

Topdanmark A/S

Annual Report 2017

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
- 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 → Investor

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

TOPDANMARK ANNUAL REPORT FOR 2017

22 February 2018 Announcement No. 04/2018

Key features

2017

- Post-tax profit of DKK 1,733m (2016: DKK 1,536m)
- EPS: DKK 20.2 (2016: DKK 16.8)
- Combined ratio: 82.0% (2016: 85.1%)
- Combined ratio excluding run-off profits: 85.8% (2016: 90.4%)
- Trend in premiums: 1.4% increase in non-life insurance and 11.0% increase in life insurance
- Profit on life insurance: DKK 249m (2016: DKK 189m)
- Investment return after return and revaluation of non-life insurance provisions: DKK 396m (2016: DKK 487m).

Q4 2017

- Post-tax profit: DKK 379m (Q4 2016: DKK 421m)
- EPS: DKK 4.4 (Q4 2016: DKK 4.8)
- Combined ratio: 82.1% (Q4 2016: 84.6%)
- Combined ratio excluding run-off profits: 86.3% (Q4 2016: 93.9%)
- Trend in premiums: 1.9% increase in non-life insurance, 22.6% increase in life insurance
- Profit on life insurance: DKK 42m (Q4 2016: DKK 54m)
- Investment return after return and revaluation of non-life insurance provisions: DKK 65m (Q4 2016: DKK 147m).

Earnings distribution for 2017

- The Board of Directors will recommend to the AGM that dividend of DKK 1,710m be distributed for 2017 representing DKK 19 per share issued. This represents a pay-out ratio of 98.7% and a dividend yield of 7.4.

Profit forecast model for 2018

- As compared to the profit forecast model for 2018 in the interim report for Q1-Q3 2017, the assumed combined ratio for 2018 remains unchanged at 90-91 excluding run-off and including additional expenses of 0.5 to 1pp due to Topdanmark's investment in increased digitalisation and automation
- Topdanmark still expects a positive premium growth in non-life insurance
- The post-tax profit forecast model for 2018: DKK 950-1,050m excluding run-off.

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Financial highlights

(DKKm)	2013	2014	2015	2016	2017	Q4 2016	Q4 2017
Premiums earned:							
Non-life insurance	8,889	9,116	8,967	8,858	8,985	2,203	2,245
Life insurance	3,511	4,448	6,320	7,430	8,250	1,783	2,186
	12,400	13,563	15,287	16,288	17,235	3,986	4,431
Results:							
Non-life insurance	1,361	1,803	1,325	1,712	1,909	446	416
Life insurance	442	200	174	189	249	54	42
Parent company etc.	73	7	31	41	77	33	34
Pre-tax profit	1,875	2,010	1,530	1,942	2,235	533	492
Tax	(407)	(452)	(360)	(407)	(502)	(112)	(112)
Profit	1,468	1,558	1,170	1,536	1,733	421	379
Run-off profits, net of reinsurance	306	351	381	470	344	206	94
Shareholders' equity of parent company at 1 January	5,716	5,490	5,371	4,948	5,009	5,002	6,082
Profit	1,468	1,558	1,170	1,536	1,733	421	379
Share buy-back	(1,836)	(1,716)	(1,667)	(1,524)	(410)	(438)	0
Share-based payments	142	110	76	50	166	23	36
Other movements in shareholders' equity	0	(1)	(3)	(1)	0	(0)	(1)
Shareholders' equity of parent company end of period	5,490	5,442	4,946	5,009	6,497	5,009	6,497
Deferred tax on security funds	(306)	(306)	(306)	(306)	(306)	(306)	(306)
Shareholders' equity of Group end of period	5,184	5,135	4,640	4,702	6,191	4,702	6,191
Total assets, parent company	6,485	6,143	5,653	5,779	7,114		
Total assets, Group	61,092	64,516	67,654	73,476	80,958		
Provisions for insurance and investment contracts:							
Non-life insurance	16,721	16,485	16,286	16,264	16,091		
Life insurance	33,640	36,375	40,537	47,351	54,198		
Financial ratios (parent company)							
Post-tax profit as a % of shareholders' equity	26.0	28.1	22.3	30.2	30.5	8.5	6.0
Post-tax EPS (DKK)	12.5	14.4	11.7	16.8	20.2	4.8	4.4
Post-tax EPS, diluted (DKK)	12.3	14.3	11.6	16.7	20.2	4.8	4.4
Share buy-back per share, diluted (DKK)	15.4	15.8	16.6	16.6	4.8		
Dividend per share issued, proposed (DKK)					19.0		
Net asset value per share, diluted (DKK)	48.3	52.2	51.5	57.3	75.6		
Listed share price end of period	142.8	200.2	196	179.3	268.1		
Number of shares end of period ('000)	112,632	103,623	95,672	87,216	85,876		
Average number of shares ('000)	117,904	107,908	99,971	91,465	85,700	88,297	85,713
Average number of shares, diluted ('000)	119,131	108,805	100,461	91,721	85,873	88,551	86,025
Ratios non-life insurance (%)							
Gross loss ratio	80.4	69.3	69.0	67.2	61.5	65.0	60.4
Net reinsurance ratio	-5.0	1.0	1.9	1.4	4.3	2.6	5.3
Claims trend	75.4	70.3	70.9	68.7	65.8	67.6	65.6
Gross expense ratio	16.2	15.7	15.9	16.4	16.1	16.9	16.5
Combined ratio	91.5	86.0	86.8	85.1	82.0	84.6	82.1
Combined ratio excl. run-off profits	95.0	89.8	91.1	90.4	85.8	93.9	86.3

To the extent possible, comparative figures are adapted to the new Executive Order on Financial Reports from 2016.

Results for 2017

Topdanmark's post-tax profit for 2017 was DKK 1,733m (2016: DKK 1,536m).

Pre-tax profit increased DKK 293m to DKK 2,235m.

The technical result increased DKK 302m to DKK 1,622m. The increase was due to an extraordinarily favourable claims trend and efficiency improvement.

After return and revaluation of non-life insurance provisions etc., the investment return declined DKK 104m to DKK 288m. As in 2016, the investment return in 2017 is significantly higher than the level assumed in the forecasts.

The profit on life insurance increased DKK 60m to DKK 249m, primarily due to a higher investment result and an improved result for sales and administration.

The DKK 1,733m profit is higher than assumed in the most recent profit forecast for 2017 in the interim report for Q1-Q3 2017, which was a post-tax profit of DKK 1,500-1,600m. The improvement was primarily due to run-off profits for Q4 2017 together with lower expenses for large-scale claims and weather-related claims than assumed.

Results and profit forecast model		Forecast 2017			
(DKKm)	Results 2016	as in Q1-Q3 2017 interim report			Results 2017
Non-life insurance					
- Technical result	1,320	1,350	–	1,400	1,622
- Investment return after return and revaluations of non-life insurance provisions etc.	392	270	–	320	288
Profit on non-life insurance	1,712	1,620	–	1,720	1,909
Life insurance	189	240	–	270	249
Parent company etc.	41	60	–	70	77
Pre-tax profit	1,942	1,920	–	2,060	2,235
Taxation	(407)	(420)	–	(460)	(502)
Profit for the year	1,536	1,500	–	1,600	1,733

Results for Q4 2017

The post-tax profit for Q4 2017 was DKK 379m (Q4 2016: DKK 421m).

The pre-tax profit declined DKK 41m to DKK 492m.

The technical result increased DKK 61m to DKK 401m, among other things impacted by fewer theft claims and fewer and smaller fire claims plus a better claims trend for workers' compensation. To this should be added the favourable impact of Topdanmark's efficiency improvement programme.

After return and revaluation of non-life insurance provisions etc., the investment return in non-life insurance declined DKK 91m to DKK 15m.

The profit on life insurance declined DKK 12m to DKK 42m subjected to a lower investment result.

Trend in profit (DKKm)	Q4 2016	Q4 2017
Non-life insurance		
- Technical result	340	401
- Investment return after return and revaluations of non-life insurance provisions etc.	106	15
Profit on non-life insurance	446	416
Life insurance	54	42
Parent company etc.	33	34
Pre-tax profit	533	492
Tax	(112)	(112)
Profit	421	379

Non-life insurance Premiums earned

Premiums earned increased 1.4% to DKK 8,985m. The personal segment accounted for 1.4%, and the SME segment accounted for 1.4%.

In 2017, Topdanmark experienced a net increase in the number of customers in the personal, agricultural and SME markets.

In the interim report for Q1-Q3 2017, Topdanmark stated that the last unprofitable large-scale customers had left by the end of 2016. The loss of these industrial customers had a 0.6% adverse effect on premiums earned for the Topdanmark Group.

In motor insurance, the average premium declined 1.1%. Despite an increase in the number of cars insured in 2017, premiums earned in motor insurance declined, reducing the Topdanmark Group's total earned premiums by 0.1%.

Claims trend

The claims trend improved to 65.8 in 2017 (68.7 in 2016).

The run-off profits, net of reinsurance, were DKK 344m (2016: DKK 470m), representing a 1.4pp adverse impact on the claims trend. Run-off profits were primarily generated in motor and illness/accident insurance.

The weather-related claims were DKK 33m (DKK 59m in 2016), representing a 0.3pp improvement of the claims trend. The level of weather-related claims was DKK 137m below the assumed normal level of DKK 170m for the year representing 1.5pp.

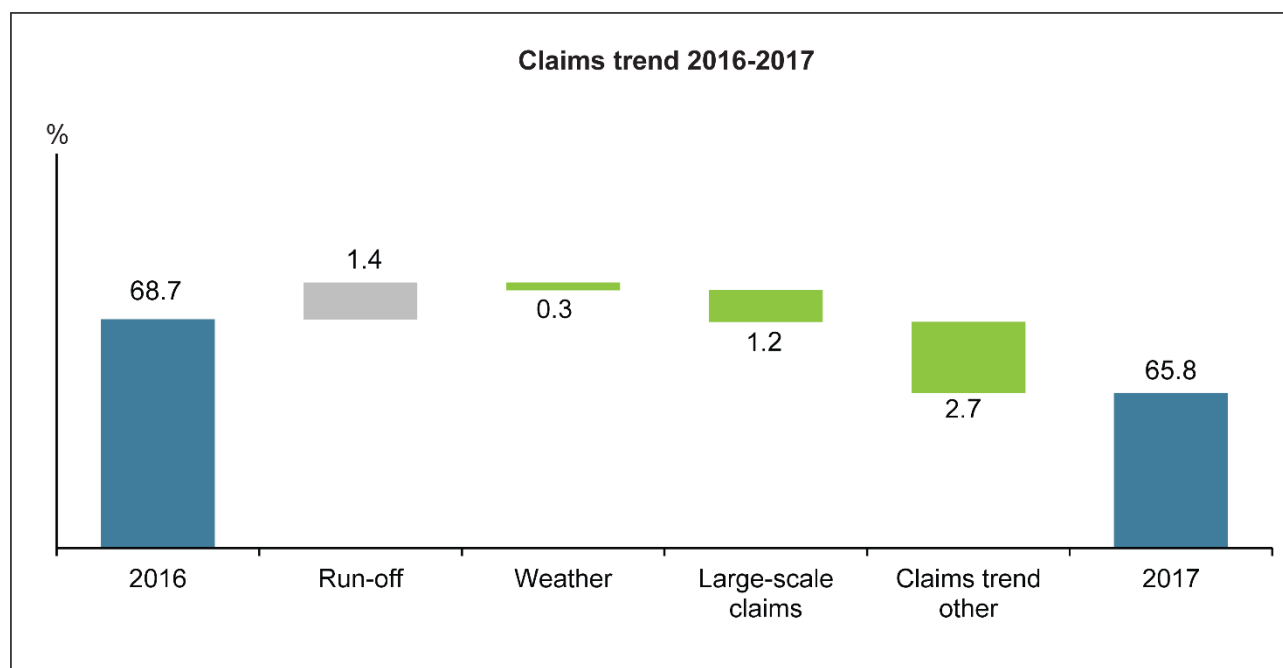
2017 was impacted by a low level of large-scale claims. Compared to 2016, the level was DKK 111m lower, improving the claims trend for the Topdanmark Group by 1.2pp.

Claims trend	Q4 2016	Q4 2017	2016	2017
Claims trend	67.6	65.6	68.7	65.8
Run-off	9.4	4.2	5.3	3.8
Weather-related claims	(1.3)	(0.6)	(0.7)	(0.4)
Large-scale claims	(2.9)	(0.2)	(1.5)	(0.2)
Claims before run-off, weather and large-scale claims	72.8	69.0	71.8	69.1

The claims trend excl. run-off, weather-related claims and large-scale claims improved 2.7pp to 69.1 in 2017.

The improved claims trend in 2017 of 2.7pp is mainly due to an improved claims trend in the SME segment (fire claims below DKK 5m), an improved claims trend in theft,

fewer and smaller fire claims and an improved claims trend in workers' compensation. To this should be added favourable impacts of Topdanmark's efficiency improvement programme.



Expense ratio

In 2017, the expense ratio was 16.1 (2016: 16.4) impacted among other things by a reduction in the number of employees.

The payroll tax imposed on Danish financial businesses increased to 14.1% in 2017 from 13.6% in 2016, which increased the expense ratio by 0.1pp.

Combined ratio

The combined ratio was 82.0 in 2017 (2016: 85.1).
Excluding run-off profits, the combined ratio was 85.8 (2016: 90.4).

Developments in Q4 2017

Premiums earned increased 1.9% to DKK 2,245m. The personal segment accounted for a 0.2% increase and the SME segment accounted for a 3.9% increase.

The claims trend was 65.6 in Q4 2017 (Q4 2016: 67.6), representing a 2.0pp improvement.

The claims trend was impacted by lower run-off profits (DKK 112m), representing a 5.0pp deterioration in the claims trend.

The weather-related claims were DKK 13m in Q4 2017, (DKK 28m in Q4 2016), representing a 0.7pp improvement. The weather-related claims were DKK 37m lower than assumed for the quarter.

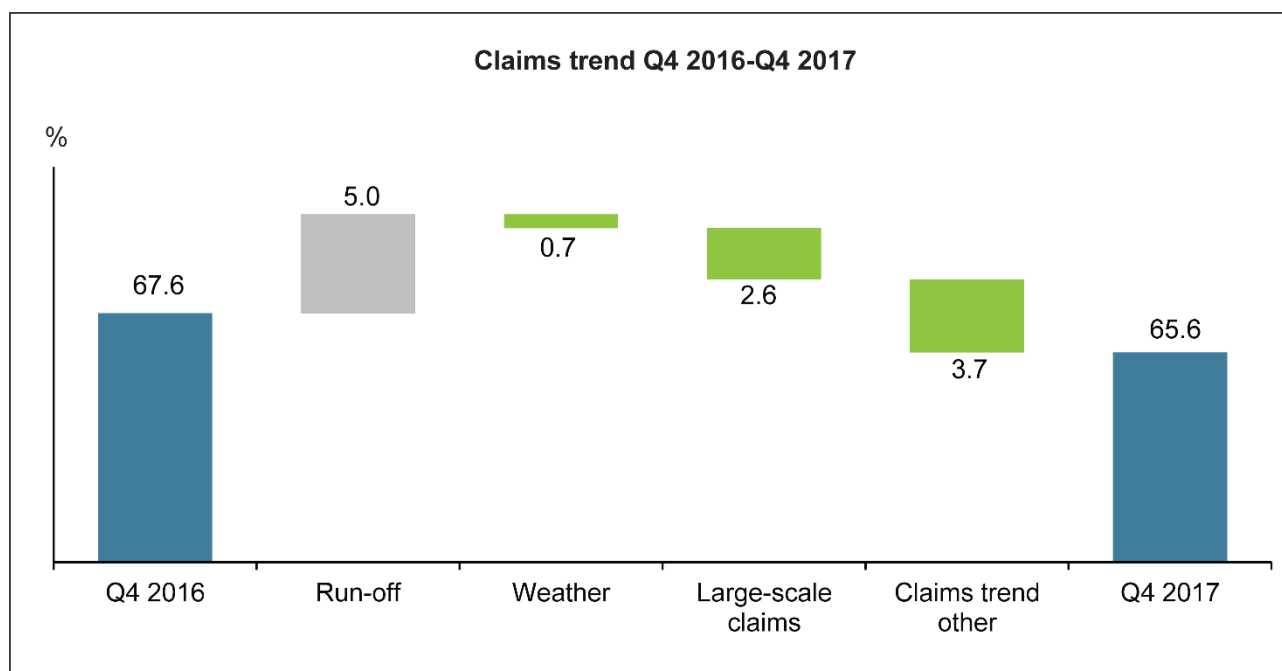
The level of large scale-claims was also very low in Q4 2017, improving the claims trend by 2.6pp.

The claims trend adjusted for run-off, weather-related claims and large-scale claims improved 3.7pp to 69.0 in Q4 2017.

For 2017 in general, the improved claims trend in Q4 2017 is due to a better trend in the SME segment (fire claims below DKK 5m and property claims), an improved claims trend in theft and a favourable trend in fire claims in the personal segment in Q4 2017. To this should be added the favourable impact of Topdanmark's efficiency improvement programme.

The expense ratio was 16.5 in Q4 2017 (Q4 2016: 16.9). Nominal expenses were almost unchanged despite a higher payroll tax, wage inflation and additional expenses in connection with increased investments in digitalisation and automation.

The combined ratio was 82.1 in Q4 2017 (Q4 2016: 84.6). Excluding run-off profits, the combined ratio was 86.3 (Q4 2016: 93.9).



Financial highlights – Non-life insurance (DKK m)	Q4 2016	Q4 2017	2016	2017
Gross premiums earned	2,203	2,245	8,858	8,985
Claims incurred	(1,432)	(1,355)	(5,955)	(5,523)
Expenses	(373)	(371)	(1,457)	(1,450)
Net reinsurance	(58)	(118)	(126)	(389)
Technical result	340	401	1,320	1,622
Investment return after return and revaluations of non-life insurance provisions	103	13	373	277
Other items	3	2	19	11
Profit on non-life insurance	446	416	1,712	1,909
Run-off profits, net of reinsurance	206	94	470	344
Gross loss ratio (%)	65.0	60.4	67.2	61.5
Net reinsurance ratio (%)	2.6	5.3	1.4	4.3
Claims trend (%)	67.6	65.6	68.7	65.8
Gross expense ratio (%)	16.9	16.5	16.4	16.1
Combined ratio (%)	84.6	82.1	85.1	82.0
Combined ratio excl. run-off profits (%)	93.9	86.3	90.4	85.8

Segment reporting

Personal

The Personal segment sells policies to individual households in Denmark.

In 2017, premiums earned increased 1.4% to DKK 4,980m. Premiums earned on motor insurance declined 0.8% impacted by a decline in average premium. In Q4 2017, premiums earned in the personal segment increased 0.2% to DKK 1,224m.

The increase in premiums in Q4 2017 is negatively impacted by accruals in illness/accident (I/A), while other personal insurance inclusive motor increased 0.9%.

The technical result increased DKK 155m to DKK 882m in 2017.

The claims trend improved 2.4pp to 66.1 in 2017. As compared to 2016, the claims trend was impacted by lower expenses for theft and weather-related claims.

The expense ratio declined to 16.2 from 16.7 in 2016. Nominal expenses were reduced by 1.9%, impacted by Topdanmark's efficiency improvement programme.

The combined ratio was 82.3 (2016: 85.2). Excluding run-off profits, the combined ratio was 87.0 (2016: 89.9).

Personal (DKK m)	Q4 2016	Q4 2017	2016	2017
Gross premiums earned	1,221	1,224	4,909	4,980
Claims incurred	(830)	(767)	(3,284)	(3,208)
Expenses	(210)	(207)	(821)	(805)
Net reinsurance	(22)	(32)	(77)	(85)
Technical result	160	218	727	882
Run-off profits, net of reinsurance	55	57	232	236
Gross loss ratio (%)	67.9	62.6	66.9	64.4
Net reinsurance ratio (%)	1.8	2.6	1.6	1.7
Claims trend (%)	69.7	65.3	68.5	66.1
Gross expense ratio (%)	17.2	17.0	16.7	16.2
Combined ratio (%)	86.9	82.2	85.2	82.3
Combined ratio excl. run-off profits (%)	91.4	86.9	89.9	87.0

SME

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

In 2017, premiums earned increased 1.4% to DKK 4,024m. Premiums earned were favourably impacted by an influx of SME customers and adversely impacted by bonus regulation for the captive business and the

defection of the last large-scale industrial customers. The development in Q4 2017 was not impacted by defection of large-scale customers. In Q4 2017, premiums earned increased 3.9% to DKK 1,026m.

The technical result increased DKK 149m to DKK 744m in 2017.

The claims trend improved 3.5pp to 65.5 in 2017. Compared to 2016, the claims trend was impacted by fewer large-scale claims, a lower level of weather-related claims and by an overall favourable claims trend. On the other hand, the claims trend was impacted by lower run-off.

The expense ratio remains unchanged at 16.0. Nominally, the expenses increased 1.2% due to an increase in sales commissions generated by an increase in new sales and expenses for development of a new IT-system for Agricultural.

The combined ratio was 81.5 (2016: 85.0). Excluding run-off profits, the combined ratio was 84.2 (2016: 91.0).

SME (DKKm)	Q4 2016	Q4 2017	2016	2017
Gross premiums earned	987	1,026	3,969	4,024
Claims incurred	(608)	(592)	(2,689)	(2,332)
Expenses	(164)	(160)	(636)	(643)
Net reinsurance	(36)	(86)	(49)	(304)
Technical result	180	188	595	744
Run-off profits, net of reinsurance	151	38	238	108
Gross loss ratio (%)	61.5	57.7	67.7	58.0
Net reinsurance ratio (%)	3.7	8.4	1.2	7.6
Claims trend (%)	65.2	66.1	69.0	65.5
Gross expense ratio (%)	16.6	15.6	16.0	16.0
Combined ratio (%)	81.8	81.7	85.0	81.5
Combined ratio excl. run-off profits (%)	97.1	85.4	91.0	84.2

Life insurance

The result from life insurance was a profit of DKK 249m in 2017 (2016: DKK 189m).

The 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 companies: see www.topdanmark.com → About Topdanmark → Business → Life insurance → [Policy for the calculation of profit in life insurance](#).

Result of life insurance (DKKm)	Q4 2016	Q4 2017	2016	2017
Investment return on shareholders' equity	34	10	71	109
Sales and administration	(14)	(5)	(42)	(25)
Insurance risk	(4)	0	13	17
Risk return on shareholders' equity	38	36	147	147
Profit on life insurance	54	42	189	249

The increase in profit of DKK 60m was primarily due to a higher investment return on shareholders' equity (DKK 38m). However, the result of sales and administration has also improved (DKK 17m). The profit in 2017 was sufficient for full income recognition of the charged risk return of DKK 147m.

The regular premiums increased 2.1% to DKK 2,709m and single premiums increased 16.0% to DKK 5,541m in 2017.

Developments in Q4 2017

The result from life insurance declined DKK 12m to DKK 42m primarily representing a lower investment return on shareholders' equity of -DKK 24m. Conversely there was an increase of the result of sales and administration (DKK 9m) and risk result (DKK 4m).

Gross premiums increased 22.6% to DKK 2,186m in Q4 2017 of which premiums on unit-linked pension schemes were DKK 1,883m, a 34.6% increase compared to Q4 2016.

Trend in premiums

Gross premiums increased 11.0% to DKK 8,250m in 2017 (2016: DKK 7,430). Gross premiums for unit-linked contracts were DKK 6,790m, representing a 17.9% increase compared to 2016. Unit-linked contracts represented 94% of new sales in 2017.

Regular premiums increased 1.6% to DKK 682m in Q4 2017.

Single premiums were DKK 1,504m in Q4 2017, representing a 35.4% improvement.

Sources of gross premiums (DKKm)	Q4 2016	Q4 2017	2016	2017
With-profits schemes	187	158	664	558
Unit-linked schemes	412	461	1,454	1,643
Group life	72	63	534	508
Regular premiums	672	682	2,653	2,709
With-profits schemes	124	82	473	394
Unit-linked schemes	987	1,422	4,305	5,147
Single premiums	1,111	1,504	4,777	5,541
Gross premiums	1,783	2,186	7,430	8,250

Investment activities Topdanmark Group excl. life insurance

The investment return in the Topdanmark Group excluding life insurance was DKK 539m in 2017, (2016: DKK 910m). Return and revaluation of non-life insurance provisions were DKK 143m (loss) in 2017 (2016: DKK 423m (loss)).

The investment return after return and revaluation of non-life insurance provisions was DKK 129m higher than the assumed return for the year, calculated using Topdanmark's forecast model at the beginning of 2017. The higher return was primarily due to a very high return

on equities and structured credits and a higher return on Danish mortgage bonds as compared to the comparable revaluation of provisions.

Topdanmark's policy is 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 full year 2017 on the most significant classes of assets is disclosed in the following table:

Investment return	Portfolio 31 Dec		Return Q4 2016		Return Q4 2017		Return 2016		Return 2017	
	2016	2017	2016	%	2017	%	2016	%	2017	%
	(DKKbn)		(DKKm)		(DKKm)		(DKKm)		(DKKm)	
Danish equities	0.3	0.3	4	1.4	(4)	(1.5)	15	4.5	55	18.7
Foreign equities	0.6	0.7	32	5.5	30	4.5	53	9.3	102	17.1
Unlisted equities and hedge funds	0.3	0.3	14	3.8	3	0.8	58	17.6	30	9.7
Government and mortgage bonds	12.4	14.0	(123)	(0.9)	39	0.3	351	2.7	110	0.9
Credit bonds	0.2	0.0	2	0.8	0	(0.1)	12	3.2	9	7.1
Index linked bonds	0.4	0.3	(1)	(0.3)	3	0.5	13	2.8	24	6.0
CDOs	0.6	0.6	52	8.4	14	2.3	155	28.5	70	12.5
Properties	1.0	1.1	13	1.3	7	0.6	57	5.8	30	2.9
Assets related to I/A	2.3	2.4	(38)	(1.7)	19	0.8	159	7.3	47	2.0
Money market etc.	1.9	1.7	4	0.2	(2)	(0.1)	(4)	(0.2)	(23)	(0.7)
Subordinated loan capital	(1.8)	(1.7)	(11)	(0.7)	(10)	(0.7)	(59)	(3.1)	(43)	(2.8)
Interest-bearing debt	0.0	0.0	(0)	0.0	0	0.0	(0)	0.0	0	0.1
	18.3	19.5	(52)	(0.3)	98	0.5	809	4.4	409	2.1
Asset management			54		49		102		130	
Investment return			2		147		910		539	
Return and revaluations of non-life insurance provisions			145		(81)		(423)		(143)	
Investment return after return and revaluations of non-life insurance provisions			147		65		487		396	

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 post-tax equity exposure was DKK 782m (pre-tax: DKK 1,003m) 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 2017, and MSCI World DC in the original currency for foreign equities.

The class "Unlisted equities and hedge funds" includes private equity positions (DKK 42m) and positions in hedge funds where the investment mandates aim at positioning in the credit market (DKK 175m).

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. Also, it comprises covered bonds and derivatives. 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.

The class "Credit bonds" is composed of a portfolio of credit bonds, 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 investment grade investments.

The property portfolio mainly comprises owner-occupied property (DKK 853m). 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. 98% of the property portfolio is currently 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 subordinated loans issued by the parent company and 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 30bp at the end of 2017 and 51bp 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 improved DKK 36m to DKK 77m in 2017 compared to 2016. The improvement is due to a higher performance-related investment management fee for Topdanmark Kapitalforvaltning and lower expenses for the parent company.

Taxation

The tax charge was DKK 502m of the pre-tax profit of DKK 2,235m, corresponding to an effective tax rate of 22.5% (2016: 20.9%).

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.

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 2017, Topdanmark expects a positive premium growth for 2018. This profit forecast was based on the following assumptions:

- By the end of 2017, Topdanmark has reduced its exposure to the industrial market to almost zero. In 2017, the reduced exposure to the industrial market had an adverse impact of around 0.6pp on the premium growth for the Topdanmark Group
- By the end of 2017, Topdanmark's distribution agreements with Nykredit and Sydbank within life insurance were terminated. The distribution agreements also comprised sale of illness/accident insurance related to pension schemes but registered as non-life insurance with Topdanmark. The termination of the above distribution agreements will

have an adverse impact on the premium growth in non-life insurance of around 0.6pp in 2018

- The automatic premium indexing in the personal segment will be 1.6% in 2018 (2017: 1.8%). Approximately 70% of Topdanmark's premiums earned are comprised by automatic premium indexing. The premium effect of the automatic premium indexing on non-life insurance is approximately 1.1%.

In the interim report for Q1-Q3 2017, Topdanmark also assumed a combined ratio for 2018 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 into quarters:
 - Q1: DKK 50m
 - Q2: DKK 25m
 - Q3: DKK 45m
 - Q4: DKK 50m.
- Additional expenses in connection with investments in increased digitalisation and automation representing 0.5-1pp
- An expense ratio of around 16
- A level of interest rates corresponding to the interest rate curve on 29 September 2017
- An annual 7.0% return on equities and unchanged foreign exchange rates from the level on 29 September 2017.

Topdanmark continues to assume a positive premium growth and a combined ratio of 90-91, excluding run-off.

Overall, the assumed pre-tax profit on non-life insurance is DKK 950-1,050m.

Life insurance

The termination of Topdanmark's distribution agreements with Nykredit and Sydbank within life insurance results in an assumed decline of regular premiums of around 5%. 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 240-270m.

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 2018 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 40-50m.

Taxation

Given a corporation tax rate of 22.0%, the tax charge is expected to be DKK 280-320m.

Total Group profit

Overall, the assumed post-tax profit forecast model for 2018 is DKK 950-1,050m. The assumed profit for 2018 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 29 December 2017. Furthermore, it is assumed that the return on interest-bearing assets hedging the discounted provisions is just sufficient to cover discounting and revaluation of the provisions, while the return on the remaining interest-bearing assets is assumed to be 1.86% (risk-free interest rate plus 2.0pp).

Profit forecast 2018 (DKKm)	Results 2017	Forecast 2018 31 December 2017		
Non-life insurance				
- Technical result	1,622	850	–	900
- Investment return after return and revaluations of non-life insurance provisions etc.	288	100	–	150
Profit on non-life insurance	1,909	950	–	1,050
Life insurance	249	240	–	270
Parent company etc.	77	40	–	50
Pre-tax profit	2,235	1,230	–	1,370
Taxation	(502)	(280)	–	(320)
Profit for the year	1,733	950	–	1,050

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 2017, Topdanmark's solvency ratio was 204. 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 Directors' wishes. For example, the Board of Directors 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 2017.

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 47.

Risk overview – Topdanmark Group

Non-life insurance risks Personal, liability and property insurance for the personal, SME, and agricultural markets.		
Most important risks	Risk preferences	Risk reducing activities
<p>Underwriting risk</p> <ul style="list-style-type: none"> • Acceptance policy • Follow-up policy. <p>Provisioning risk:</p> <ul style="list-style-type: none"> • Provisions for outstanding claims • Provisions for unearned premiums. <p>Disaster risks:</p> <ul style="list-style-type: none"> • Storm and rainstorm • Fire • Terror • Workers' comp. <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>

Life insurance risks Life insurance contracts with bonus entitlement, unit-linked contracts with no investment guarantees and group life.		
Most important risks	Risk preferences	Risk reducing activities
<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>

Market risks		
Most important risks	Risk preferences	Risk reducing activities
<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.</p> <p>Compliance with these limits is checked regularly.</p>

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

Operational risks		
Most important risks	Risk preferences	Risk reducing activities
IT.	Generally, operational risks are to be reduced to an acceptable level.	Group IT security function. Risk assessment, Information security policy, prioritisation of risks, guidelines, controls and IT Emergency plans based on ISO27001.
Errors in internal processes, human errors insurance fraud and deceit.		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.

Compliance		
Most important risks	Risk preferences	Risk reducing activities
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.

Strategic risks		
Most important risks	Risk preferences	Risk reducing activities
Generally, strategic risks are related to the Company's business model, political conditions, reputation, alliance partners' and competitors' behaviour as well as macroeconomic conditions.	Low strategic risk due to strong business model.	Topdanmark's business model stands strong against strategic risks. The results of the Company will, with a very high 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			
		2016	2017
Non-life insurance			
Underwriting risk			
Combined ratio – 1pp increase		(69)	(70)
Provisioning risk			
Provisions on own account – 1% increase		(98)	(98)
Storm claims up to DKK 5,100m (Plus reinstatement premium etc.)		(78)	(78)
Life insurance			
Disability intensity - 35% increase*		(12)	(10)
Mortality intensity - 20% decline		(31)	(28)
Market risk			
Interest-bearing assets	1 pp increase	(449)	(465)
Provisions for claims and benefits etc.	in effective interest rate	517	513
Index-linked bonds	5% loss	(25)	(21)
Equities	10% loss	(80)	(79)
CDOs < AA	10% loss	(57)	(60)
Properties	10% loss	(124)	(132)
Annual currency loss with an up to 2.5% probability		(19)	(6)

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

Solvency capital requirements

Solvency II took effect on 1 January 2016. By introducing Solvency II, new common EU rules were implemented for calculation of solvency capital requirements and solvency capital base.

A principal objective of Solvency II is to encourage good risk management based on market values and fair risk assessments. Solvency II contains a standard model for calculation of solvency capital requirements, which will be common to all insurance companies within the EU. Even though it opens up for company specific values for some variables, the standard model will not present a true and fair view of all risk-bearing elements in all companies.

As a consequence, Solvency II allows the companies 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 has been approved by the DFSA for calculation of non-life risks in Topdanmark's solvency calculations.

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

Using Topdanmark's internal model for non-life risks implies that capital requirements are DKK 700m or lower than if Topdanmark solely applied the standard model for calculating the solvency capital requirement.

No major changes have been made to the specification of the solvency requirements during 2017.

Own funds

Principal elements of own funds:

Shareholders' equity

- Proposed dividend

+ Deferred tax on security funds

+ Profit margin

- Intangible assets

+ Tax effect

+ Usable share, subordinated loan tier 1

(max. 20% of tier 1-capital)

+ Usable share, subordinated notes (max. 50% of SCR)

Own funds

Topdanmark has redeemed hybrid capital issued in 2007 at a value of EUR 55m on the first possible redemption date, 15 September 2017. The hybrid capital was replaced by a new subordinated tier 1 loan (restricted tier 1 capital notes) of DKK 400m. This loan is perpetual but includes an option enabling Topdanmark to redeem the loan as from 23 November 2022.

Topdanmark Forsikring has previously issued subordinated notes in two tranches:

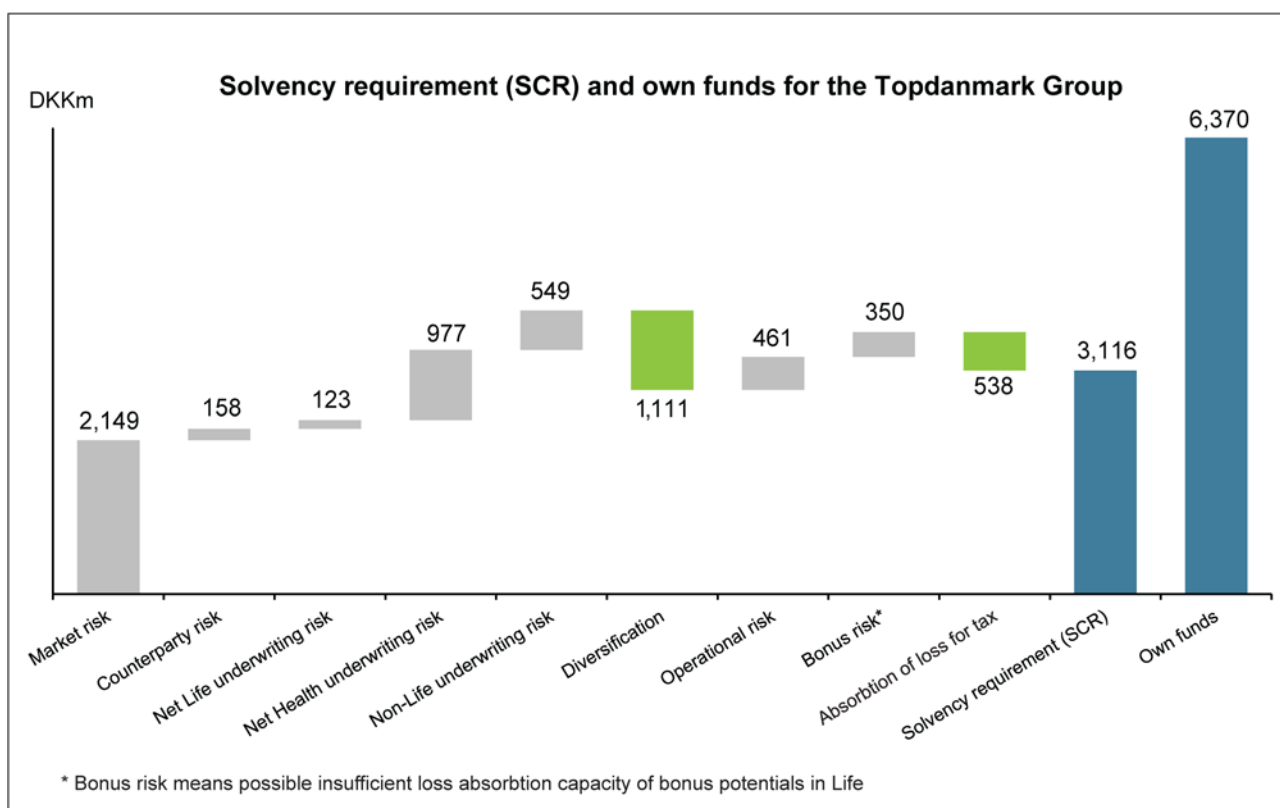
- DKK 500m, call in 2020, expiry in 2025
- DKK 850m, call in 2021, expiry in 2026.

In 2017, the profit margin concerning products with guarantees and profit sharing is included in own funds by DKK 88m before tax. In 2016, the profit margin concerning products with guarantees and profit sharing was included by DKK 0m.

By the end of 2017, Topdanmark's own funds were DKK 6,370m (end of 2016: DKK 6,348m). Proposed dividend has been deducted from Topdanmark's own funds by the end of 2017.

The solvency requirement (SCR) was DKK 3,116m (end of 2016: DKK 3,643m).

The solvency ratio is 204 (end of 2016: 174).



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 means of payment of dividend.

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 subordinated notes.

At the end of 2017, shareholders' equity for solvency was DKK 3,865 (end of 2016: DKK 3,992m).

Capital structure and ownership

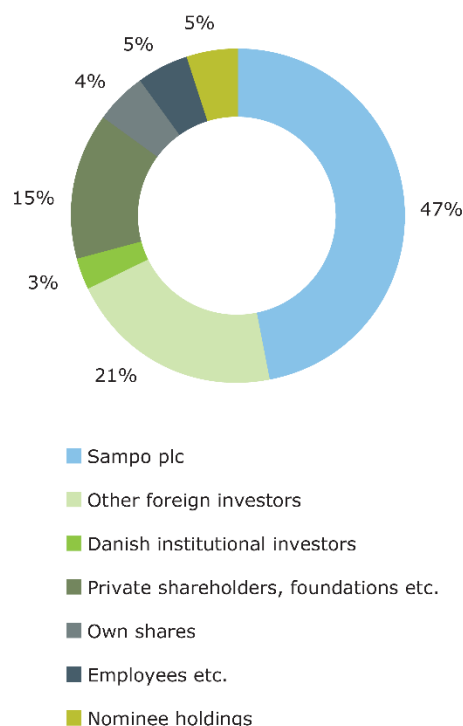
Topdanmark's Board of Directors has an authorisation granted in the Articles of Association to increase the Company's share capital, to raise convertible loans and/or issue warrants. The issues may be with or without pre-emptive rights for the Company's shareholders. The authorisations are limited to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

At the end of 2017, Topdanmark's share capital totalled DKK 90,000,000 divided into 90,000,000 shares of DKK 1 each, corresponding to 90,000,000 voting rights. As of 1 February 2018, Topdanmark held 3,825,188 own shares representing 4.25% of the share capital.

Shareholders

As of 1 February 2018, Topdanmark had 37,844 shareholders registered by name.

Shareholder structure - 1 February 2018



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 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 beforehand 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, its Board members among them 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, outsourcing, 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 → About Topdanmark → Management → [Executive Board and Board of Directors](#) and [Board of Directors](#) and [Executive Board](#) in this Annual Report.

Five of the nine Board members are women, two 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 some 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 → Corporate Governance → [Remuneration structure](#).

The share price reflects the 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 and the Friday Team is based upon a fixed basic salary. A fixed share thereof, 10%, is paid as share options. Performance-dependent 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 have made a special effort or otherwise contributed extraordinarily to value creation in the Company.

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 2018, Topdanmark has granted 185,525 share options to its Executive Board and a number of executives. The strike price of DKK 296 was fixed at 110% of the market price of Topdanmark's shares on 29 December 2017 (average of all trades).

Besides the revolving scheme referred to above, a further 125,750 share options have been granted for 2018 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
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
2018	49,216	262,059	311,275
Market value of those options granted (DKKm)	2	9	11

The options granted for 2018 are not to be exercised any earlier than subsequent to the publication of the 2020 Annual Report in 2021 and no later than subsequent to the publication of the 2022 Annual Report in 2023. In the intervening period, the options can only be exercised up to three banking days subsequent to Topdanmark's publication of its annual, half year and interim reports.

The market value of the options for 2018 has been calculated at DKK 11m at the time of granting.

The value was calculated using the Black and Scholes model based on a share price of DKK 268.73, an interest rate corresponding to the zero coupon rate based on the swap curve on 29 December 2017, future annual volatility of 22% and a pattern of exercise similar to Topdanmark's previous granting of share options: see IFRS 2 on share-based payments.

At the end of 2017 the exposure of the options held by the Executive Board represented 0.2% of the number of outstanding shares.

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

Earnings distribution for 2017

At the AGM on 4 April 2017, it was decided to revoke the authorization granted to the Board of Directors to buy back Topdanmark's shares.

In the interim report for Q1 2017, the Board of Directors presented a new earnings distribution policy.

In accordance with the new earnings distribution policy, Topdanmark will maintain its disciplined approach to capital consumption to avoid accumulation of unnecessary capital.

It further appears from the earnings distribution policy that distribution of dividends will take place once a year, and

that payment of dividends will take place immediately after adoption at the AGM.

Finally, the policy describes that the basis for the dividend scheme is a pay-out ratio of at least 70.

Given Topdanmark's solid own funds, the Board of Directors will recommend to the AGM that distribution of dividend for DKK 1,710m from this year's profit of DKK 1,733m will take place representing a payout ratio of 98.7.

The recommended dividend distribution represents a dividend yield of 7.4 and a dividend of DKK 19 per share of the share capital of DKK 90m.

The distribution of dividend will take place immediately after the AGM on 12 April 2018.

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 → 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 Sections 132a and 132b of Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds " is available on www.topdanmark.com → Investor Relations → Reports and presentations → [CSR reports](#) (<http://inv.topdanmark.com/csr.cfm>).

Investor Relations

Topdanmark wishes to openly and sufficiently inform investors, analysts and other stakeholders about 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.

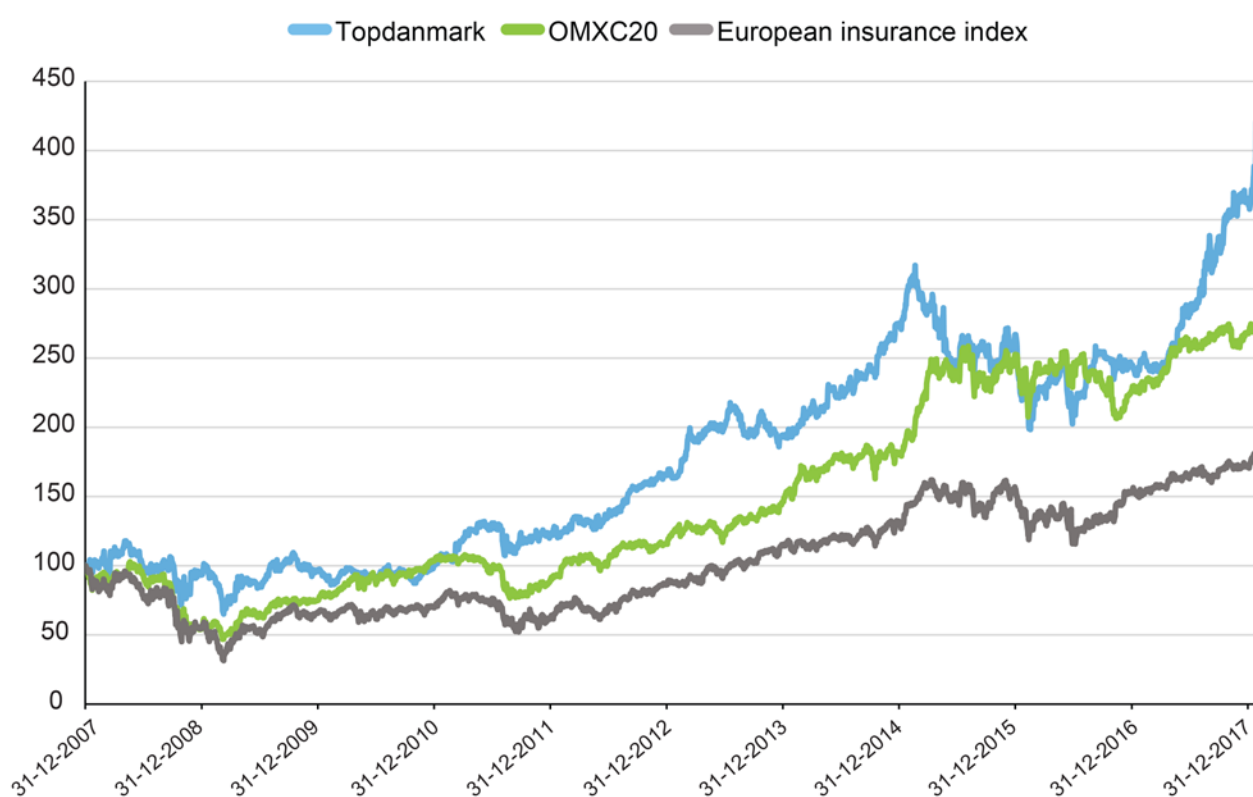
The regular contact with investors and analysts is supported by Topdanmark's website

www.topdanmark.com.

Topdanmark shares

Topdanmark shares are listed on NASDAQ Copenhagen and are included in the OMXC Large Cap share index.

**Index-linked share price movement incl. dividends
(Basis: 30 Dec 2007 = 100)**



Trading in Topdanmark's shares

Daily share trading on all stock exchanges was DKK 48m in 2017 (2016: DKK 72m).

NASDAQ Copenhagen continues to be the primary stock exchange for trading in Topdanmark's shares with a daily turnover of DKK 33m in 2017 (2016: DKK 47m).

NASDAQ Copenhagen's market share was 68% in 2017 (2016: 65%). The share of trading on other platforms such as Cboe-CXE, Cboe-BXE and Turquoise was 32% (2016: 35%).

Most active brokers at

NASDAQ Copenhagen A/S in 2017

	%
Danske Bank	18
Deutsche Bank	12
Morgan Stanley	9
Merrill Lynch	7
Credit Suisse	4
Carnegie	4

Topdanmark is monitored by 23 share analysts. The analysts' recommendations of Topdanmark's shares are available on Topdanmark's investor site www.topdanmark.com → Investor Relations → Share profile → [Analysts](#).

Annual General Meeting

The Annual General Meeting will be held on 12 April 2018, 15:00 (CET) at:

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

The agenda for the Annual General Meeting will be published in the period 7 to 21 March 2018.

Financial calendar

Deadline for submitting items for AGM agenda	28 Feb 2018
AGM	12 Apr 2018
Q1 2018 Interim Report	24 Apr 2018
2018 Half-year Report	20 July 2018
Q1-Q3 2018 Interim Report	23 Oct 2018

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

2018

05 Feb 03/2018 Peter Hermann has been appointed new CEO of Topdanmark
25 Jan 02/2018 Topdanmark announcement of 2017 Annual Results
02 Jan 01/2018 Issue of options

2017

20 Dec 32/2017 Lars Thykier is acting CEO of Topdanmark
16 Nov 31/2017 Topdanmark A/S issues Restricted Tier 1 Capital Notes
07 Nov 30/2017 Topdanmark A/S plans to issue Restricted Tier 1 Capital Notes
31 Oct 29/2017 Share capital and voting rights at Topdanmark
26 Oct 28/2017 Topdanmark interim report for Q1-Q3 2017
24 Oct 27/2017 Write-down of Topdanmark's share capital – Topdanmark's holding of own shares is below 5%
16 Oct 26/2017 Topdanmark upgrades its earnings forecast for 2017
04 Oct 25/2017 Christian Sagild resigns as CEO of Topdanmark at the turn of the year
18 Sep 24/2017 Employee shares
21 Aug 23/2017 Topdanmark's holding of own shares is below 10 %
15 Aug 22/2017 Topdanmark Half-Year Report for 2017
23 May 21/2017 Topdanmark Interim Report for Q1 2017
04 Apr 20/2017 Annual General Meeting of Topdanmark – 4 April 2017
31 Mar 19/2017 Topdanmark – weekly report on share buy-backs
27 Mar 18/2017 Topdanmark – weekly report on share buy-backs
23 Mar 17/2017 Topdanmark's holding of own shares exceeds 10 %
20 Mar 16/2017 Topdanmark – weekly report on share buy-backs
13 Mar 15/2017 Topdanmark – weekly report on share buy-backs
06 Mar 14/2017 Topdanmark – weekly report on share buy-backs
03 Mar 13/2017 Notice convening the Annual General Meeting on 4 April 2017
27 Feb 12/2017 Topdanmark – weekly report on share buy-backs
23 Feb 11/2017 Topdanmark Annual Report 2016
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

Board of Directors



Torbjörn Magnusson, 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 Board 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.



Annette Sadolin, Deputy Chairman

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 Board of Directors of:

- DSB
- DSV A/S
- Ratos AB (Sweden)
- Blue Square Re (Netherlands)
- KNI A/S
- Østre Gasværk Teater
- Ny Carlsberg Glyptotek.

Member of:

Topdanmark's Audit Committee, Remuneration Committee and Nomination Committee.

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.



Ann-Jeanette Bakkbøl

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.



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.



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.



Petri Niemisvirta

Elected at the AGM.

DOB:

19 February 1970.

Joined Topdanmark's Board of Directors:

2017.

Current position held:

Managing Director, Mandatum Life Insurance Company Limited.

Previous positions held:

1995-1999: Kaleva Mutual Insurance Company

1999-2000: Sampo Life Insurance Company Limited

2000-2001: Managing Director, Evli Life Ltd.

Education:

- LL.M., University of Turku.

Offices held:

Member of the Board of Directors of:

- BenCo Insurance Holding B.V. (Netherlands)
- Kaleva Mutual Insurance Company (Chairman) (Finland)
- Varma Mutual Pension Insurance Company (Finland)
- Finland Chamber of Commerce
- Alma Media Corporation.

Independence:

As Petri Niemisvirta represents a controlling shareholder's interests, he does not meet 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
- Karnov Group AB.

Member of

- Topdanmark's Audit Committee.

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.



Ricard Wennerklint

Elected at the AGM.

DOB:

2 September 1969.

Joined Topdanmark's Board of Directors:

2017.

Current position held:

Deputy CEO, If P&C Insurance Ltd.

Previous positions held:

1994-1997: Trygg-Hansa

1997-1999: Head of Control, Skandia P&C

1999-2001: Senior Vice President, If P&C Insurance Ltd

2002-2008: CFO, If P&C Insurance Ltd.

Education:

- Business Administration and Finance, Stockholm School of Economics.

Offices held:

Member of the Board of Directors of:

- Nobia AB (Sweden).

Member of

- Topdanmark's Audit Committee.

Independence:

As Ricard Wennerklint represents a controlling shareholder's interests, he does not meet 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:

- B.Sc. Business Administration, Copenhagen Business School, Denmark.

Offices held:

Member of the Board of Directors of:

- Dansk Erhverv (The Confederation of Danish Enterprise) (Deputy Chairman)
- The Executive Committee in Dansk Erhverv
- Ecosys A/S (Chairman)
- FDM Travel A/S
- IT-branchen (The Danish ITC Industry Association)
- OmniCar AB (Chairman).

Independence:

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

Executive Board



Peter Hermann

CEO of Topdanmark A/S.

DOB 1973, joined Topdanmark in 2016, joined Topdanmark's Executive Board on 5 February 2018.

Education:

- M.Sc. in insurance science
- B.Com. (Organisation).

Managerial responsibilities:

- HR
- Communications, IR, CSR
- Group Secretariat, Corporate Legal Matters
- Development organisation, IT and Group Development.



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
- Forsikring & Pension.



Lars Thykier

CFO of Topdanmark A/S.

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

Education:

- M.Sc. (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.



Christian Sagild (*Resigned December 2017*)

CEO of Topdanmark A/S.

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

Member of the Executive Board of:

- Zulu ApS.

Member of the Board of Directors of:

- Ambu A/S
- SDG Invest.



Marianne Wier (*Resigned February 2018*)

COO of Topdanmark A/S.

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

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.

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Five-year summary • Group

(DKK m)	2013	2014	2015	2016	2017
NON-LIFE INSURANCE					
Gross premiums earned*	8,963	9,167	9,029	8,906	9,051
Technical interest	14	8	-	-	-
Gross claims incurred	(7,132)	(6,308)	(6,170)	(5,939)	(5,514)
Bonuses and rebates	(74)	(52)	(62)	(48)	(66)
Total operating expenses	(1,415)	(1,408)	(1,404)	(1,432)	(1,435)
Net reinsurance	445	(88)	(174)	(126)	(389)
TECHNICAL PROFIT ON NON-LIFE INSURANCE	801	1,321	1,220	1,361	1,646
LIFE INSURANCE					
Gross premiums written	3,511	4,448	6,320	7,430	8,250
Allocated investment return, net of reinsurance	2,031	2,691	1,194	3,147	3,372
Pension return tax	(272)	(509)	(165)	(501)	(522)
Claims and benefits	(3,860)	(4,200)	(3,240)	(3,453)	(4,701)
Change in the life insurance provisions and profit margin	(1,048)	(2,550)	(3,680)	(6,197)	(5,957)
Total operating expenses	(337)	(357)	(406)	(416)	(433)
Net reinsurance	(1)	1	(3)	(4)	(2)
TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE	25	(477)	19	7	8
Profit on investment activities after transfer to technical results	1,085	1,206	313	619	608
Other income	19	17	20	19	23
Other expenses	(54)	(57)	(42)	(64)	(51)
PRE-TAX PROFIT	1,875	2,010	1,530	1,942	2,235
Taxation	(407)	(452)	(360)	(407)	(502)
PROFIT FOR THE YEAR	1,468	1,558	1,170	1,536	1,733
Run-off profits, net of reinsurance	306	351	381	470	344
Provisions for insurance and investment contracts:					
Non-life insurance	16,721	16,485	16,286	16,264	16,091
Life insurance	33,640	36,375	40,537	47,351	54,198
Total insurance assets	1,458	769	684	685	574
Total shareholders' equity	5,184	5,135	4,640	4,702	6,191
Total assets	61,092	64,516	67,654	73,476	80,958
Gross loss ratio (%)	80.4	69.3	69.0	67.2	61.5
Net reinsurance ratio (%)	(5.0)	1.0	1.9	1.4	4.3
Claims trend (%)	75.4	70.3	70.9	68.7	65.8
Gross expense ratio (%)	16.2	15.7	15.9	16.4	16.1
Combined ratio (%)	91.5	86.0	86.8	85.1	82.0
Combined ratio excl. run-off profits (%)	95.0	89.8	91.1	90.4	85.8
Operating ratio (%)	91.4	85.9	86.8	85.1	82.0
Relative run-off profits, net of reinsurance (%)	2.4	2.8	3.0	3.7	2.7
Return on shareholders' equity (%)	27.8	29.7	23.7	32.2	32.2
Solvency cover** (unaudited)	-	-	-	174	204

To the extent possible, comparative figures are adapted to the new Executive Order on Financial Reports from 2016.

* 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

(DKK m)	Note	2016	2017
NON-LIFE INSURANCE			
Gross premiums written	3	8,745	9,050
Ceded reinsurance premiums		(637)	(617)
Change in the provisions for unearned premiums	3	110	44
Change in profit margin and risk margin	3	51	(43)
Change in the reinsurers' share of the provisions for unearned premiums		(0)	12
Premiums earned, net of reinsurance		8,269	8,446
Gross claims paid		(6,286)	(5,856)
Reinsurance cover received		424	258
Change in the provisions for claims		349	342
Change in risk margin		(1)	0
Change in the reinsurers' share of the provisions for claims		(1)	(120)
Claims incurred, net of reinsurance	4	(5,516)	(5,376)
Bonuses and rebates		(48)	(66)
Acquisition costs		(945)	(950)
Administrative expenses		(487)	(485)
Reinsurance commission and share of profits		88	78
Total operating expenses, net of reinsurance		(1,344)	(1,358)
TECHNICAL PROFIT ON NON-LIFE INSURANCE	5	1,361	1,646
LIFE INSURANCE			
Gross premiums written	6	7,430	8,250
Ceded reinsurance premiums		(6)	(0)
Premiums, net of reinsurance		7,424	8,250
Allocated investment return, net of reinsurance		3,147	3,372
Pension return tax		(501)	(522)
Claims and benefits paid	7	(3,453)	(4,701)
Reinsurance cover received		6	4
Claims and benefits paid, net of reinsurance		(3,447)	(4,697)
Change in the life insurance provisions	8	(6,159)	(5,816)
Change in the reinsurers' share		(5)	(7)
Change in the life insurance provisions, net of reinsurance		(6,164)	(5,822)
Change in profit margin		(37)	(141)
Acquisition costs		(146)	(148)
Administrative expenses		(270)	(285)
Reinsurance commission and share of profits		2	1
Total operating expenses, net of reinsurance		(414)	(433)
TECHNICAL PROFIT ON LIFE INSURANCE		7	8

Income statement • Group

(DKKm)	Note	2016	2017
NON-TECHNICAL ACTIVITIES			
Technical profit on non-life insurance		1,361	1,646
Technical profit on life insurance		7	8
Income from associated companies	18	46	61
Income from investment properties	9	74	54
Interest income and dividends etc.		1,740	1,805
Revaluations	10	2,464	2,323
Interest charges		(78)	(79)
Expenses on investment business		(57)	(39)
Total investment return		4,189	4,124
Return and revaluations non-life insurance provisions	11	(423)	(143)
Investment return transferred to life insurance business		(3,147)	(3,372)
Other income		19	23
Other expenses	12	(64)	(51)
PRE-TAX PROFIT		1,942	2,235
Taxation	13	(407)	(502)
PROFIT FOR THE YEAR		1,536	1,733
EPS (DKK)	14	16.8	20.2
EPS, diluted (DKK)	14	16.7	20.2

Statement of comprehensive income • Group

Profit for the year	1,536	1,733
Items which cannot subsequently be reclassified as profit or loss:		
Revaluation / Reversed revaluation owner-occupied properties	1	0
Other comprehensive income	1	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,537	1,733

Assets • Group

(DKK m)	Note	2016	2017
INTANGIBLE ASSETS	15	806	922
Operating equipment		132	111
Owner-occupied properties		856	853
TOTAL TANGIBLE ASSETS	16	988	965
Investment properties	17	3,448	3,643
Shares in associated companies	18	1,180	1,285
Total investment in associated companies		1,180	1,285
Shares		5,663	5,904
Bonds		35,277	36,470
Loans guaranteed by mortgages		7	6
Deposits with credit institutions		1,451	3,405
Derivatives		36	120
Total other financial investment assets		42,434	45,906
TOTAL INVESTMENT ASSETS		47,061	50,834
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	19	21,528	25,791
Reinsurers' share of the provisions for unearned premiums	20	72	84
Reinsurers' share of the life insurance provisions		27	20
Reinsurers' share of the provisions for claims and benefits	21	586	470
Total reinsurers' share of provisions		685	574
Amounts due from policyholders		383	310
Amounts due from insurance companies		100	57
Amounts due from associated companies		366	327
Other debtors		226	170
TOTAL DEBTORS		1,761	1,438
Deferred tax assets	22	10	14
Liquid funds		831	537
Other		23	25
TOTAL OTHER ASSETS		865	576
Accrued interest and rent		278	260
Other prepayments and accrued income		188	173
TOTAL PREPAYMENTS AND ACCRUED INCOME		467	432
TOTAL ASSETS		73,476	80,958

Shareholders' equity and liabilities • Group

(DKK m)	Note	2016	2017
Share capital		95	90
Revaluation reserve		13	13
Security fund		1,146	1,146
Other reserves		57	64
Total reserves		1,203	1,210
Profit carried forward		3,392	3,168
Proposed dividend		0	1,710
TOTAL SHAREHOLDERS' EQUITY		4,702	6,191
OTHER SUBORDINATED LOAN CAPITAL	23	1,754	1,744
Provisions for unearned premiums	24	1,881	1,856
Profit margin, non-life insurance contracts	24	711	751
Products with guarantees and profitsharing	25	24,465	24,063
Unit-linked products	26	22,783	29,891
Total life insurance provisions		47,248	53,954
Profit margin, life insurance and investment contracts	27	103	244
Provisions for claims and benefits	28	13,209	13,013
Risk margin, non-life insurance contracts		320	315
Provisions for bonuses and rebates		143	156
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		63,615	70,289
Pensions and similar commitments		28	28
Deferred tax liabilities	22	59	61
Deferred tax on security funds		306	306
TOTAL LIABILITIES PROVIDED		394	395
DEPOSITS RECEIVED FROM REINSURERS		64	77
Creditors arising out of direct insurance operations		329	270
Creditors arising out of reinsurance operations		18	27
Amounts due to credit institutions		44	43
Current tax liabilities		59	35
Derivatives		880	512
Other creditors		1,508	1,293
TOTAL CREDITORS		2,837	2,181
ACCRUALS AND DEFERRED INCOME		109	81
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		73,476	80,958

Cash flow statement • Group

(DKK m)	2016	2017
Cash flow from operations		
Gross premiums written	8,724	8,965
Claims paid	(6,266)	(5,838)
Expenses paid	(1,315)	(1,294)
Reinsurance ceded	(150)	(238)
Cash flow from non-life insurance	992	1,595
Gross premiums written	7,282	8,234
Claims and benefits	(3,460)	(4,699)
Pension return tax	(259)	(452)
Expenses paid	(395)	(440)
Reinsurance ceded	(7)	27
Cash flow from life insurance	3,161	2,671
Cash flow from insurance business	4,154	4,266
Payments on investment contracts	620	890
Interest income and dividends etc.	1,889	1,855
Interest charges etc.	(144)	(117)
Corporation tax	(393)	(460)
Other items	(37)	(33)
Cash flow from operations	6,089	6,402
Investments		
Intangible assets, operating equipment	(203)	(168)
Properties	(162)	(180)
Shares in associated companies	(3)	(274)
Shares	1,320	27
Unit trusts	1	1
Bonds	(3,181)	(1,198)
Loans	32	(10)
Derivatives	1,897	(138)
Investment activities related to unit-linked products	(4,675)	(2,497)
Balances with associated companies	15	39
Investments	(4,959)	(4,397)
Financing		
Shares bought back	(1,533)	(417)
Exercise of share options	34	108
Redemption of subordinated loan capital	(400)	(409)
Issue of subordinated loan capital	0	397
Amounts due to credit institutions	(1,302)	(0)
Financing	(3,202)	(322)
Change in cash and cash equivalents	(2,072)	1,683
Cash and cash equivalents at 1 January	4,361	2,282
Revaluation of cash and cash equivalents	(6)	(24)
Cash and cash equivalents at 31 December	2,282	3,941
Cash and cash equivalents comprise:		
Liquid funds	831	537
Deposits with credit institutions	1,451	3,405
	2,282	3,941

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

Statement of changes in equity • Group

(DKKm)

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Total
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)
Equity end of year 2015 according to new Executive Order on Financial Statements	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)
Shareholders' equity at 31 December 2016	95	13	1,146	57	3,392		4,702

2017

Shareholders' equity at 31 December prior year	95	13	1,146	57	3,392		4,702
Profit for the year				7	16	1,710	1,733
Other comprehensive income				0	0		0
Total comprehensive income for the year				7	16	1,710	1,733
Cancellation of own shares	(5)				5		0
Share buy-back					(410)		(410)
Share-based payments					54		54
Exercise of share options					108		108
Taxation					4		4
Other transactions	(5)				(240)		(245)
Shareholders' equity at 31 December 2017	90	13	1,146	64	3,168	1,710	6,191

Own funds

	2016	2017
Shareholders' equity	4,702	6,191
Deferred tax on security funds	306	306
Profit margin	735	925
Intangible assets	(806)	(922)
Proposed dividend	0	(1,710)
DFSA-approved share buy-back programme	(210)	0
Other	(80)	(93)
Correction for tax	(62)	(77)
Usable share, subordinated loan tier 1	409	400
Available share subordinated notes	1,353	1,349
Own funds	6,348	6,370

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(DKKm)

Note 1. Segment information income statement

	Per- sonal	SME	Eli- min- ated	Non-life	Life	Parent etc.	Eli- min- ated	Group
2016								
Non-life insurance								
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
Life insurance								
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)
Pre-tax profit				1,712	189	41	0	1,942
Taxation								(407)
Profit for the year								1,536
2017								
Non-life insurance								
Gross premiums earned	4,980	4,024	(20)	8,985				8,985
Claims incurred	(3,208)	(2,332)	17	(5,523)			10	(5,514)
Expenses	(805)	(643)	(1)	(1,450)			15	(1,435)
Net reinsurance	(85)	(304)	(0)	(389)				(389)
Technical profit / (loss) on non-life insurance	882	744	(4)	1,622			25	1,646
Life insurance								
Gross premiums written					8,250			8,250
Allocated investment return					3,372			3,372
Pension return tax					(522)			(522)
Benefits and change in provisions					(10,657)			(10,657)
Expenses					(437)		4	(433)
Net reinsurance					(2)			(2)
Technical profit on life insurance					4		4	8
Total investment return				420	3,483	119	102	4,124
Pension return non-life insurance				1	(1)			0
Return and revaluations non-life insurance provisions				(143)				(143)
Transferred to technical result					(3,372)			(3,372)
Other items				11	135	(42)	(131)	(28)
Pre-tax profit				1,909	249	77	0	2,235
Taxation								(502)
Profit for the year								1,733
Amortisations:								
2016	41	38		79	2	0		81
2017	38	33		72	6	0		78

Notes to the financial statements • Group

(DKKm)

Note 2. Segment information balance sheet

	Non-life	Life	Parent etc.	Elimin- ated	Group
2016					
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
Total assets	22,326	52,927	133	(1,911)	73,476
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
Total liabilities	19,010	51,166	508	(1,911)	68,773
Purchase of tangible and intangible assets	75	132	0		208
Results from associated companies	11	35	0		46
2017					
Intangible assets	558	364	0		922
Tangible assets	941	20	3		965
Investment properties	204	3,414	25		3,643
Loans to affiliated companies	300	0	0	(300)	0
Shares in associated companies	71	1,214	0		1,285
Other financial investment assets	21,099	24,800	6		45,906
Investment assets related to unit-linked products	0	25,791	0		25,791
Reinsurers' share of provisions	554	20	0		574
Amounts due from affiliated companies	0	1,267	478	(1,745)	0
Other assets	638	1,213	22		1,872
Total assets	24,365	58,103	535	(2,045)	80,958
Other subordinated loan capital	1,347	300	397	(300)	1,744
Provisions for insurance and investment contracts	16,091	54,198	0		70,289
Amounts due to affiliated companies	1,422	323	0	(1,745)	0
Other liabilities	1,394	1,295	44		2,734
Total liabilities	20,255	56,116	441	(2,045)	74,767
Purchase of tangible and intangible assets	57	122	0		179
Results from associated companies	7	54	0		61

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)	2016	2017
Note 3. Gross premiums earned - non-life insurance		
Gross premiums written	8,745	9,050
Change in provisions for unearned premiums	110	44
Change in profit margin and risk margin	51	-43
Gross premiums earned	8,906	9,051
Gross premiums earned, direct business, by location of the risk:		
Denmark	8,900	9,044
Other EU-countries	5	6
Other countries	1	1
	8,906	9,051

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

Run-off result:		
Gross business	502	393
Reinsurance ceded	(32)	-50
Run-off result, net of reinsurance (profit)	470	344
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	50	10

Note 5. Technical result - non-life insurance	2016	2017	2016	2017	2016	2017
	Illness and accident		Health insurance		Workers' compensation	
Gross premiums written	1,243	1,278	157	167	576	633
Gross premiums earned	1,232	1,266	153	167	596	621
Gross claims incurred	(841)	(832)	(118)	(122)	(440)	(564)
Bonuses and rebates	(8)	(13)	(0)	0	(5)	(4)
Gross operating expenses	(166)	(168)	(14)	(15)	(85)	(88)
Net reinsurance	(16)	(13)	0	0	(5)	(10)
Technical profit / (loss)	201	240	21	30	61	(45)
Gross loss ratio (%)	68.9	66.5	77.1	73.2	74.7	91.6
Combined ratio (%)	84.0	81.1	86.2	82.0	90.2	107.6
Run-off profits / (losses), net of reinsurance	55	98	(3)	(3)	113	(0)
Claims provisions, net of reinsurance	3,168	3,349	68	68	5,970	6,048
Number of claims incurred ('000)	25	26	22	26	6	6
Average value of claim (DKK '000)	36	37	6	5	88	96
Frequency of claims (per thousand value)	24	24	414	441	116	107
	Motor third-party liability		Motor own damage		Fire and property Personal	
Gross premiums written	678	662	1,436	1,425	1,897	1,911
Gross premiums earned	701	695	1,454	1,436	1,916	1,920
Gross claims incurred	(404)	(411)	(849)	(850)	(1,332)	(1,210)
Bonuses and rebates	(2)	(2)	(4)	(4)	(6)	(6)
Gross operating expenses	(129)	(125)	(216)	(213)	(309)	(306)
Net reinsurance	(3)	(3)	(6)	(9)	(56)	(67)
Technical profit	163	153	378	359	214	332
Gross loss ratio (%)	58.0	59.5	58.7	59.5	69.9	63.3
Combined ratio (%)	77.1	78.2	74.3	75.2	89.2	83.0
Run-off profits, net of reinsurance	220	157	3	5	4	36
Claims provisions, net of reinsurance	1,481	1,361	140	139	577	530
Number of claims incurred ('000)	29	26	96	97	107	96
Average value of claim (DKK '000)	22	22	9	9	12	13
Frequency of claims (per thousand value)	49	44	194	193	162	143

Notes to the financial statements • Group

(DKKm)

Note 5. Technical result - non-life - continued	2016	2017	2016	2017	2016	2017
	Fire and property SME		Change of ownership		Liability	
Gross premiums written	1,740	1,834	44	71	387	435
Gross premiums earned	1,823	1,831	59	78	402	430
Gross claims incurred	(1,350)	(824)	(44)	(54)	(192)	(234)
Bonuses and rebates	(14)	(23)	(0)	(0)	(3)	(5)
Gross operating expenses	(332)	(335)	(14)	(13)	(67)	(73)
Net reinsurance	(12)	(262)	0	0	(21)	(19)
Technical profit	115	388	1	11	118	100
Gross loss ratio (%)	74.8	45.6	74.2	68.9	48.2	55.1
Combined ratio (%)	94.2	78.8	98.9	85.6	70.7	76.9
Run-off profits, net of reinsurance	24	29	22	13	24	6
Claims provisions, net of reinsurance	567	424	81	73	457	445
Number of claims incurred ('000)	25	23	3	2	7	10
Average value of claim (DKK '000)	54	38	26	27	34	23
Frequency of claims (per thousand value)	131	119	68	70	70	99
	Other insurance				Total	
Gross premiums written	586	633			8,745	9,050
Gross premiums earned	570	607			8,906	9,051
Gross claims incurred	(370)	(412)			(5,939)	(5,514)
Bonuses and rebates	(5)	(9)			(48)	(66)
Gross operating expenses	(98)	(100)			(1,432)	(1,435)
Net reinsurance	(7)	(6)			(126)	(389)
Technical profit	89	79			1,361	1,646
Gross loss ratio (%)	65.5	69.0			67.2	61.5
Combined ratio (%)	84.2	87.4			85.1	82.0
Run-off profits, net of reinsurance	8	3			470	344
Claims provisions, net of reinsurance	116	109			12,623	12,544
Number of claims incurred ('000)	100	102			421	414
Average value of claim (DKK '000)	4	4			15	14
Frequency of claims (per thousand value)	167	166			110	106

The claims ratio and the combined ratio have been calculated in accordance with the Executive Order on Financial Reports before elimination of internal rent.

Note 6. Gross premiums written - life insurance	2016	2017
Individual policies	316	309
Policies which are part of a tenure	1,803	1,892
Group life	534	508
Regular premiums	2,653	2,709
Individual policies	1,921	1,752
Policies which are part of a tenure	2,856	3,788
Single premiums	4,777	5,541
Gross premiums	7,430	8,250
Gross premiums written, direct business, by the policyholders' location:		
Denmark	7,306	8,100
Other EU-countries	96	120
Other countries	28	30
	7,430	8,250
Proportion of gross premiums represented by premiums related to unit-linked products not eligible for bonus investment risk is taken by the policyholder.	5,759	6,790
All other gross premiums relate to insurance policies entitled to a bonus.		

Notes to the financial statements • Group

(DKK m)	2016	2017
Note 6. Gross premiums written - life insurance - continued		
Number of policyholders at 31 December ('000):		
Individual policies	46	45
Policies which are part of a tenure	84	84
Group life	181	174
Note 7. Claims and benefits paid - life insurance		
Claims payable on death	148	139
Claims payable on invalidity	0	1
Claims payable on maturity	167	158
Pension and annuity payments	598	604
Surrenders	2,199	3,492
Bonuses paid in cash	341	306
Claims and benefits paid	3,453	4,701
Note 8. Change in life insurance provisions		
Products with guarantees and profitsharing	(284)	195
Unit-linked products	(5,875)	(6,011)
Change in life insurance provisions	(6,159)	(5,816)
Note 9. Income from investment properties		
Rental income	188	187
Operating expenses from properties rented out	(95)	(112)
Operating expenses from properties not rented out	(10)	(13)
Gross profit	83	62
Administrative expenses	(9)	(8)
Income from investment properties	74	54
Tenancy agreements may include a period of non-terminability for the tenant.		
Future rental income in the period of non-terminability:		
Up to 1 year	184	183
2 to 5 years	215	260
Over 5 years	196	162
Total	596	605
This year's rental income from non-terminable contracts	184	183
Note 10. Revaluations		
Held for trading:		
Shares	512	268
Unit trusts	1	1
Bonds	642	(5)
Derivatives	230	314
Total held for trading	1,385	579
Designated at fair value:		
Deposits with credit institutions	1	(1)
Investment assets related to unit-linked products:		
Shares	761	943
Unit trusts	82	156
Bonds	145	(289)
Derivatives	88	947
Total designated at fair value	1,078	1,755
Revaluations of financial assets and liabilities at fair value through profit or loss	2,463	2,335

Notes to the financial statements • Group

(DKKm)	2016	2017
Note 10. Revaluations - continued		
Of which revaluation of derivatives transferred to claims incurred	(50)	(10)
Investment properties	56	21
Shares in associated companies	1	0
Liquid funds	(8)	(23)
Other	1	(1)
Revaluations	2,464	2,323
Note 11. Return and revaluations non-life insurance provisions		
Annual amortisation		
Provisions for unearned premiums and profit margin	(23)	(13)
Reinsurers' share of provisions for unearned premiums	2	1
Provisions for claims and benefits	(115)	(112)
Risk margin	(1)	(1)
Reinsurers' share of the provisions for claims and benefits	4	3
	(133)	(123)
Revaluation		
Provisions for unearned premiums and profit margin	(15)	0
Provisions for claims and benefits	(272)	(24)
Risk margin	(5)	3
Reinsurers' share of the provisions for claims and benefits	1	1
	(291)	(20)
Return and revaluations non-life insurance provisions	(423)	(143)
Note 12. Other expenses		
Holding expenses	52	42
Other	12	9
Other expenses	64	51
Note 13. Taxation		
Current tax	437	503
Change in deferred tax	(11)	(2)
Prior year adjustment	(18)	(2)
Tax in foreign companies	0	(1)
Tax for the year	409	498
Tax taken to shareholders' equity	(2)	4
Taxation	407	502
Calculated tax on profit for the year 22% (2016: 22%)	427	492
Adjusted for the tax effect of:		
Returns on shares etc. not liable to tax	(6)	4
Non-deductible expenses / income not liable to tax	4	7
Prior year adjustment	(18)	(1)
	407	502
Effective rate of taxation	20.9	22.5
Note 14. Profit per share		
Profit for the year	1,536	1,733
Average number of shares ('000)	91,465	85,700
Diluting impact of options ('000)	256	173
Average number of shares, diluted ('000)	91,721	85,873
EPS (DKK)	16.8	20.2
EPS, diluted (DKK)	16.7	20.2

Notes to the financial statements • Group

(DKKm)

Note 15. Intangible assets

	Goodwill	IT software	Completed development projects	Development projects under construction	Total
2016					
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)
Intangible assets 2016	441	10	107	247	806
2017					
Cost / valuation at 1 January	441	228	582	247	1,498
Purchased	0	8	3	146	158
Transferred	0	0	3	(3)	0
Disposals	0	(1)	(2)	0	(3)
Cost / valuation at 31 December	441	235	587	390	1,652
Impairment and amortisation at 1 January	0	(218)	(475)	0	(692)
Amortisation for the year	0	(9)	(33)	0	(42)
Disposals	0	1	2	0	3
Impairment and amortisation at 31 December	0	(225)	(506)	0	(731)
Intangible assets 2017	441	10	81	390	922

Goodwill relates primarily to the purchase of non-life insurance portfolios in 1999. Goodwill has been allocated to 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 are 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 reinsurance result 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% (2016: 0%).

The pre-tax discount rate is 9.6% (2016: 9.6%) and the post-tax rate 7.5% (2016: 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.

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

Notes to the financial statements • Group

(DKKm)

Note 16. Tangible assets

	Operating equip- ment	Owner- occupied properties	Total
2016			
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)
Tangible assets 2016	132	856	988

2017			
Cost / revaluation at 1 January	456	856	1,312
Additions, including improvements	20	1	21
Disposals	(101)	0	(101)
Revaluation taken to income statement	0	(2)	(2)
Transferred on revaluation	0	(1)	(1)
Cost / revaluation at 31 December	375	853	1,228
Impairment and amortisation at 1 January	(324)	0	(324)
Amortisation for the year	(34)	(1)	(36)
Transferred on revaluation	0	1	1
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	95	0	95
Impairment and amortisation at 31 December	(263)	0	(263)
Tangible assets 2017	111	853	965

	2016	2017
Owner-occupied properties are measured at a revalued amount corresponding to fair value (level 3).		
Averagely weighted rate of return	5.3%	5.3%
A 0.5pp higher rate of return will reduce the total fair value by DKK 75m (2016: DKK 75m).		
Book value if the properties had been valued at cost price with depreciations	716	716

Notes to the financial statements • Group

(DKKm)	2016	2017
Note 17. Investment properties		
Fair value at 1 January	3,868	3,579
Additions - acquisitions	32	255
Additions, including improvements	167	63
Disposals	(538)	(121)
Fair value revaluation for the year taken to to revaluations	50	6
Total investment properties	3,579	3,783
Investment properties are included in the balance sheet as:		
Investment properties	3,448	3,643
Investment assets related to unit-linked products	131	140
Averagely weighted rate of return	5.5%	5.5%

	Private residence		Office property	
	2016	2017	2016	2017
Fair value DKKm	771	711	2,719	2,800
Averagely weighted rate of return	4.7%	4.5%	5.6%	5.6%
Area (1,000 square meters)	43	34	203	204
Rent per square meters (DKK 1,000)	18	21	13	14
Number of properties	11	10	20	20

Investment properties are measured at fair value (level 3).

The basis of the measurement is an expected annual operating return and rate of return.

The rate of return used in the valuation spans from 4.5% to 10% (2016: 4.5% to 10%).

A higher rate of return with averagely 0.5pp will reduce the total fair value by DKK 290m (2016: DKK 282m).

The fair value includes properties under construction by DKK 272m (2016: DKK 89m).

Note 18. Shares in associated companies		2016	2017
Book value at 1 January		172	1,180
Additions		962	45
Share of profit		46	61
Shares in associated companies		1,180	1,285

2016	Percentage share	Activity	Share-holders' equity	Result
Carlsberg Byen P/S, Copenhagen	23	Property development	1,793	179
Havneholmen P/S, Kgs. Lyngby	50	Property	932	4
Margretholm P/S, Frederiksberg	50	Property	303	67
Bornholms Brandforsikring A/S, Rønne	27	Insurance	215	30

2017	Percentage share	Activity	Share-holders' equity	Result
Carlsberg Byen P/S, Copenhagen*	23	Property development	1,793	179
Havneholmen P/S, Kgs. Lyngby	50	Property	957	25
Margretholm P/S, Frederiksberg	50	Property	349	45
Bornholms Brandforsikring A/S, Rønne*	27	Insurance	246	31
P/S Ejendomsolding Banemarksvej, Odense	40	Property	117	6

The financial information is according to the companies' most recent annual reports.

*Latest Annual Report 2016.

Bornholms Brandforsikring A/S has been recognised on the basis of the most recent financial information at 30 September.

Notes to the financial statements • Group

(DKKm)	2016	2017
Note 19. Investment assets related to unit-linked products		
Shares	10,889	12,268
Unit trusts	2,378	3,024
Bonds	8,130	10,358
Investment properties	131	140
Investment assets related to unit-linked contracts	21,528	25,791

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

1 January	71	72
Ceded reinsurance premiums	637	617
Reinsurance earned	(638)	(605)
Annual amortisation	2	1
Reinsurers' share of the provisions for unearned premiums at 31 December	72	84
Net present value of expected future cashflows	(7)	15
Profit margin	79	69

Note 21. Reinsurers' share of the provisions for claims

1 January	582	586
Reimbursement of claims relating to previous years	(222)	(200)
Change in expected income relating to previous years	(32)	(50)
Reimbursement of claims relating to this year	(202)	(58)
Expected income relating to this year	455	188
Annual amortisation	4	3
Revaluation	1	1
Reinsurers' share of the provisions for claims at 31 December	586	470

Note 22. Deferred tax

	2015	2016	2017
Properties	43	43	46
Operating equipment	9	15	14
Liabilities provided	(6)	(6)	(6)
Deferred pension return tax	16	0	0
Other	(3)	(2)	(7)
Deferred tax	60	49	47
Recognised as:			
Deferred tax assets	(14)	(10)	(14)
Deferred tax liabilities	73	59	61
	60	49	47
Changes relating to the year		(11)	(2)

Notes to the financial statements • Group

(DKKm)

Note 23. Other subordinated loan capital

	Hybrid core capital (redeemed 2017)	Subordinated loan capital	Subordinated loan capital	Subordinated loan capital
Borrower	Topdanmark A/S	Topdanmark A/S	Topdanmark Forsikring A/S	Topdanmark Forsikring A/S
Principal	EUR 55m	DKK 400m	DKK 500m	DKK 850m
Book value				
2017	-	397	499	848
2016	408	-	499	848
Market value (level 2)				
2017	-	400	499	850
2016	409	-	503	850
Date of issue	July 2007	November 2017	December 2015	December 2015
Maturity	Bullet	Bullet	11 December 2025	11 June 2026
If permitted by the DFSA, the borrower can give notice of termination from	15 September 2017	23 November 2022	11 December 2020	11 June 2021
Interest rate	EURIBOR 3 months +1.90% to 2017	Cibor 3 months +2.75%	2.92% to 2020	Cibor 3 months +270bp
Subsequently	EURIBOR 3 months +2.90%		Cibor 3 months +250bp	
				2016 2017
Interest charges				59 43
Costs of raising the loan capital				- 3

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

Note 24. Provisions for unearned premiums and profit margin - non-life insurance

Provisions for unearned premiums at 1 January	1,944	1,881
Profit margin at 1 January	772	711
	2,715	2,592
Gross premiums written	8,745	9,050
Premiums earned	(8,906)	(9,051)
Change in risk margin	0	3
Annual amortisation	23	13
Revaluation	15	(0)
Provisions for unearned premiums at 31 December	1,881	1,856
Profit margin at 31 December	711	751
Provisions for unearned premiums and profit margin at 31 December	2,592	2,607

Notes to the financial statements • Group

(DKKm)

2016

2017

Note 25. Life insurance provisions with guarantees and profitsharing

Life insurance provisions direct business at beginning of year	24,318	24,465
Total insurance provisions at beginning of year	24,318	24,465
Collective bonus potential at 1 January	(1,977)	(1,960)
Accumulated revaluation at 1 January	(1,606)	(1,831)
Retrospective provisions at 1 January	20,735	20,674
Gross premiums written	1,671	1,460
Addition of return	649	644
Claims and benefits	(2,090)	(2,168)
Expense loading inclusive of expense bonus	(150)	(146)
Risk gain after allocating policyholders' risk bonus	(66)	(82)
Other	61	52
Intra-group transfers	(137)	(207)
Retrospective provisions at 31 December	20,674	20,227
Accumulated revaluation at 31 December	1,831	1,654
Collective bonus potential at 31 December	1,960	2,270
Insurance provisions direct business at end of year	24,465	24,151
Total insurance provisions at end of year	24,465	24,151
Profit margin at 31 December	0	(88)
Life insurance provisions with guarantees and profitsharing	24,465	24,063

Portfolios analysed by technical interest rates	Technical interest rate	Guaranteed benefits	Individual bonus potential	Collective bonus potential	Life insurance provisions
2016					
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
Total 2016		20,398	1,241	1,960	24,465
2017					
Interest rate group 9	1%	1,625	298	75	1,997
Interest rate group 10	1%	356	2	47	405
Interest rate group 1	]1%-2%]	7,775	763	583	9,121
Interest rate group 3	]1%-2%]	622	4	65	691
Interest rate group 2	]2%-3%]	2,809	75	166	3,050
Interest rate group 4	]2%-3%]	721	9	91	820
Interest rate group 5	]3%-4%]	2,024	1	315	2,340
Interest rate group 6	]4%-5%]	3,829	0	625	4,454
Interest rate group 7	5%	46	0	45	92
Risk groups		0	0	237	237
Cost groups		0	0	22	22
Total contribution		19,807	1,151	2,270	23,228
Group Life					350
U74-life annuities					210
Other					275
Total 2017		19,807	1,151	2,270	24,063

Notes to the financial statements • Group

(DKKm)

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

Risk margin (share of guaranteed benefits)	Technical interest rate	2016	2017
Interest rate group 9	1%	5	6
Interest rate group 10	1%	0	0
Interest rate group 1	]1%-2%]	29	27
Interest rate group 3	]1%-2%]	1	1
Interest rate group 2	]2%-3%]	10	9
Interest rate group 4	]2%-3%]	3	3
Interest rate group 5	]3%-4%]	14	16
Interest rate group 6	]4%-5%]	43	38
Interest rate group 7	5%	1	1
Total contribution		105	101
U74-life annuities		5	4
Other		3	3
Total risk margin		113	108

	Technical interest rate	Bonus ratio (%)	Return (%)		
		2016	2017	2016	2017
Interest rate group 9	1%	20.6	19.4	3.9	4.7
Interest rate group 10	1%	11.8	13.7	4.7	4.7
Interest rate group 1	]1%-2%]	14.6	16.0	3.8	4.7
Interest rate group 3	]1%-2%]	8.4	11.3	6.9	4.8
Interest rate group 2	]2%-3%]	7.0	8.8	4.3	5.1
Interest rate group 4	]2%-3%]	12.8	14.6	10.6	4.7
Interest rate group 5	]3%-4%]	18.1	18.5	11.0	4.4
Interest rate group 6	]4%-5%]	20.3	21.1	6.4	4.5
Interest rate group 7	5%	87.8	137.4	4.1	4.7

Risk groups

Risk result after addition of risk bonus	35	57
Risk result after addition of risk bonus in per cent	0.2	0.2

Cost groups

Customers' share of administration expenses after addition of expense bonus	78	76
Operating expenses - insurance	196	198
Result of sales and administration	(118)	(122)
Result of sales and administration in per cent	(0.5)	(0.5)
Return on customer funds after expenses before tax in per cent	4.4	3.7

Note 26. Life insurance provisions unit-linked products

2016	Insurance contracts	Investment contracts	Total
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)
Gross provisions 31 December 2016	20,441	2,342	22,783

Notes to the financial statements • Group

(DKKm)

Note 26. Life insurance provisions unit-linked products - continued

	Insurance contracts	Investment contracts	Total
2017			
Gross provisions at 1 January	20,441	2,342	22,783
Profit margin at 1 January	94	9	103
Retrospective provisions at 1 January	20,535	2,351	22,886
Gross premiums written	6,790	1,201	7,991
Addition of return	1,681	216	1,897
Claims and benefits	(2,533)	(311)	(2,844)
Expense loading inclusive of expense bonus	(69)	(11)	(80)
Risk gain after addition of risk bonus	6	0	7
Premiums waived transferred to life insurance provisions	(23)	0	(23)
Other	6	(0)	6
Intra-group transfers	161	46	207
Retrospective provisions at 31 December	26,555	3,492	30,047
Profit margin at 31 December	(141)	(15)	(156)
Gross provisions 31 December 2017	26,414	3,477	29,891
		2016	2017
Return on customer funds after expenses before tax in per cent		10.1	9.0
Number of customers with investment contracts:			
Individual policies		3,685	4,921
Policies which are part of a tenure		5,264	8,046
The contracts written do not have guarantees.			

Note 27. Profit margin, life insurance and investment contracts

Products with guarantees and profitsharing	0	88
Unit-linked products	103	156
Profit margin, life insurance and investment contracts	103	244

Note 28. Provisions for claims

Gross		
Provisions at 1 January	13,121	13,209
Claims paid relating to previous years	(2,970)	(2,796)
Change in expected claims payments relating to previous years	(502)	(393)
Claims paid relating to this year	(3,317)	(3,060)
Expected claims payments relating to this year	6,440	5,907
Inflation hedging	50	10
Annual amortisation	115	112
Revaluation	272	24
Provisions for claims and benefits	13,209	13,013
Net of reinsurance		
Provisions at 1 January	12,540	12,623
Claims paid relating to previous years	(2,748)	(2,596)
Change in expected claims payments relating to previous years	(470)	(344)
Claims paid relating to this year	(3,115)	(3,002)
Expected claims payments relating to this year	5,984	5,720
Inflation hedging	50	10
Annual amortisation	111	109
Revaluation	271	24
Provisions for claims, net of reinsurance	12,623	12,544
Provisions for workers' compensation insurance, net of reinsurance	5,970	6,048
Average period of settlement	7 years	7 years
Illness / accident insurance, net of reinsurance, administered by the life insurance business	2,223	2,343
Average period of settlement	13 years	13 years

Notes to the financial statements • Group

(DKK m)

Note 28. Provisions for claims - continued

Claims liabilities analysed by claims year

Gross	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
End of year	6,559	6,730	6,814	7,203	6,414	7,549	6,652	6,599	6,468	5,928	66,418
1 year later	6,753	6,526	6,834	7,347	6,439	7,755	6,715	6,685	6,448		
2 years later	6,769	6,585	6,952	7,282	6,455	7,771	6,691	6,592			
3 years later	6,887	6,583	6,926	7,274	6,402	7,742	6,646				
4 years later	6,851	6,513	6,865	7,209	6,321	7,646					
5 years later	6,735	6,521	6,810	7,160	6,303						
6 years later	6,763	6,499	6,770	7,118							
7 years later	6,577	6,454	6,761								
8 years later	6,514	6,466									
9 years later	6,511										
Less paid incl. inflation hedging	6,048	6,016	6,182	6,476	5,550	6,690	5,505	5,239	4,688	3,060	55,455
Provisions before discounting at 31 December	463	450	579	642	753	956	1,141	1,353	1,760	2,868	10,964
Discounting	(0)	(0)	(2)	(1)	(1)	(1)	(2)	(3)	(4)	(6)	(21)
	463	450	576	641	752	954	1,139	1,349	1,755	2,862	10,942
Provisions relating to previous years at 31 December											2,071
Gross provisions at 31 December 2017											13,013
Net of reinsurance											
End of year	6,227	6,389	6,385	6,164	6,028	6,387	6,259	6,183	6,007	5,740	61,407
1 year later	6,429	6,191	6,433	6,268	6,098	6,461	6,301	6,270	6,027		
2 years later	6,467	6,286	6,564	6,218	6,115	6,476	6,288	6,190			
3 years later	6,594	6,295	6,553	6,205	6,066	6,449	6,242				
4 years later	6,556	6,226	6,509	6,151	5,990	6,354					
5 years later	6,446	6,235	6,450	6,103	5,972						
6 years later	6,475	6,224	6,411	6,065							
7 years later	6,290	6,182	6,402								
8 years later	6,228	6,189									
9 years later	6,225										
Less paid incl. inflation hedging	5,772	5,747	5,823	5,427	5,234	5,438	5,140	4,941	4,384	3,002	50,909
Provisions before discounting at 31 December	453	442	579	638	738	916	1,102	1,249	1,642	2,738	10,497
Discounting	(0)	(0)	(2)	(1)	(1)	(1)	(2)	(3)	(4)	(6)	(20)
	453	442	576	637	737	915	1,100	1,247	1,638	2,732	10,478
Provisions relating to previous years at 31 December											2,066
Provisions, net of reinsurance, at 31 December 2017											12,544
Reconciliation:											
Provisions for claims											13,013
Less reinsurers' share of provisions											(470)
Provisions, net of reinsurance, at 31 December 2017											12,544
Composition of expected payments, net of reinsurance:											
Original payment	6,148	6,361	6,379	6,062	5,991	6,397	6,199	6,200	6,001	5,728	61,467
Loss / (gain) on settlement	(382)	(458)	(193)	(240)	(164)	(156)	(45)	(46)	5		(1,679)
Discounting / revaluation											
workers' compensation											
and illness / accident	459	286	215	243	145	114	89	35	21	12	1,619
	6,225	6,189	6,402	6,065	5,972	6,354	6,242	6,190	6,027	5,740	61,407

The table shows the historical development in the estimated final liability (the sum of claims payments and provisions) for each claims year from 2008. Significant proportions of the liabilities shown have been calculated without discounting which to a great extent eliminates changes in discounting rates. However, workers' compensation and illness / accident administered by Topdanmark Livsforsikring A/S are included at discounted values.

Notes to the financial statements • Group

(DKKm)	2016	2017
Note 29. Technical basis for risk allowance and shadow account		
Customers' share of technical basis for risk allowance	554	807
Share of technical basis for risk allowance allocated to shareholders' equity	44	76
Insurance technical result	598	883
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	35
Depreciation over 5 years	(5)	(5)
Provided/(used)	14	18
Shadow account at 31 December	35	48
Expected future recognition as income of shadow account - risk groups	0	1

Note 30. Expenses

Expenses by their nature:		
Staff costs (excl. commission)	1,902	1,831
Executive Board	37	44
Board of Directors	5	5
Other staff costs	74	52
Commission - non-life insurance	187	204
Commission - life insurance	73	68
Premises costs etc.	159	156
IT operations and maintenance	191	229
Impairment and amortisation	82	76
Other expenses	226	241
Total expenses	2,936	2,908
These expenses have been disclosed in:		
Non-life insurance:		
Acquisition costs	945	950
Administrative expenses	487	485
Claims paid (claims handling and assessment)	852	817
	2,285	2,252
Life insurance:		
Acquisition costs	146	148
Administrative expenses	270	285
	416	433
Income from investment properties (administration and operation)	114	133
Expenses on investment business	57	39
Other expenses	64	51
Total expenses	2,936	2,908

Note 31. Auditors' fee

Fee to the auditors elected at the Annual General Meeting		
Deloitte:		
Fee for statutory audit of the annual accounts	4	4
Fee for other assurance engagements	0	1
Fee for tax advice	0	0
Fee for services, other than audit work*	7	10
	11	15

*Fee for non-audit services concerns advice regarding system selection, other statements and general accounting- and tax advice and for 2017 reporting for parent company auditor.
The Group has an internal audit department which carries out most of the audit work.

Notes to the financial statements • Group

(DKKm)	2016	2017
Note 32. Staff costs		
Salaries	1,526	1,425
Pensions	251	245
Social security costs	41	38
Payroll tax	247	246
Share options	8	8
Employee shares	8	43
	2,080	2,004
Average number of full-time employees	2,650	2,473

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 may be exercised 3-5 years subsequent to the granting. The scheme is settled by shares (equity instruments).

There are no other earnings conditions to the option scheme 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' standing end of year:

Total number of options ('000)	Strike price	Executive Board	Senior executives	Resigned	Total
2016					
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	174
2017					
Outstanding at 1 January		339	1,179	265	1,783
Granted	197	96	352	0	448
Transferred		(112)	(15)	127	0
Exercised		(131)	(530)	(126)	(787)
Outstanding at 31 December 2017		192	986	266	1,444
Average strike price at 31 December 2017		195	204	196	201
Per granting:	Exercise period				
2013	January 2016 - January 2018	133	0	12	30
2014	January 2017 - January 2019	157	50	94	195
2015	January 2018 - January 2020	220	39	249	363
2016	January 2019 - January 2021	215	41	291	407
2017	January 2020 - January 2022	197	62	341	448
Outstanding at 31 December 2017		192	986	266	1,444
Average strike price exercised options 2016		-	104	102	104
Average strike price exercised options 2017		128	139	136	137
Average current price on date of exercise 2016					167
Average current price on date of exercise 2017					211
Fair value of granting 2016		2	8		10
Fair value of granting 2017		2	8		10
Fair value at 31 December 2016		10	32	9	52
Fair value at 31 December 2017		14	67	20	101

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a price of DKK 179.44 (2016: DKK 195.41) 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% (2016: 22%) p.a. and a pattern of exercise similar to Topdanmark's previous granting of share options, resulting in an average life of the options of approximately 4 years. The volatility has been calculated on the basis of previous years' volatility, which continues to be Management's best estimate of future volatility.

Notes to the financial statements • Group

(DKK m) 2016 2017

Note 32. Staff costs - continued

Number of options which could be exercised on 31 December ('000) 543 225

Employee shares

For the period November 2016 to October 2017, Topdanmark has allotted 169,708 shares at a value of DKK 46m for a salary cut. The annual costs amount to DKK 44m including November and December 2017 concerning allocation in 2018.

Severance pay

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

Note 33. Related parties

Possessing an ownership interest of 48.90% of the shares outstanding, Sampo plc, Fabianinkatu 27, Helsinki, Finland has a controlling influence of Topdanmark A/S. Effective from 30 September 2017, Topdanmark's financial statements have been included in the consolidated financial statements for Sampo plc in a line by line consolidation. Related parties with significant influence comprise the Board of Directors, the Executive Board and their families.

Remuneration of the Board of Directors

Directors' fees adopted by the AGM were DKK 5,317,000 (2016: DKK 5,075,000) including social charges of DKK 242,000 to Sweden (2016: DKK 0).

The fee includes DKK 263,000 (2016: DKK 263,000) concerning Topdanmark Forsikring A/S.

(DKK '000):

Torbjörn Magnusson	788	1,248
Annette Sadolin	525	817
Ann-Jeanette Bakbøl	350	350
Tina Møller Carlsson	350	350
Mette Jensen	350	350
Petri Niemisvirta	-	233
Lone Møller Olsen	233	525
Ricard Wennerklint	-	422
Jens Aaløse	233	350
Anders Colding Friis	117	0
Birgitte Nielsen	525	175
Søren Thorup Sørensen	1,488	496
Total fee paid to nine Board members	4,958	5,317

As a consequence of a vacancy in the board of directors for part of 2016, the total fee settled for 2016 amounts to DKK 4,958,000.

The Board of Directors receive only a fixed remuneration.

Remuneration of the Executive Board

Effective 5 February 2018 Peter Hermann took on the CEO position of Topdanmark A/S.

As CEO of Topdanmark Livsforsikring A/S, Peter Hermann in 2017 received a remuneration of DKK 3.2m (8 months 2016: DKK 1.8m).

	Christian Sagild (resigned Dec 2017)	Brian R. Jacobsen	Lars Thykie	Marianne Wier (resigned 2018)	Total
2017					
Salaries etc.*	8.5	4.7	5.2	4.7	23.1
Employee shares	0.5	0.3	0.4	0.3	1.5
Fixed remuneration	9.1	5.0	5.5	5.0	24.6
Share options (variable remuneration)	0.8	0.4	0.5	0.4	2.2
Salaries paid	9.9	5.4	6.0	5.4	26.8
Compensation earned**	0.1	3.6	0.3	3.6	7.6
Salary accrued in the notice period***	10.2				10.2
Accrued anniversary bonuses*	(0.6)				(0.6)
Salaries earned	19.5	9.1	6.3	9.1	44.0

Notes to the financial statements • Group

(DKK m)

Note 33. Related parties - continued

	Kim Bruhn-Petersen (resigned 2016)	Christian Sagild	Brian R. Jacobsen (10 months)	Lars Thykier	Marianne Wier (10 months)	Total
2016						
Salaries etc.	5.4	8.1	3.6	5.4	3.5	26.1
Employee shares	0.0	0.1	0.1	0.1	0.1	0.3
Fixed remuneration	5.4	8.2	3.6	5.5	3.6	26.3
Share options (variable remuneration)	0.5	0.8	0.2	0.5	0.2	2.2
Salaries paid	5.9	9.0	3.9	6.0	3.8	28.6
Compensation earned**			4.2		4.2	8.3
Salary accrued in the notice period***	0.4					0.4
Salaries earned	6.3	9.0	8.1	6.0	7.9	37.3

* Salary etc. for Christian Sagild includes anniversary bonus of DKK 0.6m earned in previous years.

** The Executive Board successively accrues a remuneration of eighteen months to be disbursed on expiry of the employment. The remuneration is accumulated over the income statement. Kim Bruhn-Petersen, resigned in 2016, has in 2017 received a remuneration of DKK 8.8m. The remuneration for Christian Sagild amounts to DKK 13.2m to be disbursed by the end of the employment at year-end 2018.

*** Christian Sagild is entitled to receive salary for 12 months in the period of notice amounting to DKK 10.2m including accrued holiday pay. The amount is disbursed on a continuing basis in 2018. In 2017, Kim Bruhn-Petersen has received salary DKK 0.4m in the notice period.

Thus, salaries and compensations disbursed for present and former members of the Executive Board amount to DKK 36.0m (2016: 28.6m) of which variable salaries amount to DKK 2.2m (2016: 2.2m).

The Group has no unhedged pension commitments.

2017

Significant risk takers

Additional to the Executive Board, another 19 employees have significant influence on Topdanmark's risk profile.

Fixed remuneration	37.1
Variable remuneration	6.3
	43.4

In 2016, according to the rules in force at that time the Group had one significant risk taker. Pursuant to the exemption clause, the 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.

	2016	2017
Board of Directors		
Number of shares		
Torbjörn Magnusson	500	500
Annette Sadolin	2,620	2,620
Tina Møller Carlsson	1,270	629
Mette Jensen	1,400	775
Petri Niemisvirta	-	500
Lone Møller Olsen	2,425	2,425
Ricard Wennerklint	-	2,000
Jens Aaløse	50	50
Søren Thorup Sørensen	3,729	-
Birgitte Nielsen	350	-
Subordinated notes (subordinated loan capital) Topdanmark Forsikring, nominal value DKK '000		
Søren Thorup Sørensen	3,000	-
Executive Board		
Number of shares		
Lars Thykier	14,130	6,205
Brian Rothemejer Jacobsen	68,200	44,499
Christian Sagild	21,160	9,005
Marianne Wier	0	1,262

Notes to the financial statements • Group

(DKKm)

Note 33. Related parties - continued

Sampo plc

At 31 December 2017, Sampo plc owned nom. DKK 405m subordinated notes in Topdanmark Forsikring A/S. 31 December 2016 Sampo plc possessed nom. DKK 405m in Topdanmark Forsikring A/S and nom. EUR 33.5m in Topdanmark A/S.

Affiliated companies

At 31 December 2017, If P&C Insurance Ltd, a subsidiary in the Sampo Group, holds subordinated notes of a nominal value of DKK 120m in Topdanmark A/S.

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.

Note 34. Financial assets

2016

2017

Financial assets at fair value where the revaluation is taken to the income statement

Held for trading:

Shares	5,663	5,904
Bonds	35,277	36,470
Loans guaranteed by mortgages and other loans	7	7
Derivatives	36	120
	40,983	42,501

Designated at fair value:

Deposits with credit institutions	1,451	3,405
Investment assets unit-linked products excl. property	21,397	25,651
	22,849	29,055

Total financial assets at fair value where the revaluation is taken to the income statement

63,831 71,557

Loans and receivables at amortised cost

Amounts due from policyholders	383	310
Amounts due from insurance companies	100	57
Other debtors	226	170
Liquid funds	831	537
Other	390	352
	1,930	1,426

Accrued interest and rent

278 260

Total financial assets

66,039 73,242

2016	Quoted prices Level 1	Observable inputs Level 2	Non-observable inputs Level 3	Total
Financial assets recorded at fair value				
Held for trading:				
Shares	4,196	1,467		5,663
Bonds	27,407	7,444	426	35,277
Loans guaranteed by mortgages and other loans		7		7
Derivatives		36		36
Designated at fair value:				
Deposits with credit institutions		1,451		1,451
Shares	10,877	12		10,889
Unit trusts	2,267	111		2,378
Bonds	2,126	5,848	156	8,130
Investment assets related to unit-linked products	15,269	5,972	156	21,397
Total financial assets at fair value	46,872	16,377	582	63,831

Notes to the financial statements • Group

(DKKm)

Note 34. Financial assets - continued

2017	Quoted prices Level 1	Observable inputs Level 2	Non- observable inputs Level 3	Total
Financial assets recorded at fair value				
Held for trading:				
Shares	4,527	1,377		5,904
Bonds	29,432	6,463	575	36,470
Loans guaranteed by mortgages and other loans		7		7
Derivatives		120		120
Designated at fair value:				
Deposits with credit institutions		3,405		3,405
Shares	12,262	6		12,268
Unit trusts	2,397	628		3,024
Bonds	3,777	6,464	117	10,358
Investment assets related to unit-linked products	18,436	7,098	117	25,651
Total financial assets at fair value	52,395	18,470	692	71,557

End 2017, financial assets for DKK 490m were transferred from Level 1 to Level 2. By far the majority of the transferred assets are traditional Danish mortgage bonds, which after expiry of new issuing in the series in question do not necessarily have a closing price reflecting the fair value.

	2016	2017
Financial assets, level 3:		
1 January	523	582
Purchases	287	239
Repayments	(234)	(103)
Foreign exchange adjustment	6	(26)
Financial assets, level 3 end December	582	692

The item consists of construction financing of property projects (DKK 361m) and Vindmøllepark (wind farm) guaranteed by EKF (DKK 117m) and bonds of DKK 213m, for which current return depends on payment on life annuity contracts.

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

Exchange rate adjustments are recognized in the income statement under revaluations. Of the overall revaluation DKK 26m loss is unrealized (2016: DKK 11m).

Allowance account (policyholders and insurance companies):

1 January	67	68
Changes	1	7
31 December	68	75

Group companies have agreed to lend equities against security:

Book value of equities lent	2,470	2,309
Fair value of bonds received as security for the loan	2,910	2,784

Outline of capital shares can be obtained on application.

Notes to the financial statements • Group

(DKKm)	2016	2017
Note 35. Financial liabilities		
Financial liabilities measured at fair value through profit or loss		
Held for trading:		
Derivatives	880	512
Designated at fair value:		
Amounts due to credit institutions	44	43
Total financial liabilities measured at fair value (observable inputs level 2)	923	555
Financial liabilities measured at amortised cost		
Other subordinated loan capital	1,754	1,744
Deposits with ceding undertakings	64	77
Creditors arising out of direct insurance operations	329	270
Creditors arising out of reinsurance operations	18	27
Current tax liabilities	59	35
Other creditors	1,508	1,293
Total financial liabilities measured at amortised cost	3,732	3,447
Total financial liabilities	4,655	4,002
Financial liabilities payable after five years or more:		
Amounts due to credit institutions	3	2

	Other subordinated loan capital	Amounts due to credit institutions
Liabilities concerning financing activities		
Beginning 2016	2,154	1,346
<i>Cash flow from financing</i>		
Net redemption/reduction	(400)	(1,302)
<i>Other changes</i>		
Exchange rate adjustment	(2)	(0)
Annual amortisation	2	0
End 2016	1,754	44
<i>Cash flow from financing</i>		
Net redemption/reduction	(409)	0
Issue	397	(0)
<i>Other changes</i>		
Annual amortisation	2	0
End 2017	1,744	43

Note 36. Collateral relating to financial assets and liabilities

Derivatives	Gross position	Offsetting	Book value	Collateral in liquid assets	Net position
2016					
Assets	36	0	36	(9)	27
Shareholders' equity and liabilities	(880)	0	(880)	1,025	145
2017					
Assets	120	0	120	(20)	100
Shareholders' equity and liabilities	(512)	0	(512)	605	93

Note 37. Settlement of assets and liabilities	2016	2017
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	1,346	1,744
Provisions for unearned premiums	174	198
Life insurance provisions	43,324	49,042
Provisions for claims and benefits	9,115	9,307
Risk margin, non-life insurance contracts	221	225
Deferred tax on security funds	306	306
	54,487	60,823

Notes to the financial statements • Group

(DKKm)

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

Assets related to products with guarantees and profitsharing	Book value		Return (%)*
	1 January	31 December	
Land and buildings	3,565	3,708	2.6
Listed shares	3,304	3,642	20.0
Unlisted shares	1,204	1,131	11.0
Total shares	4,508	4,772	17.8
Government and mortgage bonds	11,465	12,019	1.6
Index-linked bonds	1,112	957	6.8
Credit bonds and emerging market bonds	2,611	2,069	8.9
Total bonds	15,187	15,045	3.1
Associated companies	373	386	3.4
Other investment assets	(257)	(800)	0.0
Derivatives to hedge against the net change in assets and liabilities	(109)	(143)	

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

Assets related to unit-linked products

Land and buildings	147	162	2.0
Listed shares	8,297	9,311	22.0
Unlisted shares	8	10	8.8
Total shares	8,304	9,320	22.0
Government and mortgage bonds	1,120	2,732	0.0
Credit bonds and emerging market bonds	5,352	6,106	7.3
Total bonds	6,472	8,838	5.5
Other investment assets	1,504	2,788	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 listed shares has been adjusted by means of financial derivatives and amounts to:

	2016	2017
Guarantees and profitsharing	3,539	3,914
Unit-linked	9,697	10,022

Note 39. 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
2016				
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
2017				
Life cycle:				
	30 years	1.2	10.8	4.75
	15 years	3.5	8.8	4.50
	5 years	1.4	6.8	3.75
	5 years later	0.1	6.1	4.25
Non-life cycle		25.8	10.3	4.75

Notes to the financial statements • Group

(DKKm)	2016	2017
Note 40. Sensitivities		
Event	Effect on shareholders' equity	
1.0pp increase in interest rates	32	98
1.0pp decline in interest rates	(26)	(139)
12% decline in equity prices	(155)	(159)
8% decline in property prices	(112)	(125)
Exchange rate exposure (VaR 99.0%)	(46)	(4)
Loss on counterparties of 8%	(188)	(213)

Note 41. Number of shares

Reconciliation of the number of shares ('000)		
Shares issued at 1 January	105,000	95,000
Own shares at 1 January	(9,328)	(7,784)
Number of shares at 1 January	95,672	87,216
Shares bought back	(8,782)	(2,297)
Shares sold	326	957
Shares issued at 31 December	95,000	90,000
Own shares at 31 December	(7,784)	(4,124)
Number of shares at 31 December	87,216	85,876

Note 42. Own shares

	Number of shares '000	Nominal value DKKm	Percentage of share capital	Bought /sold DKKm
Held at 1 January 2016	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	
Bought in 2017	2,297	2	2.6	410
Sold	(957)	(1)	1.1	(108)
Written down	(5,000)	(5)	-	
Held at 31 December 2017	4,124	4	4.6	

Number of shares held to cover the granting of options: 1,444,000 (2016: 1,783,000).

Note 43. Collateral	2016	2017
The Group's insurance companies have registered the following assets as security for technical provisions:		
Shares in associated companies	404	514
Shares	4,184	4,521
Bonds	33,761	35,329
Deposits with credit institutions	280	2,800
Investment assets related to unit-linked products	21,528	25,288
Liquid funds	462	74
Accrued interest	278	257
Shares in and amounts due from affiliated companies eliminated in the consolidated accounts	7,111	6,811
Registered assets	68,008	75,595
Other provision of security	51	18

Notes to the financial statements • Group

(DKKm)

2016

2017

Note 44. Contingent liabilities

Contract liabilities	394	611
Adjustments to VAT liabilities	52	80
Other liabilities	21	19
Capital commitments made to loan funds and private equity funds etc.	1,461	1,072

All companies in the Topdanmark Group and Danish companies and affiliates in the Sampo Group are jointly taxed with Topdanmark A/S being the management company. Pursuant to the specific rules on corporation taxes etc. in the Danish Companies Act, the companies are liable for the jointly taxed companies and for any obligations to withhold tax from interests, royalties and dividend for companies concerned.

Topdanmark EDB II ApS has entered into a contract with Keylane A/S on procurement and implementation of a new administration system for Topdanmark Livsforsikring A/S. In connection with implementation, Topdanmark Livsforsikring A/S has undertaken to give support in fulfilling Topdanmark EDB II ApS' obligations in accordance with the contract with Keylane A/S.

Note 45. Companies

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

All of the companies are 100% owned.

Note 46. 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 2017 until the presentation of the consolidated financial statements which could change the assessment of the annual report.

Notes to the financial statements • Group

Note 47. 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.

Topdanmark's purchasing criteria are as follows:

- Quality
- Service
- Price
- Delivery
- Digitalisation.

At Topdanmark the customer always has freedom of choice notwithstanding the fact that Topdanmark uses its purchasing power to reduce expenses for the benefit of the customers. Having secured high quality, service and delivery, Topdanmark's purchasing agreements must be so favourable that the customers make an active choice of these products.

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.

Composition of Topdanmark's overall provisions for outstanding claims:

Provisions for outstanding claims (%)	2016	2017
Short-tail	13	11
Annuity provisions in workers' compensation	24	23
Other claims provisions in workers' compensation	23	25
Accident	26	27
Motor personal liability	11	10
Commercial liability	4	4

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 by training targeted at the knowledge level of the individual emergency helper. Furthermore, automation technology and robot processes are being implemented in order to improve the scalability of the emergency programme.

Loss prevention and loss limitation

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

Provisioning risk

Provisions for outstanding claims

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

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

The 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.

The provisions for unearned premiums are 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 3.2bn. 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 2017, the national guarantee scheme covered any market retention in excess of DKK 9.9bn. With effect from 1 January 2018, the market retention was increased to DKK 19.1bn.

The Danish non-life companies have established a terror pool. In 2017, the terror pool bought reinsurance, which covered DKK 4.5bn after DKK 0.5bn. In 2018, the cover remains unchanged. 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. The movements in interest rates are followed in order that risk reducing actions may be performed as required.

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
Interest rate risk Topdanmark is exposed to interest rate risk due to provisions for outstanding claims in non-life insurance and guaranteed benefits in life insurance.	<p>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 will be bought as required.</p>
Equity risk Topdanmark is exposed to equity risk from direct investments as well as investments made via derivatives.	The equity risk is alleviated by trades in the market and by derivatives.
Property risk Topdanmark is exposed to property risk from investments in properties rented out for business or private residence.	The risk on the property portfolio is limited by a strategy focusing on Copenhagen and Århus. Topdanmark invests in well-situated properties within the segments of housing and flexible office properties.
Credit Spread risk Topdanmark is exposed to credit spread risk from bonds and other investments where prices are dependent on counterparty creditworthiness.	The credit spread risk is alleviated by focusing on bonds etc. with very high creditworthiness and by a spread on counterparties.
Concentration risk Concentration risk is a risk that increases when investments are consolidated with individual issuers, whereby dependence on these issuers' solvency grows.	The concentration risk is limited by ensuring that investment size reconciles with counterparty creditworthiness.
Currency risk Topdanmark's currency risk relates in practice only to investments.	The currency risk is alleviated by derivatives.
Inflation risk <p>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>
Liquidity risk <p>In insurance companies the liquidity risk is very limited as premiums are paid prior to the beginning of the risk period.</p> <p>Generally, Topdanmark's liquidity risk is low.</p>	Topdanmark performs an ongoing monitoring of the liquidity risk based on scenario-based stress reporting.

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							
2016	13,209	4,045	5,153	2,841	1,272	552	174
2017	13,013	4,036	5,217	2,907	1,193	566	84
Life insurance provisions guarantees and profitsharing							
2016	24,465	2,632	7,401	10,505	4,934	1,630	536
2017	24,063	2,583	6,986	10,603	5,127	1,632	454

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 100% of its storm cover has been placed with such reinsurance companies.

Investment

Topdanmark may suffer a loss due to 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 (%)	2016	2017
AAA+AA	78	78
A	3	3
BBB	0	1
<BBB	13	12
Money market deposits	7	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 losses incurred due to errors and deficiencies in internal processes, human errors, fraud, system errors, breakdowns of IT systems and the risk of 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 IT 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. A duplicate is kept with an outsourcing partner.

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

Topdanmark's goal is for the accessibility of its main systems to be no less than 99.5%.

The mainframe platform has a higher average accessibility level than the decentralised systems, because these often depend 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 covers 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 48. Accounting policies

Topdanmark Group's 2017 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.

The accounting policies remain unchanged from 2016.

Change in accounting estimates

Profit margin for products with guarantees and profit sharing was at the end of 2016 conservatively estimated at zero in accordance with the interim arrangement agreed with the DFSA following DFSA's interpretation of 20 May 2016.

In the 2017 annual accounts, the interest margin for calculation of the profit margin for products with guarantees and profit sharing is calculated at 0.05%. The recognized profit margin is calculated on the basis of the expected duration of the insurance contracts.

The profit margin for products with guarantees and profit sharing is financed by the individual bonus potentials and secondarily by the collective bonus potentials, which are part of the life insurance provisions.

At the end of 2017, the profit margin for products with guarantees and profit sharing is calculated at DKK 88m, which has been transferred from the life insurance provisions.

The change has no effect on Topdanmark Group's result, shareholders' equity or total shareholders' equity and liabilities.

IFRS

The following amendments, which took effect on 1 January 2017, have not resulted in changes in accounting policies: IAS 7 "Financial Instruments: Disclosures" (note requirement), IAS 12 "Corporate taxes" (recognition of deferred tax assets for unrealized losses) and amendment to IFRS 12 "Information on investments in other companies" (elaboration of the extent of the standard).

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 of which the most significant ones are:

IFRS 15 "Revenue from contracts with customers".

The standard is applicable to all contracts with customers not comprised by other standards (e.g. financial contracts or insurance contracts). IFRS 15 takes effect on 1 January 2018. Topdanmark has no material contracts with customers being comprised by IFRS 15. As a consequence, the standard is not expected to materially change Topdanmark Group's accounting policies.

IFRS 16 "Leasing"

The standard implies that operational lease contracts will be recognized in the balance sheet as a lease asset (right to use the asset) and a lease liability, respectively. IFRS 16 takes effect on 1 January 2019. Topdanmark has not entered into any material lease contracts and therefore does not expect the standard to materially change Topdanmark Group's accounting policies.

Topdanmark expects to implement the new standards on the effective date. Other than below mentioned standards, other new and revised IFRS standards and interpretations are not expected to have a material effect on Topdanmark's profit.

IFRS 9 "Financial instruments"

The standard 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 9 "Financial instruments" takes effect on 1 January 2018. Topdanmark expects to use the option applicable to insurance groups for concurrent implementation of IFRS 9 and IFRS 17 "Insurance Contracts". Consequently, IFRS 9 is expected to be implemented from 1 January 2021.

IFRS 17 "Insurance Contracts" defines the principles for recognition and measurement of insurance contracts. IFRS 17 takes effect on 1 January 2021. However, the standard has not yet been approved by the EU.

An analysis of the standards IFRS 9 and 17 has been initiated. The financial effect has not yet been clarified.

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 and shareholders' equity 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 provisioning 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, and consequently provisions to cover losses must be made.

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 end of year.

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 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 bonus potentials and so much of the profit margin not included in the retrospective provisions.

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 2017, except for "profit per share" and "diluted profit per share", which have been calculated in accordance with IAS 33 Earnings per share.

The ratio "Dividend per share issued, proposed" is calculated as proposed dividend per share issued end of year.

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. The basis for these calculations, which have been made before elimination of intra-group rent, is 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 contracts, the expected loss is included when the contracts are 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 return and revaluations non-life insurance

provisions. 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 contract 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 Topdanmark Group and all Danish companies and affiliates in the Sampo 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 products" 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 corporation tax. 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.

Proposed dividend

Dividend is recognised as a liability at the time of adoption at the annual general meeting.

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 with-profit contracts 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	26.7	28.8
DFSA's benchmark	25.9	28.3

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 surrender.

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, profit margin for products with guarantees and profit sharing is financed by the individual bonus potential and secondarily by the collective bonus potential. The value is calculated as an interest margin of 0.05 %. Profit margin has been calculated on the basis of the expected duration of the insurance contracts.

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 annuities in force including the expected wage and salary indexation, and a rate of mortality corresponding to G82 with monthly age write-downs on annuities based on the act on accidents and an adjusted G82 rate of mortality on annuities on the act on workers' compensation amended to comply with Topdanmark's experience base within death intensity for annuitants. 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 of 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 are measured at their amortised cost.

Other

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

Income statement • Parent company

(DKKm)	Note	2016	2017
Income from affiliated companies	1	1,585	1,771
Revaluations	2	2	(0)
Interest charges		(8)	(7)
Total investment return		1,577	1,764
Other expenses	3	(53)	(42)
PRE-TAX PROFIT		1,525	1,722
Taxation	4	11	11
PROFIT FOR THE YEAR		1,536	1,733
Proposed appropriation of profit for the year:			
Dividend		0	1,710
Transfer to net revaluation reserve at net asset value		1,585	1,771
Transfer from profit carried forward		(49)	(1,748)
		1,536	1,733

Statement of comprehensive income • Parent company

Profit for the year	1,536	1,733
Other comprehensive income in affiliated companies	1	0
Other comprehensive income	1	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,537	1,733

Balance sheet • Parent company

(DKK m)	Note	2016	2017
Assets			
Operating equipment	5	3	3
TOTAL TANGIBLE ASSETS		3	3
Shares in affiliated companies	6	5,643	6,624
Total investment in affiliated companies		5,643	6,624
TOTAL INVESTMENT ASSETS		5,643	6,624
Amounts due from affiliated companies		65	484
Other debtors		65	0
TOTAL DEBTORS		129	484
Deferred tax assets		2	0
Liquid funds		2	3
TOTAL OTHER ASSETS		4	3
TOTAL ASSETS		5,779	7,114
Shareholders' equity and liabilities			
Share capital	7	95	90
Other reserves		1,894	2,875
Total reserves		1,894	2,875
Profit carried forward		3,019	1,822
Proposed dividend		0	1,710
TOTAL SHAREHOLDERS' EQUITY		5,009	6,497
OTHER SUBORDINATED LOAN CAPITAL	8	408	397
Amounts due to affiliated companies		289	183
Current tax liabilities		58	34
Other creditors		16	2
TOTAL CREDITORS		363	219
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		5,779	7,114
Related parties	9		
Own shares	10		
Contingent liabilities	11		
Other note disclosures	12		
Accounting policies	13		

Statement of changes in equity • Parent company

(DKKm)

	Share capital	Other reserves	Profit carried forward	Proposed dividend	Total
2016					
Shareholders' equity at 31 December prior year	105	1,395	3,479		4,979
Effect of new Executive Order on Financial Statements		(31)			(31)
Equity end of year 2015 according to new Executive Order on Financial Statements	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)
Shareholders' equity at 31 December 2016	95	1,894	3,019		5,009
2017					
Shareholders' equity at 31 December prior year	95	1,894	3,019		5,009
Profit / (loss) for the year		1,771	(1,748)	1,710	1,733
Other comprehensive income in affiliated companies		0	0		0
Total comprehensive income for the year		1,772	(1,748)	1,710	1,733
Dividends received from subsidiaries		(839)	839		0
Other movements in capital of subsidiaries		48	0		48
Cancellation of own shares	(5)		5		0
Share buy-back			(410)		(410)
Share-based payments			10		10
Exercise of share options			108		108
Other transactions	(5)	(791)	551		(245)
Shareholders' equity at 31 December 2017	90	2,875	1,822	1,710	6,497

Notes to the financial statements • Parent company

(DKKm)	2016	2017
Note 1. Income from affiliated companies		
Topdanmark Forsikring A/S	1,506	1,673
Topdanmark Kapitalforvaltning A/S	79	101
Topdanmark Invest A/S	(0)	(2)
Income from affiliated companies	1,585	1,771
Note 2. Revaluations		
Subordinated loan capital	2	(0)
Revaluations	2	(0)
Note 3. Other expenses		
Holding expenses	53	42
Other expenses	53	42
Note 4. Taxation		
Current tax	11	12
Change in deferred tax	0	(2)
Taxation (income)	11	11
Pre-tax profit excl. income from affiliated companies	(60)	(50)
Calculated tax on profit for the year 22% (2016: 22%)	13	11
Adjusted for the tax effect of:		
Non-deductible expenses / income not liable to tax	(2)	(0)
	11	11
Effective rate of taxation	18.2	22.4
Deferred tax assets at 31 December 2016 (DKK 2m) concern subordinated loan capital.		
Note 5. Operating equipment		
Cost	3	3
Impairment and amortisation	0	0
Operating equipment	3	3
Note 6. Shares in affiliated companies		
Topdanmark Forsikring A/S	5,383	6,403
Topdanmark Kapitalforvaltning A/S	93	115
Topdanmark Invest A/S	167	105
Other	0	1
Shares in affiliated companies	5,643	6,624
For detailed information please see Note 45 to the financial statements for the Group.		
Note 7. Share capital		
DKK		
Share capital at 1 January	105,000,000	95,000,000
Reduction in capital	(10,000,000)	(5,000,000)
Share capital	95,000,000	90,000,000
Each of Topdanmark's 90,000,000 (2016: 95,000,000) 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 (redeemed 2017)	Subordinated loan capital
Principal	EUR 55m	DKK 400m
Date of issue	July 2007	November 2017
Maturity	Bullet	Bullet
If permitted by the DFSA, the debtor can give notice of termination from	15 September 2017	23 November 2022
Interest rate	EURIBOR 3 months +1.90% to 2017	Cibor 3 months +2.75%
Subsequently	EURIBOR 3 months +2.9%	
		2016 2017
Book value		408 397
Market value (level 2)		409 400
Costs of raising the loan capital		- 3
Interest charges		7 6

Note 9. Related parties

Possessing an ownership interest of 48.90% of the shares outstanding, Sampo plc, Fabianinkatu 27, Helsinki, Finland has a controlling influence of Topdanmark A/S. Effective from 30 September 2017, Topdanmark's financial statements have been included in the consolidated financial statements for Sampo plc in a line by line consolidation.

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

Remuneration of the Board of Directors

Directors' fees adopted by the AGM were DKK 5,317,000 (2016: DKK 5,075,000) including social charges of DKK 242,000 to Sweden (2016: DKK 0).

The fee includes DKK 263,000 (2016: DKK 263,000) concerning Topdanmark Forsikring A/S.

(DKK '000):

Torbjörn Magnusson	788	1,248
Annette Sadolin	525	817
Ann-Jeanette Bakbøl	350	350
Tina Møller Carlsson	350	350
Mette Jensen	350	350
Petri Niemisvirta	-	233
Lone Møller Olsen	233	525
Ricard Wennerklint	-	422
Jens Aaløse	233	350
Anders Colding Friis	117	0
Birgitte Nielsen	525	175
Søren Thorup Sørensen	1,488	496
Total fee paid to nine Board members	4,958	5,317

As a consequence of a vacancy in the board of directors for part of 2016, the total fee settled for 2016 amounts to DKK 4,958,000.

The Board of Directors receive only a fixed remuneration.

Notes to the financial statements • Parent company

(DKKm)

Note 9. Related parties - continued

Remuneration of the Executive Board

Effective 5 February 2018 Peter Hermann took on the CEO position of Topdanmark A/S.

As CEO of Topdanmark Livsforsikring A/S, Peter Hermann in 2017 received a remuneration of DKK 3.2m (8 months 2016: DKK 1.8m).

	Christian Sagild (resigned Dec 2017)	Brian R. Jacobsen	Lars Thykier	Marianne Wier (resigned 2018)	Total
2017					
Salaries etc.*	8.5	4.7	5.2	4.7	23.1
Employee shares	0.5	0.3	0.4	0.3	1.5
Fixed remuneration	9.1	5.0	5.5	5.0	24.6
Share options (variable remuneration)	0.8	0.4	0.5	0.4	2.2
Salaries paid	9.9	5.4	6.0	5.4	26.8
Compensation earned**	0.1	3.6	0.3	3.6	7.6
Salary accrued in the notice period***	10.2				10.2
Accrued anniversary bonuses*	(0.6)				(0.6)
Salaries earned	19.5	9.1	6.3	9.1	44.0

	Kim Bruhn- Petersen (resigned 2016)	Christian Sagild	Brian R. Jacobsen (10 months)	Lars Thykier	Marianne Wier (10 months)	Total
2016						
Salaries etc.	5.4	8.1	3.6	5.4	3.5	26.1
Employee shares	0.0	0.1	0.1	0.1	0.1	0.3
Fixed remuneration	5.4	8.2	3.6	5.5	3.6	26.3
Share options (variable remuneration)	0.5	0.8	0.2	0.5	0.2	2.2
Salaries paid	5.9	9.0	3.9	6.0	3.8	28.6
Compensation earned**			4.2		4.2	8.3
Salary accrued in the notice period***	0.4					0.4
Salaries earned	6.3	9.0	8.1	6.0	7.9	37.3

* Salary etc. for Christian Sagild includes anniversary bonus of DKK 0.6m earned in previous years.

** The Executive Board successively accrues a remuneration of eighteen months to be disbursed by the expiry of the employment. The remuneration is accumulated over the income statement. Kim Bruhn-Petersen, resigned in 2016, has in 2017 received a remuneration of DKK 8.8m. The remuneration for Christian Sagild amounts to DKK 13.2m to be disbursed by the end of the employment at year-end 2018.

*** Christian Sagild is entitled to receive salary for 12 months in the period of notice amounting to DKK 10.2m including accrued holiday pay. The amount is disbursed on a continuing basis in 2018. In 2017, Kim Bruhn-Petersen has received salary DKK 0.4m in the notice period.

Thus, salaries and compensations disbursed for present and former members of the Executive Board amount to DKK 36.0m (2016: 28.6m) of which variable salaries amount to DKK 2.2m (2016: 2.2m).

The Group has no unhedged pension commitments.

2017

Significant risk taker

Additional to the Executive Board, another 19 employees have significant influence on Topdanmark's risk profile.

Fixed remuneration	37.1
Variable remuneration	6.3
	43.4

In 2016, according to the rules in force at that time the Group had one significant risk taker. Pursuant to the exemption clause, the remuneration is not disclosed.

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 may be exercised 3-5 years subsequent to the granting. The scheme is settled by shares (equity instruments).

There are no other earnings conditions to the option scheme 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 option programme of the Executive Board is disclosed in the Group note staff costs, remuneration of the Executive Board.

Notes to the financial statements • Parent company

(DKKm)

2016

2017

Note 9. Related parties - continued

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		
Torbjörn Magnusson	500	500
Annette Sadolin	2,620	2,620
Tina Møller Carlsson	1,270	629
Mette Jensen	1,400	775
Petri Niemisvirta	-	500
Lone Møller Olsen	2,425	2,425
Ricard Wennerklint	-	2,000
Jens Aaløse	50	50
Søren Thorup Sørensen	3,729	-
Birgitte Nielsen	350	-

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

3,000 -

Executive Board

Number of shares		
Lars Thykier	14,130	6,205
Brian Rothemejer Jacobsen	68,200	44,499
Christian Sagild	21,160	9,005
Marianne Wier	0	1,262

Sampo plc

At 31 December 2017, Sampo plc owned nom. DKK 405m subordinated notes in Topdanmark Forsikring A/S.

31 December 2016 Sampo plc possessed nom. DKK 405m in Topdanmark Forsikring A/S and nom. EUR 33.5m in Topdanmark A/S.

Affiliated companies

Expenses charged	35	35
Dividends received	1,062	839

Expenses are charged to cover costs incurred.

Average effective interest rate on balances is 0.00% (2016: 0.03%).

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

Balances are disclosed in the balance sheet.

At 31 December 2017, If P&C Insurance Ltd, a subsidiary in the Sampo Group, holds subordinated notes of a nominal value of DKK 120m in Topdanmark A/S.

Note 10. Own shares

	Number of shares '000	Nominal value DKKm	Percentage of share capital	Bought /sold DKKm
Parent company				
Held at 1 January 2016	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	
Bought in 2017	2,297	2	2.6	410
Sold	(957)	(1)	1.1	(108)
Written down	(5,000)	(5)	-	
Held at 31 December 2017	4,124	4	4.6	
Number of shares held to cover the granting of options: 1,444,000 (2016: 1,783,000)				

Notes to the financial statements • Parent company

(DKKm)

Note 11. Contingent liabilities

All companies in the Topdanmark Group and Danish companies and affiliates in the Sampo Group are jointly taxed with Topdanmark A/S being the management company. Pursuant to the specific rules on corporation taxes etc. in the Danish Companies Act, the companies are liable for the jointly taxed companies and for any obligations to withhold tax from interests, royalties and dividend for companies concerned.

Note 12. 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 2017 until the presentation of the financial statements which could change the assessment of the annual report.

Note 13. 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.

The accounting policies remain unchanged from 2016.

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

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 other comprehensive income items and equity of affiliated companies is included directly in other comprehensive income items and shareholders' equity respectively.

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 measurable 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 → 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 2017.

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 2017 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 2017.

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, 22 February 2018

Executive Board:

Peter Hermann
(CEO)

Brian Rothemejer Jacobsen

Lars Thykier

Board of Directors:

Torbjörn Magnusson
(Chairman)

Annette Sadolin
(Deputy Chairman)

Ann-Jeanette Bakkøl

Tina Møller Carlsson

Mette Jensen

Petri Niemisvirta

Lone Møller Olsen

Ricard Wennerklint

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 2017. 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 2017 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 2017 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.

Our conclusion is in accordance with our audit report for the Audit Committee and the Board of Directors.

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 cover

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

As disclosed in the five-year summary, the solvency cover is exempt from the requirement to be audited. Consequently, our opinion on the consolidated financial statements does not cover the solvency cover, 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 cover 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 cover 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, 22 February 2018

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 2017, 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 consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed shares, 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 2017 and of its financial performance and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed shares.

Also, in our opinion, the parent financial statements give a true and fair view of the financial position of the Parent at 31 December 2017 and of its financial performance for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

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 IESBA Code of Ethics for Professional Accountants and 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.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5 (1) of Regulation (EU) No 537/2014.

We were appointed auditors of Topdanmark A/S for the first time before 1995. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of more than 23 years up to and including the financial year 2017.

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 2017. 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.

Measurement of insurance provisions

At 31 December 2017, provisions for insurance contracts amount to DKK 16,091m for non-life insurance and DKK 54,198m for life insurance (DKK 16,264m at 31 December 2016 for non-life insurance and DKK 47,351m at 31 December 2016 for life insurance).

The calculation of provisions for insurance contracts is complex and to a significant extent subject to accounting estimation that is based on management judgements 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 contracts are not measured applying appropriate models and realistic assumptions.

How the matter was addressed in our audit

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

- 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.

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 industrial injury)
- Expected future cash flow from insurance 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 contracts, the actuarial calculations and assumptions applied in more detail in note on Accounting policies.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, 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 commentary.

Solvency cover

Management is responsible for the solvency cover evident from the statement of financial highlights and key figures of the annual report.

As disclosed in the statement of financial highlights and key figures, the solvency cover is exempt from the requirement to be audited. Consequently, our opinion on the parent financial statements does not cover the solvency cover, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the parent financial statements, our responsibility is to consider whether the solvency cover 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 cover is materially misstated, we are required to report on this. We have nothing to report in this respect.

Management's responsibilities 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 issuers of listed shares, and for 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 ISAs 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 ISAs 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 Entity 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, 22 February 2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Anders Oldau Gjelstrup
State-Authorised Public Accountant
MNE no 10777

Jacques Peronard
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