affiliated companies</b>	<b>1,208</b>	<b>1,585</b>
<b>Note 2. Revaluations</b>		
Derivatives	(3)	0
Subordinated loan capital	(1)	2
<b>Revaluations</b>	<b>(4)</b>	<b>2</b>
<b>Note 3. Other expenses</b>		
Holding expenses	35	53
<b>Other expenses</b>	<b>35</b>	<b>53</b>
<b>Note 4. Taxation</b>		
Current tax	10	11
<b>Taxation (income)</b>	<b>11</b>	<b>11</b>
Pre-tax profit excl. income from affiliated companies	(48)	(60)
Calculated tax on profit for the year 22.0% (2015: 23.5%)	11	13
Adjusted for the tax effect of:		
Non-deductible expenses / income not liable to tax	(1)	(2)
	11	11
Effective rate of taxation	21.9	18.2
Deferred tax assets of DKK 2m (2015: DKK 1m) concern subordinated loan capital.		
<b>Note 5. Operating equipment</b>		
Cost	3	3
Impairment and amortisation	0	0
<b>Operating equipment</b>	<b>3</b>	<b>3</b>
<b>Note 6. Shares in affiliated companies</b>		
Topdanmark Forsikring A/S	4,868	5,383
Topdanmark Kapitalforvaltning A/S	76	93
Topdanmark Invest A/S (investment)	167	167
<b>Shares in affiliated companies</b>	<b>5,111</b>	<b>5,643</b>
The affiliated companies are domiciled in Ballerup.		
<b>Note 7. Share capital</b>		
DKK		
Share capital at 1 January	115,000,000	105,000,000
Reduction in capital	(10,000,000)	(10,000,000)
<b>Share capital</b>	<b>105,000,000</b>	<b>95,000,000</b>
Each of Topdanmark's 95,000,000 (2015: 105,000,000) shares has a nominal value of DKK 1.		
No share enjoys any special rights. The shares are freely tradeable. Each share has one vote.		

## Notes to the financial statements • Parent company

(DKKm)

### Note 8. Other subordinated loan capital

	Hybrid core capital	
Principal	EUR 55m	
Date of issue	July 2007	
Maturity	Bullet	
If permitted by the DFSA, the debtor can give notice of termination from	15. Sep 2017	
Interest rate	EURIBOR 3 months+1.90% to 2017	
Subsequently	EURIBOR 3 months+2.9%	
Market value calculated on the basis of observable input, level 2.		
	2015	2016
Book value	409	408
Market value	410	409
Interest charges	8	7
Hybrid core capital was fully included in 2015 in company's own funds. From 2016, Topdanmark calculates solvency cover at Group level. The Group's own funds are stated in statement of changes in equity.		

### Note 9. Related parties

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

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

#### Remuneration of the Board of Directors

Directors' fees adopted by the AGM were DKK 5,075,000 (2015: DKK 5,075,000) of which DKK 263,000 (2015: 263,000) related to Topdanmark Forsikring A/S.

Due to vacancy of directorship part of the year, remuneration paid was DKK 4,958,000

(DKK '000):

Søren Thorup Sørensen	1,378	1,488
Torbjörn Magnusson	678	788
Jens Aaløse	-	233
Ann-Jeanette Bakbøl	233	350
Tina Møller Carlsson	233	350
Mette Jensen	233	350
Birgitte Nielsen	525	525
Lone Møller Olsen	-	233
Annette Sadolin	525	525
Anders Colding Friis	350	117
Bjarne Graven Larsen	233	-
Per Mathiesen	117	-
Michael Pram Rasmussen	335	-
Desiree Schultz	117	-
Aage Nedergaard Smidt	117	-
Total fee paid to nine Board members	5,075	4,958

The Board of Directors receive only a fixed remuneration.

#### Remuneration of the Executive Board

Salaries etc.	19	26
Share options	2	2
Employee shares	-	0
Total remuneration to four (2015 three) members of the Executive Board	21	29
Fixed remuneration	21	26
Variable remuneration	0	2
Christian Sagild	8.9	9.0
Brian Rothemejer Jacobsen (10 months)	-	3.9
Lars Thykier	5.9	6.0
Marianne Wier (10 months)	-	3.8
Kim Bruhn-Petersen resigned from the Executive Board in 2016	5.9	5.9
	20.7	28.6

## Notes to the financial statements • Parent company

(DKKm) 2015 2016

---

### Note 9. Related parties - continued

---

In addition, the Executive Board successively accrues a remuneration corresponding to 18 months' salary. The compensation will be paid on resignation.

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 and subordinated notes held by the Board of Directors and Executive Board

The information relates to the Board of Directors and Executive Board notified on 31 December.

##### Board of Directors

Number of shares

Søren Thorup Sørensen	3,729	3,729
Torbjörn Magnusson	500	500
Jens Aaløse	-	50
Ann-Jeanette Bakbøl	0	0
Tina Møller Carlsson	1,270	1,270
Mette Jensen	1,400	1,400
Birgitte Nielsen	350	350
Lone Møller Olsen	-	2,425
Annette Sadolin	2,620	2,620
Anders Colding Friis	4,450	-

Subordinated notes (subordinated loan capital) Topdanmark Forsikring, nominal value DKK '000

Søren Thorup Sørensen	4,050	3,000
-----------------------	-------	-------

##### Executive Board

Number of shares

Christian Sagild	21,160	21,160
Brian Rothemejer Jacobsen	-	68,200
Lars Thykier	14,130	14,130
Marianne Wier	-	0
Kim Bruhn-Petersen	14,640	-

##### Sampo plc

At 1 February 2017, Sampo plc holds 39,579,226 shares in Topdanmark A/S.

At 31 December 2015, held IF P&C Insurance Holding Ltd (publ) 31,476,920 shares in Topdanmark A/S.

At 31 December 2016, Sampo plc owned nom. EUR 33,5m subordinated notes in Topdanmark A/S (31 December 2015 nom. EUR 33,5m).

##### 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).

There are no special accrual conditions related to the option programme than employment for the full year of accrual. Options are allocated at beginning of year and a proportional reduction on the number is made in connection with resignation.

The option programme of the Executive Board is disclosed in the Group note staff costs, remuneration of the Executive Board.

##### Affiliated companies

Expenses charged	27	35
Dividends received	2,057	1,062

Expenses are charged to cover costs incurred.

Average effective interest rate on balances is 0.03% (2015: 0.02%).

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

Balances are disclosed in the balance sheet.

---

## Notes to the financial statements • Parent company

(DKKm)

### Note 10. Own funds

From 2016, Topdanmark A/S calculates solvency cover at Group level according to Solvency II.

The Group's own funds are stated in the statement of changes in equity.

In 2015, Topdanmark was comprised by solvency rules for financial holding companies.

### Note 11. Own shares

	Number of shares '000	Nominal value DKKm	Percentage of share capital	Bought /sold DKKm
<b>Parent company</b>				
Held at 1 January 2015	11,377	11	9.9	
Bought in 2015	8,551	9	8.1	1,667
Sold	(600)	(1)	0.6	(66)
Written down	(10,000)	(10)	-	
Held at 31 December 2015	9,328	9	8.9	
Bought in 2016	8,782	9	9.2	1,524
Sold	(326)	(0)	0.3	(32)
Written down	(10,000)	(10)	-	
Held at 31 December 2016	7,784	8	8.2	

Number of shares held to cover the granting of options: 1,783,000 (2015: 1,701,000)

### Note 12. Contingent liabilities

Topdanmark A/S is the administration company of the Danish joint taxation with the other Danish companies of the Topdanmark Group. Consequently, the company is liable for joint taxation according to the provisions of Executive Order on Corporation tax concerning income tax etc. and for any obligations to include tax at source on interest rates, royalties and profit for these companies.

### 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 Multi-employer Occupational Pension Funds, is included in financial highlights on page 3. Risk disclosures in accordance with Section 91(b) are included in "Management's review" for the Group in "Risk management" and in Note on the consolidated financial statements.

There have been no events in the period from 31 December 2016 until the presentation of the financial statements which could change the assessment of the annual report.

# Notes to the financial statements • Parent company

## Note 14. Accounting policies

---

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

### Change in accounting policies

#### *New Executive Order on Financial Statements*

In 2016, Topdanmark implemented the new Executive Order on Financial Reports for insurance companies and multi-employer occupational pension funds, which is adapted to Solvency II, the European solvency rules that became effective on 1 January 2016.

The effect on profits and shareholders' equity of the transition to the new Executive Order on Financial Reports corresponds to the effect for the entire Group. See the Group note Accounting policies.

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

Shares held in affiliated companies are recognised and measured at their net asset value. If the net asset value exceeds the recoverable amount, the investment is written down to this lower amount. The share of the post-tax results of affiliated companies is included in the income statement under income from affiliated companies less any write-downs. Where investments in affiliated companies are revalued to net asset value, the net revaluation reserve is included in shareholders' equity. The share of the changes in equity of affiliated companies is included directly in the shareholders' equity.

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

### Other

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

## Disclaimer

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

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

The above description of risk factors is not exhaustive. Investors and others, who may base decisions relating to Topdanmark on statements relating to the future, should 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 2016.

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 2016 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 2016.

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, 23 February 2017

## Executive Board:

Christian Sagild  
(CEO)

Brian Rothemejer Jacobsen

Lars Thykier

Marianne Wier

## Board of Directors:

Søren Thorup Sørensen  
(Chairman)

Torbjörn Magnusson  
(Deputy Chairman)

Ann-Jeanette Bakbøl

Tina Møller Carlsson

Mette Jensen

Birgitte Nielsen

Lone Møller Olsen

Annette Sadolin

Jens Aaløse

## Internal audit's reports

### Opinion

We have audited the consolidated financial statements and the parent financial statements of Topdanmark A/S for the financial year 1 January to 31 December 2016. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish requirements for listed financial companies. The parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2016 and of the results of the Group's and the Company's operations and the Group's cash flows for the financial year 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies as regards the Group and for the Company in accordance with the Danish Financial Business Act.

### Basis for opinion

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

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

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

### Solvency ratio

Management is responsible for the key ratio "Solvency ratio" evident from the five-year summary in the annual report.

As disclosed in the five-year summary, the solvency ratio is exempt from the requirement to be audited. Consequently, our opinion on the consolidated financial statements does not cover the solvency ratio, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to consider whether the solvency ratio is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on this, we conclude that the solvency ratio is materially misstated; we are required to report on this. We have nothing to report in this respect.

### Statement on the management review

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

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

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

Ballerup, 23 February 2017

Lars Thomsen Skovsende  
Head of Internal Audit



## **Independent auditor's reports**

### **To the shareholders of Topdanmark A/S**

#### **Opinion**

We have audited the consolidated financial statements and the parent financial statements of Topdanmark A/S for the financial year 1 January to 31 December 2016, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as the Parent and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish requirements for listed financial companies, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2016 and of the results of its operations and cash flows for the financial year 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2016, and of the results of its operations for the financial year 1 January to 31 December 2016 in accordance with the Danish Financial Business Act.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2016. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## **Provisions for insurance and investment contracts**

At 31.12.2016, provisions for insurance and investment contracts amount to DKK 16,264m for non-life insurance and DKK 47,351m for life insurance.

The calculation of provisions for insurance and investment contracts is complex and to a significant extent subject to accounting estimation that is based on management assessments and assumptions about future events. We believe that the most significant risks relate to changes in assumptions, and the methods and models applied may also have a significant influence on the measurement of provisions for insurance contracts and the technical result. Consequently, there is a risk that provisions for insurance and investment contracts are not measured applying appropriate models and realistic assumptions.

The following elements are particularly complex and/or to a significant extent subject to management estimation, assessments and methods where even small changes may have a material impact:

- Life expectancy, life expectancy improvements and disability (life);
- Risk premium;
- Expected future inflation and salary development (life and workers' compensation);
- Expected future cash flow from insurance and investment contracts entered into, including profit margin and risk margin;
- Yield curve plus volatility adjustment;
- Direct and indirect costs to release claims outstanding provisions;
- Best estimate of future payments for losses occurred and their maturities, including in particular for large portfolios subject to long-term release;

Management has described the measurement of provisions for insurance and investment contracts, the actuarial calculations and assumptions applied in more detail in the notes.

## **Statement on the management review**

Management is responsible for the management review.

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

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Business Act.

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

## **How the matter was addressed in the audit**

We have reviewed the measurement of the provisions for insurance contracts as calculated by Management. Our audit procedures included:

- Assessing and testing design, implementation and operating effectiveness of key controls in statistical and actuarial models, including processes for data collection, analysis and determination of assumptions;
- Independent actuarial assessment of the data, methods, models and assumptions applied compared to generally accepted actuarial standards, historical developments and trends;
- Challenging changes in the assumptions and models applied compared to last year and developments in industry standards and practice;
- Recalculating claims outstanding provisions for insurance contracts for selected sectors by means of portfolio data.

## **Solvency ratio**

Management is responsible for the key ratio "Solvency ratio" evident from the five-year summary in the annual report.

As disclosed in the five-year summary, the solvency ratio is exempt from the requirement to be audited. Consequently, our opinion on the consolidated financial statements does not cover the solvency ratio, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to consider whether the solvency ratio is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on this, we conclude that the solvency ratio is materially misstated, we are required to report on this. We have nothing to report in this respect.

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

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

## **Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements**

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

As part of an audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of

our auditor's report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 23 February 2017

**Deloitte**

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56

Anders Oldau Gjelstrup

State-Authorised

Public Accountant

Jacques Peronard

State-Authorised

Public Accountant

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

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

