

TOPDANMARK INTERIM REPORT FOR Q1 2017

23 May 2017, Announcement No. 21/2017

Key features

Q1 2017

- Post-tax profit of DKK 415m (Q1 2016: DKK 161m)
- EPS was DKK 4.8 (Q1 2016: DKK 1.7)
- Combined ratio: 85.8 (Q1 2016: 86.0)
- Combined ratio excluding run-off profits: 89.0 (Q1 2016: 91.8)
- Premiums increased 1.7% in non-life insurance and declined 4.8% in life insurance
- Profit on life insurance was DKK 72m (Q1 2016: DKK 8m)
- After return and revaluation of non-life insurance provisions, the investment return was DKK 152m (Q1 2016: DKK 91m loss).

Profit forecast model for 2017

- The assumed combined ratio for 2017 improved from 91-92 to around 89, excl. run-off profits in Q2-Q4 2017 still incl. additional expenses of 0.5-1pp due to the investment in increased digitalisation and automation
- Assumed growth in premiums adjusted from around 0 to slightly positive
- The post-tax profit forecast model for 2017 is upgraded from DKK 900-1,000m to DKK 1,100-1,200m, excluding run-off in Q2-Q4 2017, representing EPS of DKK 13.5.

New earnings distribution policy

- Topdanmark maintains its disciplined approach to capital consumption
- Topdanmark will switch to distribution of dividends
- Basis for dividend scheme: a pay-out ratio of at least 70%
- Distribution for 2017 will take place after the AGM on 12 April 2018.

Webcast

In a webcast, Christian Sagild, Topdanmark's CEO will present the financial highlights and comment on the forecast.

Conference call

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

In order to participate in the conference call, please call:
UK dial-in number: +44 (0)20 7162 9961
US dial-in number: +1 646 851 2094

10-15 minutes before the conference, quote reference 961894 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

(DKKm)	Full year 2016	Q1 2016	Q1 2017
Premiums earned:			
Non-life insurance	8,858	2,197	2,235
Life insurance	7,430	2,134	2,032
	16,288	4,331	4,267
Results:			
Non-life insurance	1,712	196	438
Life insurance	189	8	72
Parent company etc.	41	1	24
Pre-tax profit	1,942	205	534
Tax	(407)	(45)	(119)
Profit	1,536	161	415
Run-off profits, net of reinsurance	470	129	72
Shareholders' equity of parent company at 1 January	4,948	4,948	5,009
Profit	1,536	161	415
Share buy-back	(1,524)	(337)	(410)
Share-based payments	50	15	42
Other movements in shareholders' equity	(1)	(2)	12
Shareholders' equity of parent company end of period	5,009	4,784	5,067
Deferred tax on security funds	306	306	306
Shareholders' equity of Group end of period	4,702	4,478	4,761
Total assets, parent company	5,779	5,493	6,121
Total assets, Group	73,476	70,744	77,384
Provisions for insurance and investment contracts:			
Non-life insurance	16,264	18,439	18,050
Life insurance	47,351	41,608	49,221
Financial ratios (parent company)			
Post-tax profit as a % of shareholders' equity	30.2	3.3	8.1
Post-tax EPS (DKK)	16.8	1.7	4.8
Post-tax EPS, diluted (DKK)	16.7	1.7	4.8
Net asset value per share, diluted (DKK)	57.3	50.9	59.4
Share buy-back per share, diluted (DKK)	16.6	3.6	4.7
Listed share price end of period	179.3	166.7	176.8
Average number of shares ('000)	91,465	94,589	86,283
Average number of shares, diluted ('000)	91,721	94,925	86,451
Number of shares end of period ('000)	87,216	93,762	85,218
Ratios non-life insurance (%)			
Gross loss ratio	67.2	76.3	63.8
Net reinsurance ratio	1.4	(7.5)	4.6
Claims trend	68.7	68.7	68.5
Gross expense ratio	16.4	17.2	17.3
Combined ratio	85.1	86.0	85.8
Combined ratio excl. run-off profits	90.4	91.8	89.0

Results for Q1 2017

Topdanmark's post-tax profit for Q1 2017 was DKK 415m (Q1 2016: DKK 161m).

Pre-tax profit was DKK 534m (Q1 2016: DKK 205m).

The technical result increased DKK 9m to DKK 317m. The increase was due to a lower level of large-scale and fire claims that more than offset a decline in run-off profits of DKK 57m, and an adverse impact of the lower level of interest rates of DKK 11m.

After return and revaluation of non-life insurance provisions, the investment return increased DKK 233m to DKK 121m. The higher investment return was primarily due to a high investment return on equities and a continued high return on structured credits. The investment return for Q1 2017 of DKK 121m was significantly higher than the assumed normal level.

The profit on life insurance increased DKK 64m to DKK 72m, primarily due to a higher investment return and improved results of sales and administration.

Trend in profit (DKKm)	Full year 2016	Q1 2016	Q1 2017
Non-life insurance			
- Technical result	1,320	308	317
- Investment return etc.			
- Unwinding and revaluations of non-life insurance provisions	392	(112)	121
Profit on non-life insurance	1,712	196	438
Life insurance	189	8	72
Parent company etc.	41	1	24
Pre-tax profit	1,942	205	534
Tax	(407)	(45)	(119)
Profit	1,536	161	415

Non-life insurance Premiums earned

Premiums earned increased 1.7% to DKK 2,235m. Adjusted for one-off effects, the increase in premiums earned was 0.9%. The personal segment accounted for a 2.2% increase, and the SME segment accounted for a 1.1% increase.

Q1 2017 was characterised by a net increase in the number of customers in the personal, agricultural and SME markets. In the Interim Report for Q1-Q3 2016, Topdanmark stated that it was expected that the last large-scale customers would leave at the end of 2016. That was the case, and the loss of customers resulted in a 0.6% decline in premiums earned for the Topdanmark Group.

The average premium for motor insurance declined 1.8% from Q1 2016 to Q1 2017. Despite an increase in the number of cars insured in Q1 2017, premiums earned from motor insurance declined. This adversely impacted Topdanmark's total premiums earned by 0.3% in Q1 2017.

Claims trend

The claims trend improved to 68.5 in Q1 2017 from 68.7 in Q1 2016.

The trend in the SME segment was impacted by a low level of large-scale claims in Q1 2017 compared to Q1 2016. Consequently, the claims trend for the SME segment favourably impacted the claims trend for the Topdanmark Group by 1.6pp.

The level of fire claims was also lower than in Q1 2016 particularly in the SME segment, improving the claims trend by 1.4pp.

One-off effects on premiums earned helped improve the claims trend by 0.6pp.

The risk premium (claims frequency x average claim) for motor insurance was DKK 2,176 in Q1 2017 compared to DKK 2,220 in Q1 2016 due to an increase in comprehensive insurance and a decline in personal injury. The increase in comprehensive insurance is assumed to be impacted by the use of new technology, including safety equipment in new cars. The decline in the number of personal injuries is due to improved safety equipment in cars and safer roads for traffic. Overall, the claims trend in motor insurance improved 0.3pp.

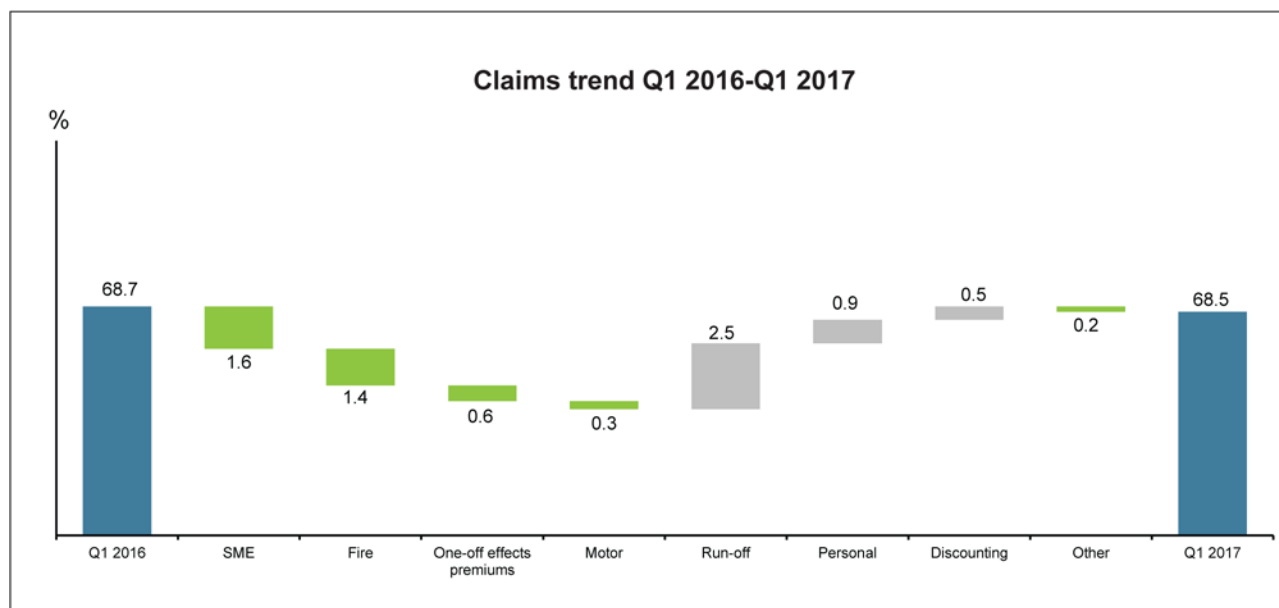
Run-off profits, net of reinsurance, were DKK 72m in Q1 2017 (Q1 2016: DKK 129m), representing a 2.5pp decline in the claims trend. In Q1 2017, illness/accident insurance and motor insurance primarily generated run-off profits.

In the personal segment, the claims trend deteriorated 0.9pp, primarily due to an increase in the number of piping claims.

The lower level of interest rates in Q1 2017 compared to Q1 2016 caused a 0.5pp deterioration in the claims trend.

The underlying claims trend (adjusted for run-off, weather-related claims and large-scale claims) improved to 71.6 in Q1 2017 from 73.7 in Q1 2016.

As in Q1 2016, there were no weather-related claims in Q1 2017.



Expense ratio

The expense ratio was 17.3 in Q1 2017 (Q1 2016: 17.2).

The payroll tax imposed on Danish financial businesses, increased from 13.6% in 2016 to 14.1% in 2017, representing a 0.1pp adverse impact on the expense ratio in Q1 2017. In addition, the general trend of wages and salaries impacted the expense ratio by 0.4pp.

Normally, the expense ratio is higher in Q1 than in the subsequent quarters, due to higher sales commissions and fewer holiday days taken in Q1.

Combined ratio

The combined ratio was 85.8 in Q1 2017 (Q1 2016: 86.0). Excluding run-off profits, the combined ratio was 89.0% (Q1 2016: 91.8%).

Financial highlights – Non-life insurance (DKKkm)	Full year 2016	Q1 2016	Q1 2017
Gross premiums earned	8,858	2,197	2,235
Claims incurred	(5,955)	(1,675)	(1,427)
Expenses	(1,457)	(378)	(387)
Net reinsurance	(126)	165	(104)
Technical result	1,320	308	317
Investment return after return and revaluations of non-life insurance provisions	373	(119)	119
Other items	19	7	2
Profit on non-life insurance	1,712	196	438
Run-off profits, net of reinsurance	470	129	72
Gross loss ratio (%)	67.2	76.3	63.8
Net reinsurance ratio (%)	1.4	(7.5)	4.6
Claims trend (%)	68.7	68.7	68.5
Gross expense ratio (%)	16.4	17.2	17.3
Combined ratio (%)	85.1	86.0	85.8
Combined ratio excl. run-off profits (%)	90.4	91.8	89.0

Segment reporting

Personal

The Personal segment offers policies to individual households in Denmark.

Premiums earned increased 2.2% to DKK 1,258m. The increase in premiums was primarily generated in illness/accident insurance, 5.3%, and a small increase in premiums earned on other personal insurance (0.5%). Premiums earned on motor insurance declined 1.9% impacted by a decline in average premiums (1.5%).

The technical result was DKK 201m in Q1 2017, representing an increase of DKK 5m compared to Q1 2016.

The claims trend improved 0.3pp to 66.9. As compared to Q1 2016, the claims trend was favourably impacted by an improved claims trend for fire (1.1pp) and one-off premiums for premiums earned (0.7pp). On the other hand, the claims trend was adversely impacted by an increase in piping claims (0.8pp). Run-off profits were lower than in Q1 2016 (0.7pp).

The expense ratio increased to 17.1 in Q1 2017 (Q1 2016: 16.9).

The combined ratio improved marginally to 84.0 (Q1 2016: 84.1).

Excluding run-off profits, the combined ratio improved to 89.8 in Q1 2017 (Q1 2016: 90.8).

Personal (DKKm)	Full year 2016	Q1 2016	Q1 2017
Gross premiums earned	4,909	1,230	1,258
Claims incurred	(3,284)	(820)	(822)
Expenses	(821)	(208)	(215)
Net reinsurance	(77)	(6)	(19)
Technical result	727	196	201
Run-off profits, net of reinsurance	232	82	73
Gross loss ratio (%)	66.9	66.7	65.4
Net reinsurance ratio (%)	1.6	0.5	1.5
Claims trend (%)	68.5	67.2	66.9
Gross expense ratio (%)	16.7	16.9	17.1
Combined ratio (%)	85.2	84.1	84.0
Combined ratio excl. run-off profits (%)	89.9	90.8	89.8

SME

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

Premiums earned increased 1.1% to DKK 982m. There was a favourable trend in the sales to SME customers. In Q1 2017, the trend in premiums was impacted by the loss of the last large-scale industrial customers in 2016, cf. Topdanmark's strategy of prioritising profit over growth. Adjusted for premiums earned from industrial customers, premium growth was 2.8% in Q1 2017.

The technical result increased DKK 3m to DKK 115m in Q1 2017.

There were no large-scale claims in Q1 2017, unlike Q1 2016 when the claims trend was impacted by large-scale claims by 1.5pp.

There were no weather-related claims in Q1 2017 and in Q1 2016.

Run-off losses were DKK 1m in Q1 2017 (Q1 2016: DKK 47m run-off profit), which adversely impacted the claims trend by 4.9pp.

Due to a generally favourable trend in Q1 2017, the overall claims trend improved by 0.3pp to 70.6.

The expense ratio increased 0.2pp to 17.7 due to increased acquisition expenses.

The combined ratio improved marginally to 88.3 in Q1 2017 (Q1 2016: 88.4).

Excluding run-off profits, the combined ratio improved to 88.2 in Q1 2017 (Q1 2016: 93.2).

SME (DKKm)	Full year 2016	Q1 2016	Q1 2017
Gross premiums earned	3,969	972	982
Claims incurred	(2,689)	(859)	(609)
Expenses	(636)	(170)	(174)
Net reinsurance	(49)	170	(84)
Technical result	595	112	115
Run-off profits / (loss), net of reinsurance	238	47	(1)
Gross loss ratio (%)	67.7	88.4	62.0
Net reinsurance ratio (%)	1.2	(17.5)	8.6
Claims trend (%)	69.0	70.9	70.6
Gross expense ratio (%)	16.0	17.5	17.7
Combined ratio (%)	85.0	88.4	88.3
Combined ratio excl. run-off profits (%)	91.0	93.2	88.2

Life insurance

The result from life insurance was a profit of DKK 72m in Q1 2017 (Q1 2016: DKK 8m).

Profit on life insurance activities comprises the profit on life insurance plus the investment return of Liv Holding (Life Holding).

These profits were calculated in accordance with the stated policy for the calculation of profit for the life insurance company: see www.topdanmark.com → Investor → Business → Life insurance → [Policy for the calculation of profit in life insurance](#).

Result of life insurance (DKKm)	Full year 2016	Q1 2016	Q1 2017
Investment return on shareholders' equity	71	(12)	39
Sales and administration	(42)	(19)	(10)
Insurance risk	13	2	5
Risk return on shareholders' equity	147	36	37
Risk return transferred to (minus)/from shadow account	0	0	0
Profit on life insurance	189	8	72
Estimated value of shadow account end of period	14	3	19

Developments in Q1 2017

The increase in the profit for life insurance of DKK 64m was primarily due to an increase in the investment return on shareholders' equity of DKK 39m in Q1 2017 (Q1: 2016 DKK 12m loss). Furthermore, there is an improvement in the result for sales and administration from a DKK 19m loss in Q1 2016 to a DKK 10m loss in Q1 2017 due to cost savings and increased fees.

Trend in premiums

Gross premiums declined 4.8% to DKK 2,032m in Q1 2017, of which premiums on unit-linked pension schemes were DKK 1,468m, representing a 7.4% decline compared to Q1 2016.

Regular premiums increased 1.7% to DKK 853m in Q1 2017. Single premiums were DKK 1,178m in Q1 2017, representing a 9.1% decline.

Investment activities Topdanmark Group excl. life insurance

The investment return in the Topdanmark Group, excluding life insurance, was DKK 165m in Q1 2017 (Q1 2016: DKK 212m). Return and revaluation of non-life insurance provisions were DKK 13m (loss) in Q1 2017, compared to DKK 303m (loss) in Q1 2016.

It is Topdanmark's policy to accept a certain level of financial risk, given its strong liquid position and stable, high earnings from insurance operations. Topdanmark has invested in, among other things, equities, properties and CDOs in order to improve the average investment return.

The return in Q1 2017 on the most significant classes of assets is disclosed in the following table:

Investment return	Portfolio 31 March							
	2016		2017		Return Q1 2016		Return Q1 2017	
	(DKKbn)		(DKKbn)		%		(DKKbn)	
Danish equities	0.3	0.3	(7)	(1.9)	26	8.7		
Foreign equities	0.6	0.6	(15)	(2.7)	35	5.7		
Unlisted equities and hedge funds	0.3	0.3	(29)	(8.6)	16	5.1		
Government and mortgage bonds	13.1	12.0	200	1.6	17	0.1		
Credit bonds	0.3	0.1	2	0.7	5	2.7		
Index linked bonds	0.5	0.4	1	0.3	6	1.6		
CDOs	0.5	0.6	(21)	(3.8)	25	4.5		
Properties	1.0	1.0	14	1.4	13	1.3		
Assets related to I/A	2.3	2.5	79	3.7	3	0.1		
Money market etc.	1.8	4.1	(8)	(0.4)	(3)	(0.1)		
Subordinated loan capital	(2.2)	(1.8)	(17)	(0.8)	(11)	(0.6)		
Interest-bearing debt	0.0	(0.3)	(1)	(0.6)	(2)	(1.3)		
	18.6	20.0	197	1.1	130	0.7		
Asset management			15		35			
Investment return			212		165			
Return and revaluations of non-life insurance provisions			(303)		(13)			
Investment return after return and revaluations of non-life insurance provisions			(91)		152			

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

The investment return after return and revaluation of non-life insurance provisions was DKK 152m. The higher return was primarily due to a high return on Danish equities in particular and a continued high return on structured credits.

The post-tax equity exposure was DKK 848m (pre-tax: DKK 1,087m) excluding associated companies, but including the impact of derivatives. The equity portfolios are well diversified without large individual positions.

The composition of the Danish portfolio is based on OMXCCAP for Danish equities (representing approx. 30% of the portfolio on 31 March 2017) and MSCI World DC in the original currency for foreign equities. The class "Unlisted equities and hedge funds" includes private equity positions (DKK 58m), and positions in hedge funds where the investment mandates primarily aim at positioning in the credit market (DKK 176m).

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

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

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

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

The property portfolio comprises mainly owner-occupied property (DKK 856m). The properties are valued in accordance with the rules of the DFSA i.e. at market value, taking into account the level of rent and the terms of the tenancy agreements. The overall occupancy rate is 98%.

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

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

"Subordinated loan capital" comprises hybrid capital issued by the parent company and subordinated loans issued by Topdanmark Forsikring.

"Interest-bearing debt" comprises other debt.

Topdanmark uses the Solvency II discount curve with volatility adjustment (VA) for measuring claims 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 45bp at the end of Q1 2017 and 51bp at the beginning of the year.

Solvency calculation and capital requirements

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

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

The DFSA has granted Topdanmark approval for using the volatility-adjusted Solvency II interest rate curve.

Own funds

Principal elements of own funds:

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

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

Topdanmark Forsikring has issued subordinated notes in two tranches:

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

At the end of Q1 2017, Topdanmark's own funds were DKK 6,632m (end of Q1 2016: DKK 6,348m). DKK 150m for share buy-back approved by the DFSA, but not adopted at the AGM due to the decision to revoke the authority of the Board of Directors to buy back own shares, were not offset against the DKK 6,632m.

The solvency requirement (SCR) is DKK 3,604m (end of 2016: DKK 3,643m).

The solvency ratio is 184 (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 Asset Management) and finance costs.

The improved result in Q1 2017 to DKK 24m from DKK 1m in Q1 2016 derives from Topdanmark's Asset Management. The result is increased by performance-related investment management fees.

Taxation

The tax charge was DKK 119m of the pre-tax profit of DKK 534m, corresponding to an effective tax rate of 22.3 (Q1 2016: 21.7).

Profit forecast model

Traditionally, Topdanmark does not publish actual profit forecasts, but instead the expected level of results if a number of assumptions about the return in the financial markets are met. The return in the financial markets changes on a daily basis, and Topdanmark's profit forecast model will already deviate from actual expectations by the time it is published. Therefore, set out at www.topdanmark.com → Investor → [Risk management](#) is additional information on how changes in the assumptions underlying the profit forecast model will affect the results.

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

In the Annual Report for 2016, it was stated that Topdanmark's post-tax profit forecast model for 2017 was DKK 900-1,000m.

Non-life insurance

Topdanmark assumed a pre-tax profit of DKK 930-1,030m. This profit forecast model was based on the following assumptions:

- Premium growth of around 0
- Weather-related claims of DKK 170m, DKK 50m of these for Q1 2017
- Combined ratio for 2017 of 91-92, excl. run-off but incl. additional expenses of 0.5 to 1pp due to Topdanmark's investment in increased digitalisation and automation
- A level of interest rates corresponding to the interest rate curve on 10 February 2017
- An annual 7.0% return on equities and unchanged foreign exchange rates from the level on 10 February 2017.

Since the profit forecast model for 2017 was published in the Annual Report for 2016, the following assumptions have changed:

- The better than assumed claims trend in Q1 2017 represents an improvement of combined ratio of 1.1pp for 2017
- In Q1 2017 there were run-off profits of DKK 72m, corresponding to a 0.8pp improvement of the combined ratio
- Weather-related claims were DKK 0m in Q1 2017, which is DKK 50m lower than assumed, corresponding to a 0.6pp improvement of the combined ratio for 2017

- Interest rates remain unchanged relative to the guidance for 2017 in the annual report for 2016
- From 10 February 2017 until 11 May 2017, the pre-tax investment return was DKK 24m higher than assumed.

The assumed combined ratio for 2017 is adjusted from 91-92 to around 89, excluding run-off profits/losses in Q2-Q4 2017.

The premium growth in Q1 2017 was above the assumed level, with a net increase in customers in the personal and the SME segment. Consequently, the assumed premium growth is adjusted from around 0 to slightly positive.

The overall assumed pre-tax result for non-life insurance is DKK 1,150-1,250m.

Life insurance

In the Annual Report for 2016, Topdanmark assumed a pre-tax profit on life insurance of DKK 180-210m in 2017, based on the following assumptions:

- 0-5% growth in regular premiums
- Full recognition as income of risk return for shareholders' equity from all interest rate groups
- No profit from the shadow account.

In respect to the profit forecast model assumptions, the above assumptions have not changed.

Overall, the assumed pre-tax profit on life insurance is DKK 210-240m.

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

Parent company

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

Taxation

Given a corporation tax rate of 22%, the tax charge is expected to be DKK 310-350m.

Total Group profit

Topdanmark's overall post-tax profit forecast model for 2017 has been upgraded by DKK 200m to DKK 1,100-1,200m, representing EPS of DKK 13.5. The assumed profit is exclusive of run-off profits/losses in the remaining three quarters of 2017.

The profit forecast model is based on the assumption of an annual 7.0% return on equities, and unchanged foreign exchange rates from the level of 11 May 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 1.77% (risk-free interest rate plus 2.0pp)

Profit forecast 2018 (DKKm)	Results 2016	Forecast 2017 10 February 2017		Forecast 2018 11 May 2017	
Non-life insurance					
- Technical result	1,320	750	- 800	950	- 1,000
- Investment return after return and revaluations of non-life insurance provisions	392	180	- 230	200	- 250
Profit on non-life insurance	1,712	930	- 1,030	1,150	- 1,250
Life insurance	189	180	- 210	210	- 240
Parent company etc.	41	50	- 60	50	- 60
Pre-tax profit	1,942	1,160	- 1,300	1,410	- 1,550
Taxation	(407)	(260)	- (300)	(310)	- (350)
Profit for the year	1,536	900	- 1,000	1,100	- 1,200

New earnings distribution policy

On 4 April 2017, the AGM decided to revoke the authorization granted to the Board of Directors to acquire Topdanmark shares.

Consequently, the Board of Directors has adopted a policy for distribution of current profits to the shareholders. See the [Earnings distribution policy](#) at Topdanmark.com.

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

Dividends will be distributed once a year. Payment of dividends will take place immediately after adoption at the AGM.

The basis for the dividend scheme is a pay-out ratio of at least 70%.

Distribution of dividends will take place immediately after the AGM on 12 April 2018.

Financial calendar

2017 Half-year Report	15 Aug 2017
Q1-Q3 2017 Interim Report	14 Nov 2017
Deadline for submitting items for AGM agenda	28 Feb 2018
AGM	12 Apr 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 unexpected 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 interim report.

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

Accounting policies

Topdanmark's interim report for Q1 2017 has been prepared in accordance with IAS 34 on interim reports for listed companies. Furthermore, the interim report has been prepared in accordance with additional Danish disclosure requirements on interim reports for listed financial services companies.

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

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

Income statement • Group

(DKK)m	Note	Full year 2016	Q1 2016	Q1 2017
NON-LIFE INSURANCE				
Gross premiums written		8,745	4,001	4,177
Ceded reinsurance premiums		(637)	(380)	(383)
Change in the provisions for unearned premiums		110	(1,809)	(1,919)
Change in profit margin and risk margin		51	17	(10)
Change in the reinsurers' share of the provisions for unearned premiums		(0)	218	235
Premiums earned, net of reinsurance		8,269	2,046	2,101
Gross claims paid		(6,286)	(1,515)	(1,521)
Reinsurance cover received		424	48	74
Change in the provisions for claims		349	(129)	119
Change in risk margin		(1)	(27)	(20)
Change in the reinsurers' share of the provisions for claims		(1)	257	(48)
Claims incurred, net of reinsurance	1	(5,516)	(1,366)	(1,397)
Bonuses and rebates		(48)	(11)	(14)
Acquisition costs		(945)	(235)	(251)
Administrative expenses		(487)	(137)	(130)
Reinsurance commission and share of profits		88	22	19
Total operating expenses, net of reinsurance		(1,344)	(350)	(362)
TECHNICAL PROFIT ON NON-LIFE INSURANCE		1,361	319	328
LIFE INSURANCE				
Gross premiums written	2	7,430	2,134	2,032
Ceded reinsurance premiums		(6)	(1)	(0)
Premiums, net of reinsurance		7,424	2,133	2,032
Allocated investment return, net of reinsurance		3,147	(270)	1,359
Pension return tax		(501)	(49)	(235)
Claims and benefits paid		(3,453)	(853)	(1,307)
Reinsurance cover received		6	2	1
Claims and benefits paid, net of reinsurance		(3,447)	(851)	(1,306)
Change in the life insurance provisions		(6,159)	(863)	(1,723)
Change in the reinsurers' share		(5)	0	(1)
Change in the life insurance provisions, net of reinsurance		(6,164)	(863)	(1,723)
Change in profit margin		(37)	(9)	(7)
Acquisition costs		(146)	(40)	(39)
Administrative expenses		(270)	(69)	(73)
Reinsurance commission and share of profits		2	0	0
Total operating expenses, net of reinsurance		(414)	(109)	(112)
TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE		7	(18)	8

Income statement • Group

(DKKm)	Full year 2016	Q1 2016	Q1 2017
NON-TECHNICAL ACTIVITIES			
Technical profit on non-life insurance	1,361	319	328
Technical profit / (loss) on life insurance	7	(18)	8
Income from associated companies	46	8	8
Income from investment properties	74	21	8
Interest income and dividends etc.	1,740	406	551
Revaluations	2,464	(448)	1,046
Interest charges	(78)	(24)	(19)
Expenses on investment business	(57)	(16)	(17)
Total investment return	4,189	(53)	1,577
Return and revaluations non-life insurance provisions	(423)	(303)	(13)
Investment return transferred to life insurance business	(3,147)	270	(1,359)
Other income	19	5	6
Other expenses	(64)	(15)	(13)
PRE-TAX PROFIT	1,942	205	534
Taxation	(407)	(45)	(119)
PROFIT FOR THE PERIOD	1,536	161	415
EPS (DKK)	16.8	1.7	4.8
EPS, diluted (DKK)	16.7	1.7	4.8

Statement of comprehensive income • Group

Profit for the period	1,536	161	415
Items which cannot subsequently be reclassified as profit or loss:			
Revaluation of owner-occupied properties	1	0	0
Other comprehensive income	1	0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,537	161	415

Assets • Group

(DKK m)	31 December 2016	31 March 2016	31 March 2017
INTANGIBLE ASSETS	806	716	832
Operating equipment	132	134	125
Owner-occupied properties	856	857	856
TOTAL TANGIBLE ASSETS	988	991	981
Investment properties	3,448	3,814	3,483
Shares in associated companies	1,180	180	1,187
Total investment in associated companies	1,180	180	1,187
Shares	5,663	6,458	5,816
Bonds	35,277	33,966	33,809
Loans guaranteed by mortgages	7	7	6
Deposits with credit institutions	1,451	4,018	5,315
Derivatives	36	1,602	40
Total other financial investment assets	42,434	46,050	44,986
TOTAL INVESTMENT ASSETS	47,061	50,044	49,657
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	21,528	15,343	23,037
Reinsurers' share of the provisions for unearned premiums	72	262	278
Reinsurers' share of the life insurance provisions	27	32	26
Reinsurers' share of the provisions for claims and benefits	586	839	539
Total reinsurers' share of provisions	685	1,133	843
Amounts due from policyholders	383	562	545
Amounts due from insurance companies	100	80	105
Amounts due from associated companies	366	353	356
Other debtors	226	266	210
TOTAL DEBTORS	1,761	2,394	2,060
Current tax assets	0	107	0
Deferred tax assets	10	10	8
Liquid funds	831	529	324
Other	23	122	23
TOTAL OTHER ASSETS	865	767	355
Accrued interest and rent	278	244	217
Other prepayments and accrued income	188	246	246
TOTAL PREPAYMENTS AND ACCRUED INCOME	467	489	463
TOTAL ASSETS	73,476	70,744	77,384

Shareholders' equity and liabilities • Group

(DKKm)	Note	31 December 2016	31 March 2016	31 March 2017
Share capital		95	105	95
Revaluation reserve		13	12	13
Security fund		1,146	1,146	1,146
Other reserves		57	50	60
Total reserves		1,203	1,196	1,206
Profit carried forward		3,392	3,165	3,448
TOTAL SHAREHOLDERS' EQUITY		4,702	4,478	4,761
OTHER SUBORDINATED LOAN CAPITAL		1,754	2,154	1,755
Provisions for unearned premiums		1,881	3,780	3,805
Profit margin, non-life insurance contracts		711	753	723
Products with guarantees and profitsharing		24,465	24,277	24,569
Unit-Linked products		22,783	17,257	24,541
Total life insurance provisions		47,248	41,535	49,110
Profit margin, life insurance and investment contracts		103	74	110
Provisions for claims and benefits		13,209	13,442	13,057
Risk margin, non-life insurance contracts		320	339	336
Provisions for bonuses and rebates		143	125	128
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		63,615	60,047	67,270
Pensions and similar commitments		28	29	28
Deferred tax liabilities		59	74	56
Deferred tax on security funds		306	306	306
TOTAL LIABILITIES PROVIDED		394	409	390
DEPOSITS RECEIVED FROM REINSURERS		64	64	58
Creditors arising out of direct insurance operations		329	251	260
Creditors arising out of reinsurance operations		18	203	192
Amounts due to credit institutions		44	1,544	718
Current tax liabilities		59	1	88
Derivatives		880	445	620
Other creditors		1,508	1,056	1,179
TOTAL CREDITORS		2,837	3,500	3,056
ACCRUALS AND DEFERRED INCOME		109	92	92
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		73,476	70,744	77,384
Financial assets and liabilities	3			
Contingent liabilities	4			

Cash flow statement • Group

(DKK m)	Full year 2016	Q1 2016	Q1 2017
Cash flow from operations			
Gross premiums written	8,724	3,906	4,060
Claims paid	(6,266)	(1,552)	(1,570)
Expenses paid	(1,315)	(314)	(311)
Reinsurance ceded	(150)	(112)	(104)
Cash flow from non-life insurance	992	1,929	2,074
Gross premiums written	7,282	1,863	1,939
Claims and benefits	(3,460)	(844)	(1,309)
Pension return tax	(259)	(256)	(444)
Expenses paid	(395)	(92)	(101)
Reinsurance ceded	(7)	(2)	5
Cash flow from life insurance	3,161	669	90
Cash flow from insurance business	4,154	2,598	2,164
Payments on investment contracts	620	203	139
Interest income and dividends etc.	1,889	449	579
Interest charges etc.	(144)	(29)	(32)
Corporation tax	(393)	(115)	(26)
Other items	(37)	(8)	(11)
Cash flow from operations	6,089	3,097	2,814
Investments			
Intangible assets, operating equipment	(203)	(48)	(29)
Properties	(162)	(70)	(167)
Shares in associated companies	(3)	(0)	(229)
Shares	1,320	(127)	76
Unit trusts	1	(31)	0
Bonds	(3,181)	(2,485)	1,509
Loans	32	32	(17)
Derivatives	1,897	52	(411)
Investment activities related to unit-linked products	(4,675)	(86)	(499)
Balances with associated companies	15	0	10
Investments	(4,959)	(2,761)	244
Financing			
Shares bought back	(1,533)	(352)	(413)
Exercise of share options	34	9	37
Redemption of subordinated loan capital	(400)	0	0
Amounts due to credit institutions	(1,302)	198	674
Financing	(3,202)	(146)	298
Change in cash and cash equivalents	(2,072)	190	3,356
Cash and cash equivalents at 1 January	4,361	4,361	2,282
Revaluation of cash and cash equivalents	(6)	(4)	1
Cash and cash equivalents at 31 December	2,282	4,546	5,639
Cash and cash equivalents comprise:			
Liquid funds	831	529	324
Deposits with credit institutions	1,451	4,018	5,315
	2,282	4,546	5,639

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	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
Q1 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 period				3	157	161
Other comprehensive income				0	0	0
Total comprehensive income for the period				3	157	161
Share buy-back					(337)	(337)
Share-based payments					5	5
Exercise of share options					9	9
Taxation					(2)	(2)
Other transactions					(325)	(325)
Shareholders' equity at 31 March 2016	105	12	1,146	50	3,165	4,478
Q1 2017						
Shareholders' equity at 31 December prior year	95	13	1,146	57	3,392	4,702
Profit for the period				2	412	415
Other comprehensive income				0	0	0
Total comprehensive income for the period				2	412	415
Share buy-back					(410)	(410)
Share-based payments					17	17
Exercise of share options					37	37
Taxation					(1)	(1)
Other transactions					(356)	(356)
Shareholders' equity at 31 March 2017	95	13	1,146	60	3,448	4,761

Segment information • Group

Income statement

(DKK m)	Per- sonal	SME and Industrial	Elimin- ated	Non-life	Life	Parent etc.	Elimin- ated	Group
Q1 2016								
Non-life insurance								
Gross premiums earned	1,230	972	(5)	2,197				2,197
Claims incurred	(820)	(859)	4	(1,675)			4	(1,671)
Expenses	(208)	(170)	(0)	(378)			6	(372)
Net reinsurance	(6)	170	1	165				165
Technical profit / (loss) on non-life insurance	196	112	(0)	308			10	319
Life insurance								
Gross premiums written					2,134			2,134
Allocated investment return					(270)			(270)
Pension return tax					(49)			(49)
Benefits and change in provisions					(1,724)			(1,724)
Expenses					(111)		2	(109)
Net reinsurance					1			1
Technical profit / (loss) on life insurance					(19)		2	(18)
Total investment return				199	(287)	13	23	(53)
Pension return tax				(15)	15			0
Return and revaluations non-life insurance provisions				(303)				(303)
Transferred to technical result					270			270
Other items				7	29	(11)	(35)	(10)
Pre-tax profit				196	8	1	0	205
Taxation								(45)
Profit								161
Q1 2017								
Non-life insurance								
Gross premiums earned	1,258	982	(5)	2,235				2,235
Claims incurred	(822)	(609)	4	(1,427)			4	(1,423)
Expenses	(215)	(174)	2	(387)			6	(381)
Net reinsurance	(19)	(84)	(0)	(104)				(104)
Technical profit / (loss) on non-life insurance	201	115	1	317			11	328
Life insurance								
Gross premiums written					2,032			2,032
Allocated investment return					1,359			1,359
Pension return tax					(235)			(235)
Benefits and change in provisions					(3,037)			(3,037)
Expenses					(114)		2	(112)
Technical profit on life insurance					7		2	8
Total investment return				132	1,394	33	18	1,577
Return and revaluations non-life insurance provisions				(13)				(13)
Transferred to technical result					(1,359)			(1,359)
Other items				2	31	(10)	(30)	(7)
Pre-tax profit				438	72	24	0	534
Taxation								(119)
Profit								415

Notes to the financial statements • Group

(DKK m)	Full year 2016	Q1 2016	Q1 2017
Note 1. Claims incurred, net of reinsurance - Non-life insurance			
Run-off result:			
Gross business	502	112	77
Reinsurance ceded	(32)	17	(5)
Run-off result, net of reinsurance (profit)	470	129	72

Note 2. Gross premiums written - Life insurance

Individual policies	316	71	71
Policies w hich are part of a tenure	1,803	458	472
Group life	534	309	310
Regular premiums	2,653	839	853
Individual policies	1,921	508	422
Policies w hich are part of a tenure	2,856	788	756
Single premiums	4,777	1,296	1,178
Gross premiums	7,430	2,134	2,032

Note 3. Financial assets and liabilities	31 December 2016	31 March 2016	31 March 2017
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The Group's holding of financial assets, w hich are recorded at fair value using valuation models based on non-observable input, comprises DKK 690m, of w hich investment properties account for DKK 132m and bonds DKK 558m.

Bonds measured on non-observable input - Level 3:

Portfolio at 1 January	523	523	582
Purchases	287	6	31
Repayments	(234)	0	(51)
Foreign exchange adjustment	6	9	(3)
Portfolio at 31 December	582	538	558

The item consists of construction financing of property projects (DKK 181m) and Vindmøllefarm (w ind farm) guaranteed by EKF (DKK 156m) and bonds of DKK 221m, for w hich current return depends on payment on life annuity contracts.

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

There have been no changes to the classification of financial assets or financial liabilities in Q1 2017.

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 2016 Annual Report.

Note 4. Contingent liabilities

Contract liabilities	394	75	357
Adjustments to VAT liabilities	52	37	51
Other liabilities	10	9	8
Capital commitments made to loan funds and private equity funds etc.	1,461	1,075	1,406

Topdanmark EDB II ApS has entered into a contract w ith Schantz A/S on procurement and implementation of a new administration system for Topdanmark Life insurance.

In connection w ith implementation, Topdanmark Livsforsikring A/S has undertaken to give support in fulfilling Topdanmark EDB II ApS' obligations in accordance w ith the contract w ith Schantz A/S.

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

Income statement • Parent company

(DKKm)	Full year 2016	Q1 2016	Q1 2017
Income from affiliated companies	1,585	171	424
Revaluations	2	1	(0)
Interest charges	(8)	(2)	(2)
Total investment return	1,577	169	422
Other expenses	(53)	(11)	(10)
PRE-TAX PROFIT	1,525	158	412
Taxation	11	3	3
PROFIT FOR THE PERIOD	1,536	161	415

Statement of comprehensive income • Parent company

Profit for the period	1,536	161	415
Other comprehensive income from affiliated companies	1	0	0
Other comprehensive income	1	0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,537	161	415

Balance sheet • Parent company

(DKKm)	31 December 2016	31 March 2016	31 March 2017
Assets			
Operating equipment	3	3	3
TOTAL TANGIBLE ASSETS	3	3	3
Shares in affiliated companies	5,643	5,282	6,079
Total investment in affiliated companies	5,643	5,282	6,079
TOTAL INVESTMENT ASSETS	5,643	5,282	6,079
Amounts due from affiliated companies	65	115	28
Other debtors	65	5	7
TOTAL DEBTORS	129	119	35
Current tax assets	0	85	0
Deferred tax assets	2	1	2
Liquid funds	2	2	3
TOTAL OTHER ASSETS	4	88	4
TOTAL ASSETS	5,779	5,493	6,121

Shareholders' equity and liabilities

Share capital	95	105	95
Other reserves	1,894	1,533	2,330
Total reserves	1,894	1,533	2,330
Profit carried forward	3,019	3,146	2,642
TOTAL SHAREHOLDERS' EQUITY	5,009	4,784	5,067
OTHER SUBORDINATED LOAN CAPITAL	408	408	408
Amounts due to affiliated companies	289	290	545
Current tax liabilities	58	0	87
Other creditors	16	10	14
TOTAL CREDITORS	363	300	645
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5,779	5,493	6,121

Statement by Management

Today, we have considered and adopted the interim report for Q1 2017 for Topdanmark A/S.

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

We believe that the consolidated financial statements and the interim financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 March 2017 as well as the result of the Group's and the parent company's activities and the Group's cash flows for the period 1 January to 31 March 2017.

We believe that the management's review includes a fair view of the development in the Group's and parent company's activities and financial matters as well as a description of the most significant risks and factors of uncertainty which can impact the Group and the parent company.

Ballerup, 23 May 2017

Executive Board:

Christian Sagild
(CEO)

Brian Rothemejer Jacobsen

Lars Thykier

Marianne Wier

Board of Directors:

Torbjörn Magnusson
(Chairman)

Annette Sadolin
(Deputy Chairman)

Ann-Jeanette Bakbøl

Tina Møller Carlsson

Mette Jensen

Petri Niemisvirta

Lone Møller Olsen

Ricard Wennerklint

Jens Aaløse