

TOPDANMARK ANNOUNCEMENT OF 2017 ANNUAL RESULTS

25 January 2018 Announcement No. 02/2018

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.

Webcast

Topdanmark's Group Communications and IR Director, Steffen Heegaard will present the financial highlights and comment on the forecast in a [webcast](#).

Conference call

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

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

UK dial-in number: +44 (0)20 7192 8000

US dial-in number: +1 631 510 7495

10-15 minutes before the conference quoting reference 6797559 and ask the operator to connect you to the Topdanmark conference call – or listen to the live [transmission](#) of the call.

Please direct any queries to:

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Financial highlights

						Q4	Q4
(DKKm)	2013	2014	2015	2016	2017	2016	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 (DKK m)	Forecast 2017		Results 2017
	Results 2016	as in Q1-Q3 2017 interim report	
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 (DKK m)	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.

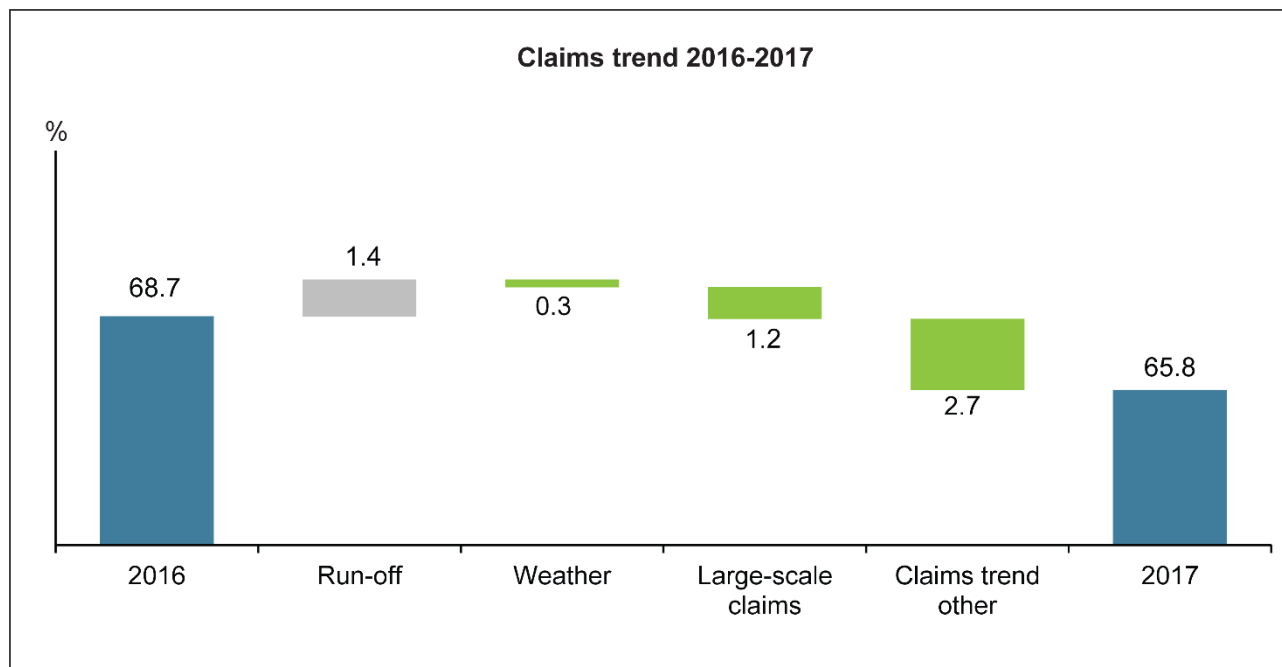
2017 was impacted by a low level of large-scale claims. Compared to 2016, the level was DKK 111m lower, improving the claims trend for the Topdanmark Group by 1.2pp.

Claims trend	Q4	Q4	2016	2017
	2016	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.

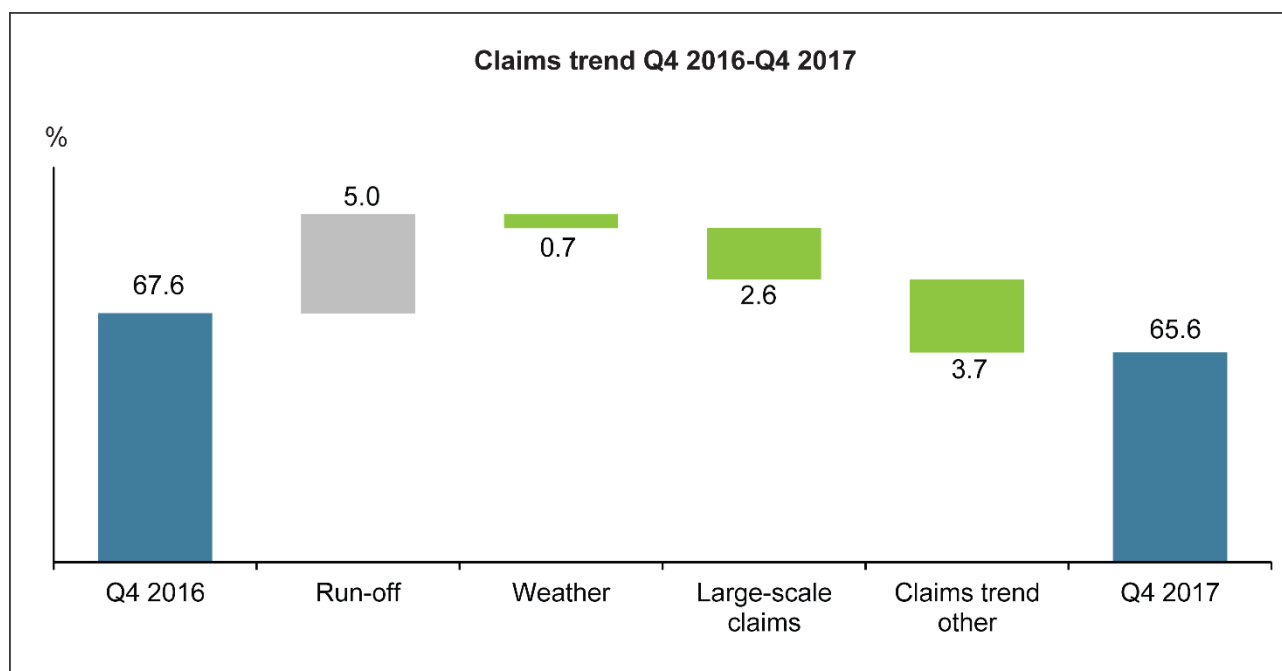
The level of large scale-claims was also very low in Q4 2017, improving the claims trend by 2.6pp.

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	Q4		
	2016	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	Q4		
	2016	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	Q4	2016	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	Q4	2016	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.

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.

Developments in Q4 2017

The result from life insurance declined DKK 12m to DKK 42m primarily representing a lower investment return on shareholders' equity (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.

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 (DKK m)	Q4		Q4	
	2016	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	Return	%	Return	%	Return	%	Return	%
	(DKKbn)		(DKK m)		(DKK m)		(DKK m)		(DKK m)	
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.

Solvency calculation and capital requirements

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

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

The Danish FSA has granted Topdanmark approval for using the volatility-adjusted Solvency II interest rate curve (see above).

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.

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.

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

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

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

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 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 also 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 issued.

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

Management

CEO of Topdanmark, Christian Sagild, resigned from his position in Topdanmark effective 1 January 2018 (Company announcement no. 25/2017).

The Board of Directors is in the process of recruiting a successor for Christian Sagild.

Until completion of the recruitment process and the new CEO has taken on the position, Lars Thykier is acting CEO, cf. company announcement no. 32/2017. Lars Thykier will still be CFO.

The strategy for Topdanmark will remain unaffected by the change of CEO.

Financial calendar

2017 Annual Report	22 Feb 2018
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

Disclaimer

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

Many factors may cause significant deviation from the forecasts and assumptions set out in the interim report. Such factors could be, for example, cyclical movements, changes in the financial markets, the financial effect of non-anticipated events like acts of terror or exceptional weather conditions, changes in Danish and EU rules, competitive factors in the insurance industry and 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 concerning 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 preparation of this interim report.

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

Accounting policies

The announcement of the 2017 annual results has been prepared in accordance with IAS 34 on interim reports for listed companies. Furthermore, the announcement has been prepared in accordance with additional Danish disclosure requirements on interim reports for listed financial services companies.

IFRS

The following amendments, which took effect on 1 January 2017, has 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).

Accounting policies are consequently unchanged compared to the Annual Report for 2016 that contains a full description of accounting policies.

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.

The announcement has not been audited nor subjected to a review.

Income statement • Group

(DKK m)	Note	Q4 2016	Q4 2017	2016	2017
NON-LIFE INSURANCE					
Gross premiums written		1,499	1,566	8,745	9,050
Ceded reinsurance premiums		(50)	(48)	(637)	(617)
Change in the provisions for unearned premiums		805	846	110	44
Change in profit margin and risk margin		(91)	(149)	51	(43)
Change in the reinsurers' share of the provisions for unearned premiums		(110)	(107)	(0)	12
Premiums earned, net of reinsurance		2,053	2,108	8,269	8,446
Gross claims paid		(1,666)	(1,605)	(6,286)	(5,856)
Reinsurance cover received		121	68	424	258
Change in the provisions for claims		219	257	349	342
Change in risk margin		19	(4)	(1)	0
Change in the reinsurers' share of the provisions for claims		(41)	(54)	(1)	(120)
Claims incurred, net of reinsurance	1	(1,348)	(1,338)	(5,516)	(5,376)
Bonuses and rebates		(9)	(18)	(48)	(66)
Acquisition costs		(240)	(240)	(945)	(950)
Administrative expenses		(128)	(126)	(487)	(485)
Reinsurance commission and share of profits		22	23	88	78
Total operating expenses, net of reinsurance		(346)	(344)	(1,344)	(1,358)
TECHNICAL PROFIT ON NON-LIFE INSURANCE		350	408	1,361	1,646
LIFE INSURANCE					
Gross premiums written	2	1,783	2,186	7,430	8,250
Ceded reinsurance premiums		(2)	(0)	(6)	(0)
Premiums, net of reinsurance		1,781	2,186	7,424	8,250
Allocated investment return, net of reinsurance		1,218	838	3,147	3,372
Pension return tax		(201)	(151)	(501)	(522)
Claims and benefits paid		(859)	(993)	(3,453)	(4,701)
Reinsurance cover received		1	1	6	4
Claims and benefits paid, net of reinsurance		(858)	(992)	(3,447)	(4,697)
Change in the life insurance provisions		(1,808)	(1,656)	(6,159)	(5,816)
Change in the reinsurers' share		(0)	(4)	(5)	(7)
Change in the life insurance provisions, net of reinsurance		(1,809)	(1,661)	(6,164)	(5,822)
Change in profit margin		(21)	(124)	(37)	(141)
Acquisition costs		(36)	(33)	(146)	(148)
Administrative expenses		(71)	(76)	(270)	(285)
Reinsurance commission and share of profits		1	1	2	1
Total operating expenses, net of reinsurance		(106)	(108)	(414)	(433)
TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE		3	(13)	7	8

Income statement • Group

(DKKm)	Q4 2016	Q4 2017	2016	2017
NON-TECHNICAL ACTIVITIES				
Technical profit on non-life insurance	350	408	1,361	1,646
Technical profit / (loss) on life insurance	3	(13)	7	8
Income from associated companies	21	29	46	61
Income from investment properties	15	11	74	54
Interest income and dividends etc.	415	354	1,740	1,805
Revaluations	853	664	2,464	2,323
Interest charges	(19)	(20)	(78)	(79)
Expenses on investment business	(16)	(10)	(57)	(39)
Total investment return	1,269	1,028	4,189	4,124
Return and revaluations non-life insurance provisions	145	(81)	(423)	(143)
Investment return transferred to life insurance business	(1,218)	(838)	(3,147)	(3,372)
Other income	5	7	19	23
Other expenses	(21)	(19)	(64)	(51)
PRE-TAX PROFIT	533	492	1,942	2,235
Taxation	(112)	(112)	(407)	(502)
PROFIT FOR THE YEAR	421	379	1,536	1,733
EPS (DKK)	4.8	4.4	16.8	20.2
EPS, diluted (DKK)	4.8	4.4	16.7	20.2

Statement of comprehensive income • Group

Profit for the year	421	379	1,536	1,733
Revaluation / Reversed revaluation on non-occupied properties	0	(1)	1	0
Other comprehensive income	0	(1)	1	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	422	379	1,537	1,733

Assets • Group

(DKKm)	2016	2017
INTANGIBLE ASSETS	806	922
Operating equipment	132	111
Owner-occupied properties	856	853
TOTAL TANGIBLE ASSETS	988	965
Investment properties	3,448	3,643
Shares in associated companies	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	21,528	25,791
Reinsurers' share of the provisions for unearned premiums	72	84
Reinsurers' share of the life insurance provisions	27	20
Reinsurers' share of the provisions for claims and benefits	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	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

(DKKm)	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		1,754	1,744
Provisions for unearned premiums		1,881	1,856
Profit margin, non-life insurance contracts		711	751
Products with guarantees and profitsharing		24,465	24,063
Unit-Linked products		22,783	29,891
Total life insurance provisions		47,248	53,954
Profit margin, life insurance and investment contracts		103	244
Provisions for claims and benefits		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		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
Financial assets and liabilities	3		
Contingent liabilities	4		

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 end of period	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

(DKK m)

	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)
Shareholders' equity beginning of the year according to new Executive Order on Financial Reports	105	11	1,146	47	3,333		4,642
Profit for the year				11	1,525		1,536
Other comprehensive income		1		0	0		1
Total comprehensive income for the year		1		11	1,525		1,537
Cancellation of own shares	(10)				10		0
Share buy-back					(1,524)		(1,524)
Share-based payments					18		18
Exercise of share options					32		32
Taxation					(2)		(2)
Other transactions	(10)				(1,466)		(1,476)
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	0	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)
Available share subordinated loan tier 1	409	400
Available share subordinated notes	1,353	1,349
Own funds	6,348	6,370

Segment information • Group

Income statement

(DKKm)	Per- sonal	SME	Elimin- ated	Non-life	Life	Parent etc.	Elimin- 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 tax 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 tax 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

Notes to the financial statements • Group

(DKK m) 2016 2017

Note 1. 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

Note 2. Gross premiums written - Life insurance

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

Note 3. Financial assets and liabilities

Financial assets recorded at fair value based on non-observable input, comprises investment properties and bonds.

Bonds measured on non-observable input - Level 3:

Portfolio at 1 January	523	582
Purchases	287	239
Repayments	(234)	(103)
Foreign exchange adjustment	6	(26)
Portfolio at 31 December	582	692

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

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

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

The accounting policies for financial assets and liabilities are stated in the latest Annual Report.

Note 4. Contingent liabilities

Contract liabilities	394	611
Adjustments to VAT liabilities	52	80
Other liabilities	21	22
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 Life insurance. 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.

Income statement • Parent company

(DKK)m	Q4 2016	Q4 2017	2016	2017
Income from affiliated companies	439	393	1,585	1,771
Revaluations	1	0	2	(0)
Interest charges	(2)	(1)	(8)	(7)
Total investment return	438	392	1,577	1,764
Other expenses	(19)	(16)	(53)	(42)
PRE-TAX PROFIT	419	376	1,525	1,722
Taxation	2	4	11	11
PROFIT FOR THE YEAR	421	379	1,536	1,733

Statement of comprehensive income • Parent company

Profit for the year	421	379	1,536	1,733
Other comprehensive income from affiliated companies	0	(1)	1	0
Other comprehensive income	0	(1)	1	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	421	379	1,536	1,733

Balance sheet • Parent company

(DKK)m	2016	2017
Assets		
Operating equipment	3	3
TOTAL TANGIBLE ASSETS	3	3
Shares in affiliated companies	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	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	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