

TOPDANMARK HALF-YEAR REPORT FOR 2018

20 July 2018, Announcement No. 11/2018

Key features

H1 2018

- Post-tax profit of DKK 613m (H1 2017: DKK 889m)
- EPS was DKK 7.1 (H1 2017: DKK 10.4)
- Combined ratio: 85.5 (H1 2017: 81.8)
- Combined ratio excluding run-off profits: 88.5 (H1 2017: 85.3)
- Premiums increased 2.2% in non-life insurance and 20.2% in life insurance
- Profit on life insurance was DKK 106m (H1 2017: DKK 128m)
- After return and revaluation of non-life insurance provisions, the investment return was DKK 41m (H1 2017: DKK 221m).

Q2 2018

- Post-tax profit of DKK 345m (Q2 2017: DKK 474m)
- EPS was DKK 4.0 (Q2 2017: DKK 5.6)
- Combined ratio: 85.9 (Q2 2017: 77.8)
- Combined ratio excluding run-off profits: 89.0 (Q2 2017: 81.6)
- Premiums increased 2.6% in non-life insurance and 22.0% in life insurance
- Profit on life insurance was DKK 62m (Q2 2017: DKK 56m)
- After return and revaluation of non-life insurance provisions, the investment return was DKK 60m (Q2 2017: DKK 69m).

Profit forecast model for 2018

- The assumed combined ratio for 2018 remains unchanged at 88-89, excl. run-off profits in H2 2018 still incl. additional expenses of 0.5-1pp due to the investment in increased digitalisation and automation
- A continued positive growth in premiums is assumed in non-life insurance
- The post-tax profit forecast model for 2018 also remains unchanged at DKK 1,050-1,150m, excluding run-off in H2 2018.

Other events

- Topdanmark has been awarded the “Customer Experience Excellence” prize in Denmark. The prize is awarded to the brand providing the best customer experience across business sectors and was granted by KPMG based upon customer interviews
- For the second year running, Topdanmark has been awarded the “The Insurance Company of the Year” prize in Denmark. The prize was granted by FinansWatch together with EY.

Webcast

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

Conference call

A conference call will be held today at 14:00 (CET) where 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:

DK dial-in-number: +45 3544 5583

UK dial-in-number: +44 203 194 0544

US dial-in-number: +1 855 269 2604

10-15 minutes before the conference 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 2017	Q2 2017	Q2 2018	H1 2017	H1 2018
Premiums earned:					
Non-life insurance	8,985	2,241	2,300	4,477	4,574
Life insurance	8,250	1,850	2,256	3,881	4,665
	17,235	4,091	4,556	8,358	9,239
Results:					
Non-life insurance	1,909	550	368	988	659
Life insurance	249	56	62	128	106
Parent company etc.	77	10	5	33	15
Pre-tax profit	2,235	616	435	1,149	779
Tax	(502)	(142)	(90)	(261)	(166)
Profit	1,733	474	345	889	613
Run-off profits, net of reinsurance	344	85	73	157	135
Shareholders' equity of parent company at 1 January	5,009	5,067	6,835	5,009	6,497
Profit	1,733	474	345	889	613
Dividend paid	0	0	(1,710)	0	(1,710)
Dividend own shares	0	0	73	0	73
Share buy-back	(410)	(0)	0	(410)	0
Share-based payments	166	42	34	96	105
Other movements in shareholders' equity	0	0	0	1	1
Shareholders' equity of parent company end of period	6,497	5,584	5,578	5,584	5,578
Deferred tax on security funds	(306)	(306)	(306)	(306)	(306)
Shareholders' equity of Group end of period	6,191	5,278	5,272	5,278	5,272
Total assets, parent company	7,114			6,384	6,204
Total assets, Group	80,958			77,837	83,268
Provisions for insurance and investment contracts:					
Non-life insurance	16,091			17,336	17,521
Life insurance	54,198			50,322	55,337
Financial ratios (parent company)					
Post-tax profit as a % of shareholders' equity	30.5	8.9	6.1	16.9	9.9
Post-tax EPS (DKK)	20.2	5.6	4.0	10.4	7.1
Post-tax EPS, diluted (DKK)	20.2	5.5	4.0	10.3	7.1
Share buy-back per share, diluted (DKK)	4.8			4.8	0.0
Dividend per share issued, proposed (DKK)	19.0				
Net asset value per share, diluted (DKK)	75.6			65.3	64.4
Listed share price end of period	268.1			207.9	279.4
Number of shares end of period ('000)	85,876			85,422	86,298
Average number of shares ('000)	85,700	85,320	86,236	85,801	86,131
Average number of shares, diluted ('000)	85,873	85,458	86,609	85,959	86,534
Ratios non-life insurance (%)					
Gross loss ratio	61.5	57.8	70.6	60.8	67.3
Net reinsurance ratio	4.3	4.0	(1.0)	4.3	1.5
Claims trend	65.8	61.8	69.6	65.1	68.8
Gross expense ratio	16.1	16.1	16.2	16.7	16.8
Combined ratio	82.0	77.8	85.9	81.8	85.5
Combined ratio excl. run-off profits	85.8	81.6	89.0	85.3	88.5

Results for H1 2018

Topdanmark's post-tax profit for H1 2018 was DKK 613m (H1 2017: DKK 889m).

Pre-tax profit was DKK 779m (H1 2017: DKK 1,149m).

The technical result declined DKK 153m to DKK 661m. The decline is primarily due to a higher level of fire claims.

After return and revaluation of non-life insurance provisions, the investment return in non-life insurance decreased DKK 176m to DKK 2m (loss). The lower investment return is primarily due to a low investment return on equities and CDOs.

The profit on life insurance declined DKK 22m to DKK 106m which is primarily due to a lower risk result.

Trend in profit (DKKm)	Full year 2017	H1 2017	H1 2018
Non-life insurance			
- Technical result	1,622	814	661
- Investment return after return and revaluations of non-life insurance provisions etc.	288	174	(2)
Profit on non-life insurance	1,909	988	659
Life insurance	249	128	106
Parent company etc.	77	33	15
Pre-tax profit	2,235	1,149	779
Tax	(502)	(261)	(166)
Profit	1,733	889	613

Results for Q2 2018

The profit for Q2 2018 was DKK 345m (Q2 2017: DKK 474m).

Pre-tax profit declined DKK 181m to DKK 435m.

The technical result declined DKK 172m to DKK 325m particularly as a consequence of a very low level of fire claims in Q2 2017 whereas there was an unusually high level of fire claims in Q2 2018.

After return and revaluation of non-life insurance provisions, the investment return in non-life insurance decreased DKK 11m to DKK 43m. The lower investment return was primarily due to a low investment return on equities and CDOs to a certain extent equivalent to a higher return on Danish mortgage bonds.

The profit on life insurance increased DKK 6m to DKK 62m.

Trend in profit (DKKm)	Q2 2017	Q2 2018
Non-life insurance		
- Technical result	497	325
- Investment return after return and revaluations of non-life insurance provisions etc.	54	43
Profit on non-life insurance	550	368
Life insurance	56	62
Parent company etc.	10	5
Pre-tax profit	616	435
Tax	(142)	(90)
Profit	474	345

Non-life insurance in H1 2018 Premiums earned

Premiums earned in H1 2018 increased 2.2% to DKK 4,574m. The personal segment accounted for a 1.3% increase, and the SME segment accounted for a 3.2% increase.

In H1 2018, Topdanmark experienced a continued net increase in the number of customers in the personal, agricultural and SME markets. The increase in the number of customers is primarily due to improved customer retention.

Claims trend

The claims trend was 68.8 in H1 2018 (H1 2017: 65.1).

Q2 2018 was impacted by substantially less rainfall than normal. As a consequence of the dry weather, there was a high level of fire claims and similarly a lower level of damages than normal caused by rainstorm (weather-related claims).

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) increased by DKK 63m to DKK 67m in H1 2018, representing a 1.4pp increase in the claims trend. In Topdanmark's profit forecast model, large-scale claims of DKK 100m is assumed for 2018.

The level of damages caused by fire (fire claims of less than DKK 5m by event) increased DKK 65m as compared with H1 2017, representing a 1.4pp increase in the claims trend.

In H1 2018, the extent of weather-related claims was DKK 0m representing a decline of DKK 5m compared to H1 2017 corresponding to a 0.1pp improvement of the claims trend. The extent of weather-related claims was DKK 75m lower than assumed for the half-year.

The run-off profits, net of reinsurance, were DKK 135m (H1 2017: DKK 157m), representing a 0.5pp adverse impact on the claims trend. Run-off profits were primarily generated in motor liability, illness/accident insurance and workers' compensation.

The claims trend excl. run-off, weather-related claims and large-scale claims deteriorated 1.9pp to 70.3 in H1 2018.

The deterioration of the adjusted claims trend of 1.9pp is mainly a consequence of an increased number of damages caused by fire in the personal and SME

segment. Furthermore, the claims trend for the comprehensive motor insurance was higher as compared with H1 2017. However, the constantly improved claims trend for motor liability (personal injuries) compensated for this to a certain extent. Finally, the claims trend for workers' compensation was adversely impacted by a change to mortality rate assumptions (longer lifetimes), higher expenses for AES (Labour Market Insurance) and higher wage and salary index assumptions. On the other hand, the development of the adjusted claims trend was favourably impacted by a continued improved claims trend on theft.

Claims trend	Full year 2017	Q2 2017	Q2 2018	H1 2017	H1 2018
Claims trend	65.8	61.8	69.6	65.1	68.8
Run-off	3.8	3.8	3.2	3.5	3.0
Weather-related claims	(0.4)	(0.2)	0.0	(0.1)	0.0
Large-scale claims	(0.2)	(0.1)	(2.5)	(0.1)	(1.5)
Claims before run-off, weather and large-scale claims	69.1	65.2	70.3	68.4	70.3

Expense ratio

The expense ratio was 16.8 in H1 2018 (H1 2017: 16.7). The payroll tax imposed on Danish financial businesses, increased from 14.1% in 2017 to 14.5% in 2018, representing a 0.1pp adverse impact on the combined ratio. In addition, the general trend of wages and salaries impacted the combined ratio by 0.3pp.

Combined ratio

The combined ratio was 85.5 in H1 2018 (H1 2017: 81.8). Excluding run-off profits, the combined ratio was 88.5 (H1 2017: 85.3).

Reinsurance

The storm reinsurance programme has been renewed for one year as per 1 July and still covers claims up to DKK 5.1bn with a retention of DKK 100m.

The renewal was made within the framework of the assumptions made in the profit forecast model for 2018. For additional information on the storm programme, please check the Annual Report 2017 for Topdanmark, page 64, section "Disaster risks" in [Topdanmark Annual Results 2017](#).

Financial highlights – Non-life insurance (DKKm)	Full year 2017	Q2 2017	Q2 2018	H1 2017	H1 2018
Gross premiums earned	8,985	2,241	2,300	4,477	4,574
Claims incurred	(5,523)	(1,295)	(1,624)	(2,722)	(3,076)
Expenses	(1,450)	(360)	(373)	(747)	(767)
Net reinsurance	(389)	(90)	22	(193)	(69)
Technical result	1,622	497	325	814	661
Investment return after return and revaluations of non-life insurance provisions	277	52	43	171	(2)
Other items	11	2	0	4	(1)
Profit on non-life insurance	1,909	550	368	988	659
Run-off profits, net of reinsurance	344	85	73	157	135
Gross loss ratio (%)	61.5	57.8	70.6	60.8	67.3
Net reinsurance ratio (%)	4.3	4.0	-1.0	4.3	1.5
Claims trend (%)	65.8	61.8	69.6	65.1	68.8
Gross expense ratio (%)	16.1	16.1	16.2	16.7	16.8
Combined ratio (%)	82.0	77.8	85.9	81.8	85.5
Combined ratio excl. run-off profits (%)	85.8	81.6	89.0	85.3	88.5

Non-life insurance in Q2 2018

Premiums earned in Q2 2018 increased 2.6% to DKK 2,300m. The increase in premiums was 2.3% and 3.0% in the personal segment and the SME segment respectively.

The claims trend was 69.6 in Q2 2018 (Q2 2017: 61.8), representing a 7.8pp deterioration in the claims trend.

The claims trend in Q2 2018 was characterized by unseasonably low rainfall resulting in an increased

number of fire claims in the personal segment as well as the SME segment.

The large-scale claims were DKK 57m in Q2 2018, which was an increase of DKK 55m compared with Q2 2017, representing a deterioration of the claims trend of 2.4pp.

There were no weather-related claims in Q2 2018. In Q2 2017, the weather-related claims were DKK 5m, representing an improvement of the claims trend of 0.2pp in Q2 2018.

The claims trend was impacted by lower run-off profits of DKK 12m, representing a 0.5pp deterioration of the claims trend.

The claims trend adjusted for run-off, weather-related claims and large-scale claims worsened 5.2pp to 70.3 in Q2 2018.

The development of the adjusted claims trend of 5.2pp is in particular caused by an increased number of fire claims in the personal segment and the SME segment. The increased claims trend in motor insurance was mainly due to fewer public holidays as compared with Q2 2017. Finally, workers' compensation was adversely impacted by a change to the mortality rate assumptions (longer lifetimes), higher expenses for AES and higher wage and salary assumptions.

The expense ratio was 16.2 in Q2 2018 (Q2 2017: 16.1).

The combined ratio was 85.9 in Q2 2018 (Q2 2017: 77.8). Excluding run-off profits, the combined ratio was 89.0 (Q2 2017: 81.6).

Segment reporting

Personal

The Personal segment offers policies to individual households in Denmark.

Premiums earned increased 1.3% to DKK 2,541m in H1 2018 (Q2 2018: 2.3% to DKK 1,279m). The increase in premiums is impacted by a decline of premiums in illness/accident (I/A) as a consequence of the termination of the life insurance distribution agreement with Sydbank. Adjusting for this, the increase in premiums in personal insurances was 1.9% in H1 2018.

The technical result was DKK 391m in H1 2018, representing a decline of DKK 65m as compared with H1 2017.

The claims trend increased 2.7pp to 68.0. Adjusted for run-off profits, the claims trend deteriorated 1.3pp. Compared to H1 2017, the claims trend was favourably impacted by an improved development in theft claims and personal injuries in motor insurance. However, increased expenses for fire claims and claims for comprehensive motor insurance more than compensated for this.

The expense ratio deteriorated marginally to 16.6 (H1 2017: 16.5).

The combined ratio was 84.6 (H1 2017: 81.8).

Excluding run-off profits, the combined ratio deteriorated to 88.0 in H1 2018 (H1 2017: 86.7).

Personal (DKKm)	Full year 2017	Q2 2017	Q2 2018	H1 2017	H1 2018
Gross premiums earned	4,980	1,250	1,279	2,508	2,541
Claims incurred	(3,208)	(783)	(835)	(1,605)	(1,695)
Expenses	(805)	(198)	(207)	(414)	(422)
Net reinsurance	(85)	(14)	(17)	(34)	(34)
Technical result	882	255	219	456	391
Run-off profits, net of reinsurance	236	48	61	121	86
Gross loss ratio (%)	64.4	62.6	65.3	64.0	66.7
Net reinsurance ratio (%)	1.7	1.2	1.4	1.3	1.4
Claims trend (%)	66.1	63.7	66.6	65.3	68.0
Gross expense ratio (%)	16.2	15.9	16.2	16.5	16.6
Combined ratio (%)	82.3	79.6	82.9	81.8	84.6
Combined ratio excl. run-off profits (%)	87.0	83.5	87.6	86.7	88.0

SME

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

Premiums earned increased 3.2% to DKK 2,042m in H1 2018 (Q2 2018: 3.0% to DKK 1,026m).

The technical result declined DKK 86m to DKK 272m in H1 2018.

The claims trend deteriorated 4.7pp to 69.7 mainly due to an increased number of fire claims particularly in Q2 2018.

Workers' compensation was adversely impacted by a change of the mortality rate assumptions (longer

lifetimes), higher expenses for AES and higher wage and salary assumptions.

Run-off profits accounted for DKK 49m in H1 2018 (H1 2017: DKK 35m).

The expense ratio was unchanged at 16.9.

The combined ratio deteriorated to 86.7 in H1 2018 (H1 2017: 81.9).

Excluding run-off profits, the combined ratio deteriorated to 89.1 in H1 2018 (H1 2017: 83.7).

SME (DKKm)	Full year 2017	Q2 2017	Q2 2018	H1 2017	H1 2018
Gross premiums earned	4,024	996	1,026	1,979	2,042
Claims incurred	(2,332)	(517)	(793)	(1,126)	(1,390)
Expenses	(643)	(161)	(165)	(335)	(346)
Net reinsurance	(304)	(75)	40	(160)	(34)
Technical result	744	243	107	358	272
Run-off profits, net of reinsurance	108	36	12	35	49
Gross loss ratio (%)	58.0	51.9	77.3	56.9	68.1
Net reinsurance ratio (%)	7.6	7.5	(3.9)	8.1	1.7
Claims trend (%)	65.5	59.4	73.4	65.0	69.7
Gross expense ratio (%)	16.0	16.1	16.1	16.9	16.9
Combined ratio (%)	81.5	75.6	89.5	81.9	86.7
Combined ratio excl. run-off profits (%)	84.2	79.2	90.7	83.7	89.1

Life insurance in H1 2018

The result from life insurance was a profit of DKK 106m in H1 2018 (H1 2017: profit of DKK 128m).

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 → About Topdanmark → Business → Life insurance → [Policy for the calculation of profit in life insurance](#).

Result of life insurance (DKKm)	Full year 2017	Q2 2017	Q2 2018	H1 2017	H1 2018
Investment return on shareholders' equity	109	22	33	61	57
Sales and administration	(25)	(9)	(5)	(19)	(16)
Insurance risk	17	6	(2)	11	(9)
Risk return on shareholders' equity	147	37	36	74	73
Profit on life insurance	249	56	62	128	106

The decline in profit of DKK 22m is mainly due to a drop in the risk result. The risk results may fluctuate significantly from one quarter to the next.

Trend in premiums

Gross premiums increased 20.2% to DKK 4,665m in H1 2018 (H1 2017: DKK 3,881m). The premium on unit-linked contracts were DKK 3,935m, representing a 31.3%

increase as compared to H1 2017. Unit-linked contracts accounted for 95% of new sales in H1 2018.

Regular premiums declined 0.3% to DKK 1,427m in H1 2018 as a consequence of the termination of the distribution agreements with Sydbank and Nykredit. Single premiums increased 32.2% to DKK 3,238m.

Life insurance in Q2 2018

As compared with the profit in Q2 2017, the profit for life insurance increased DKK 6m to DKK 62m.

Gross premiums increased 22.2% to DKK 2,256m in Q2 2018 of which premiums on unit-linked pension schemes were DKK 2,053m, a 34.2% increase compared to Q2 2017.

Regular premiums decreased 5.5% to DKK 546m in Q2 2018 whereas single premiums increased 34.4% to DKK 1,710m.

Investment activities Topdanmark Group excl. life insurance

The investment return in the Topdanmark Group excluding life insurance was DKK 107m in H1 2018 (H1

2017: DKK 225m). Return and revaluation of non-life insurance provisions were DKK 66m (loss) in H1 2018 (H1 2017: DKK 4m (loss)).

The investment return after return and revaluation of non-life insurance provisions was DKK 41m (H1 2017: DKK 221m). The lower investment return is primarily due to a low investment return on equities and CDOs.

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 investment return in H1 2018 on the most significant classes of assets is disclosed in the table below:

Investment return	Portfolio 30 June		Return Q2 2017		Return Q2 2018		Return H1 2017		Return H1 2018	
	2017 (DKKbn)	2018 (DKKbn)	(DKKkm)	%	(DKKkm)	%	(DKKkm)	%	(DKKkm)	%
Danish equities	0.3	0.3	26	7.8	(5)	(1.8)	52	17.3	(6)	(2.1)
Foreign equities	0.6	0.7	13	1.9	24	3.6	47	7.7	(0)	(0.1)
Unlisted equities and hedge funds	0.3	0.3	7	2.3	4	1.5	23	7.5	7	2.2
Government and mortgage bonds	14.7	16.2	(12)	(0.1)	56	0.3	7	0.0	36	0.2
Credit bonds	0.1	0.0	2	1.7	0	0.9	7	4.5	(0)	(0.3)
Index linked bonds	0.4	0.3	2	0.6	5	1.9	8	2.1	6	2.0
CDOs	0.6	0.6	19	3.3	9	1.6	44	7.9	23	4.0
Properties	1.0	1.1	7	0.7	11	1.0	20	2.0	24	2.2
Money market etc.	3.7	2.4	(16)	(0.4)	(1)	(0.0)	(19)	(0.6)	(4)	(0.1)
Subordinated loan capital	(1.8)	(1.7)	(11)	(0.6)	(12)	(0.7)	(22)	(1.2)	(23)	(1.3)
Interest-bearing debt	0.0	(0.2)	2	1.4	0	0.0	0	0.0	0	0.0
	20.0	19.9	38	0.2	92	0.4	168	0.9	63	0.3
Asset management			22		17		58		44	
Investment return			60		108		225		107	
Return and revaluations of non-life insurance provisions			9		(48)		(4)		(66)	
Investment return after return and revaluations of non-life insurance provisions			69		60		221		41	

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 778m (pre-tax: DKK 997m) 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 30 June 2018, and the foreign portfolios are based on MSCI World DC in the original currency for foreign equities.

The class "Unlisted equities and hedge funds" includes private equity positions (DKK 39m) and positions in hedge funds where the investment mandates aim at positioning in the credit market (DKK 196m).

The Group's investments have no significant concentration of credit risk except for investments in AAA-rated Danish mortgage bonds. The class of "Government and mortgage bonds" comprises primarily Danish government and mortgage bonds. The assets of the class are interest-rate sensitive which to a significant extent is equivalent to the total interest-rate sensitivity of the technical provisions in Topdanmark Forsikring and the I/A provisions in Topdanmark Livsforsikring (the life insurance company). Consequently, the return on "Government and mortgage bonds" should be assessed in connection with return and revaluation of the insurance provisions.

The class "Credit bonds" is composed of a well-diversified portfolio of credit bonds, primarily issued by businesses in Europe.

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 CDO's 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 when adjusting for properties under construction or being converted for other purposes.

"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 an assessment of the technical 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 33bp at the end of H1 2018 and 30bp 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 to use 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 an outstanding 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 of 23 November 2022.

Topdanmark Forsikring has outstanding subordinated tier 2 notes in two tranches:

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

At the end of H1 2018, Topdanmark's own funds were DKK 7,103m (end of 2017: DKK 6,370m). Potential dividend for 2018 has not been deducted from Topdanmark's own funds end H1 2018.

The solvency requirement (SCR) is DKK 3,328m (end of 2017: DKK 3,116m).

The solvency ratio was 213 end of H1 2018.

Parent company etc.

The parent company, Topdanmark, does not perform any independent activities. The profits of the parent company etc. includes the profits of subsidiaries, excluding the insurance business (primarily Topdanmark Asset Management) and finance costs.

The profits of the parent company declined DKK 18m to DKK 15m in H1 2018. The reduced profit mainly derives from lower performance-related investment management fees in Topdanmark Kapitalforvaltning (Topdanmark Asset Management).

Taxation

The tax charge was DKK 166m of the pre-tax profit of DKK 779m, corresponding to an effective tax rate of 21.4% (H1 2017: 22.7%).

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 Q1 Report for 2018, it was stated that Topdanmark's post-tax profit forecast model for 2018 was DKK 1,050-1,150m.

Non-life insurance

For non-life insurance, Topdanmark assumed a pre-tax profit of DKK 1,050-1,150m. This profit forecast model was based on the following assumptions:

- A positive premium growth
- A normal year as regards weather including weather-related claims of DKK 120m in Q2-Q4 2018
- A combined ratio for 2018 of 88-89, 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 corresponding to the interest rate curve on 28 March 2018
- An annual 7.0% return on equities and unchanged foreign exchange rates from the level of 28 March 2018.

After the profit forecast model for 2018 was published in the Q1 Report for 2018, the following assumptions have changed:

- In Q2 2018 there were run-off profits of DKK 73m, corresponding to a 0.8pp improvement of the combined ratio in 2018
- Weather-related claims were DKK 0m in Q2 2018, which is DKK 25m lower than assumed, corresponding to a 0.3pp improvement of the combined ratio
- The extent of large-scale claims was DKK 57m in Q2 2018 which is DKK 32m higher than the assumptions made by quarter corresponding to a 0.4pp deterioration of the combined ratio
- In addition, the claims trend in fire was higher than assumed in Q2 2018, representing a deterioration of the combined ratio of approx. 0.5pp in 2018
- Interest rates have slightly decreased relative to the guidance for 2018 in the Q1-report, representing a 0.2pp deterioration of the combined ratio.

The assumed combined ratio for 2018 remains unchanged at 88-89, excluding run-off profits in H2 2018.

A positive premium growth is still assumed in 2018.

Overall, the assumed pre-tax result for non-life insurance is unchanged at DKK 1,050-1,150m.

Life insurance

In the Q1 Report for 2018, Topdanmark assumed a pre-tax profit on life insurance of DKK 240-270m in 2018, based on the following assumptions:

- A moderately positive increase in regular premiums
- Full recognition as income of risk return for shareholders' equity from all interest rate groups
- No profit from the shadow account.

With respect to the above forecast assumptions on regular premiums, the assumption of a slightly positive increase has been changed to assuming a development of approx. 0%.

Overall, the assumed pre-tax profit on life insurance remains DKK 240-270m.

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 2018.

Parent company

The profit forecast model for the parent company plus subsidiaries outside of the insurance group still assumes a pre-tax profit of DKK 40-50m.

Taxation

Given a corporation tax rate of 22%, the tax charge is expected to be DKK 280-320m.

Total Group profit

Topdanmark's overall post-tax profit forecast model for 2018 is retained at DKK 1,050-1,150m, representing EPS of DKK 12.8. The assumed profit is exclusive of run-off profits/losses in the remaining two quarters of 2018.

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 29 June 2018.

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 1.7% (risk-free interest rate plus 2.0pp).

Change in the method for calculation of volatility adjustment

The volatility adjustment (VA) is a component in the national interest rate curve that EU based insurance companies use for the discounting of reserves. EIOPA

has stated that the method for calculation of the VA for the Danish discounting curve will be changed during Q3 2018.

It is not known which changes are intended and consequently, Topdanmark's profit forecast model for 2018 is prepared under the assumption of an unchanged VA.

If the VA is reduced, the accounting value of the liabilities will increase while the accounting value of the assets will remain unchanged. It can be disclosed that for each basis point reduction of the VA, Topdanmark's 2018 post-tax result will be reduced by DKK 5m.

Profit forecast 2018 (DKK m)	Results		Forecast 2018		Forecast 2018		
	2017		31 March 2018		30 June 2018		
Non-life insurance							
- Technical result	1,622	1,000	-	1,050	1,000	-	1,050
- Investment return after return and revaluations of non-life insurance provisions etc.	288	50	-	100	50	-	100
Profit on non-life insurance	1,909	1,050	-	1,150	1,050	-	1,150
Life insurance	249	240	-	270	240	-	270
Parent company etc.	77	40	-	50	40	-	50
Pre-tax profit	2,235	1,330	-	1,470	1,330	-	1,470
Taxation	(502)	(280)	-	(320)	(280)	-	(320)
Profit for the year	1,733	1,050	-	1,150	1,050	-	1,150

Financial calendar

Q1-Q3 2018 Interim Report	22 Oct 2018
Announcement of 2018 Annual Results	24 Jan 2019
Deadline for submitting items for AGM agenda	19 Feb 2019
2018 Annual Report	21 Feb 2019
AGM	03 Apr 2019
Q1 2019 Interim Report	25 Apr 2019
2019 Half-year Report	18 July 2019
Q1-Q3 2019 Interim Report	24 Oct 2019

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 H1 2018 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.

New financial accounting standards

IFRS 15 "Revenue from contracts with customers" took effect on 1 January 2018. Topdanmark has no material contracts with customers covered by IFRS 15. As a consequence, the standard has no material impact on Topdanmark Group's accounting policies, profits, nor its financial position.

IFRS 9 "Financial Instruments" also took effect on 1 January 2018. Topdanmark has decided to exercise the option applicable to insurance groups for concurrent implementation of IFRS 9 and IFRS 17 "Insurance Contracts". Thus, IFRS 9 is expected to be implemented as of 1 January 2021.

Other than this, accounting policies are unchanged compared with the Annual Report for 2017 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 2017	Q2 2017	Q2 2018	H1 2017	H1 2018
NON-LIFE INSURANCE						
Gross premiums written		9,050	1,659	1,709	5,837	5,919
Ceded reinsurance premiums		(617)	(39)	(42)	(422)	(427)
Change in the provisions for unearned premiums		44	538	530	(1,381)	(1,363)
Change in profit margin and risk margin		(43)	67	81	58	49
Change in the reinsurers' share of the provisions for unearned premiums		12	(107)	(98)	128	131
Premiums earned, net of reinsurance		8,446	2,118	2,180	4,219	4,309
Gross claims paid		(5,856)	(1,384)	(1,539)	(2,905)	(2,964)
Reinsurance cover received		258	65	108	139	153
Change in the provisions for claims		342	65	(86)	184	(95)
Change in risk margin		0	26	5	5	(10)
Change in the reinsurers' share of the provisions for claims		(120)	(25)	38	(73)	39
Claims incurred, net of reinsurance	1	(5,376)	(1,253)	(1,474)	(2,650)	(2,877)
Bonuses and rebates		(66)	(23)	(19)	(37)	(31)
Acquisition costs		(950)	(245)	(250)	(497)	(504)
Administrative expenses		(485)	(111)	(119)	(241)	(252)
Reinsurance commission and share of profits		78	17	16	36	35
Total operating expenses, net of reinsurance		(1,358)	(340)	(353)	(702)	(721)
TECHNICAL PROFIT ON NON-LIFE INSURANCE		1,646	502	334	830	680
LIFE INSURANCE						
Gross premiums written	2	8,250	1,850	2,256	3,881	4,665
Premiums, net of reinsurance		8,250	1,849	2,256	3,881	4,665
Allocated investment return, net of reinsurance		3,372	427	886	1,786	185
Pension return tax		(522)	(34)	(36)	(269)	(25)
Claims and benefits paid		(4,701)	(1,244)	(991)	(2,551)	(2,076)
Reinsurance cover received		4	0	1	2	2
Claims and benefits paid, net of reinsurance		(4,697)	(1,243)	(990)	(2,549)	(2,074)
Change in the life insurance provisions		(5,816)	(884)	(2,015)	(2,606)	(2,550)
Change in the reinsurers' share		(7)	(0)	(2)	(1)	(3)
Change in the life insurance provisions, net of reinsurance		(5,822)	(884)	(2,016)	(2,607)	(2,553)
Change in profit margin		(141)	(4)	(8)	(11)	(10)
Acquisition costs		(148)	(39)	(34)	(78)	(74)
Administrative expenses		(285)	(71)	(64)	(144)	(138)
Reinsurance commission and share of profits		1	(0)	(0)	(0)	(0)
Total operating expenses, net of reinsurance		(433)	(111)	(99)	(223)	(213)
TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE		8	0	(9)	9	(26)

Income statement • Group

(DKKm)	Full year 2017	Q2 2017	Q2 2018	H1 2017	H1 2018
NON-TECHNICAL ACTIVITIES					
Technical profit on non-life insurance	1,646	502	334	830	680
Technical profit / (loss) on life insurance	8	0	(9)	9	(26)
Income from associated companies	61	10	30	18	44
Income from investment properties	54	14	1	22	21
Interest income and dividends etc.	1,805	537	531	1,089	918
Revaluations	2,323	(2)	519	1,044	(518)
Interest charges	(79)	(21)	(18)	(40)	(40)
Expenses on investment business	(39)	(3)	(10)	(19)	(24)
Total investment return	4,124	536	1,052	2,114	401
Return and revaluations non-life insurance provisions	(143)	9	(48)	(4)	(66)
Investment return transferred to life insurance business	(3,372)	(427)	(886)	(1,786)	(185)
Other income	23	6	5	11	11
Other expenses	(51)	(11)	(14)	(24)	(36)
PRE-TAX PROFIT	2,235	616	435	1,149	779
Taxation	(502)	(142)	(90)	(261)	(166)
PROFIT FOR THE PERIOD	1,733	474	345	889	613
EPS (DKK)	20.2	5.6	4.0	10.4	7.1
EPS, diluted (DKK)	20.2	5.5	4.0	10.3	7.1

Statement of comprehensive income • Group

Profit for the period	1,733	474	345	889	613
Items which cannot subsequently be reclassified as profit or loss:					
Revaluation / Reversed revaluation on non-occupied properties	0	0	0	1	1
Other comprehensive income	0	0	0	1	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,733	474	346	890	613

Assets • Group

(DKK m)	31 December 2017	30 June 2017	30 June 2018
INTANGIBLE ASSETS	922	855	999
Operating equipment	111	119	117
Owner-occupied properties	853	856	853
TOTAL TANGIBLE ASSETS	965	974	970
Investment properties	3,643	3,517	3,925
Shares in associated companies	1,285	1,242	1,316
Total investment in associated companies	1,285	1,242	1,316
Shares	5,904	5,850	5,867
Bonds	36,470	33,398	34,918
Loans guaranteed by mortgages	6	6	6
Deposits with credit institutions	3,405	4,796	5,196
Derivatives	120	315	79
Total other financial investment assets	45,906	44,366	46,066
TOTAL INVESTMENT ASSETS	50,834	49,126	51,308
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	25,791	23,432	27,375
Reinsurers' share of the provisions for unearned premiums	84	182	193
Reinsurers' share of the life insurance provisions	20	26	17
Reinsurers' share of the provisions for claims and benefits	470	515	510
Total reinsurers' share of provisions	574	723	720
Amounts due from policyholders	310	470	344
Amounts due from insurance companies	57	88	242
Amounts due from associated companies	327	356	322
Other debtors	170	234	222
TOTAL DEBTORS	1,438	1,872	1,851
Deferred tax assets	14	10	15
Liquid funds	537	1,074	172
Other	25	27	112
TOTAL OTHER ASSETS	576	1,111	299
Accrued interest and rent	260	242	243
Other prepayments and accrued income	173	225	223
TOTAL PREPAYMENTS AND ACCRUED INCOME	432	467	466
TOTAL ASSETS	80,958	77,837	83,268

Shareholders' equity and liabilities • Group

(DKK m)	Note	31 December 2017	30 June 2017	30 June 2018
Share capital		90	95	90
Revaluation reserve		13	13	13
Security fund		1,146	1,146	1,146
Other reserves		64	61	66
Total reserves		1,210	1,207	1,211
Profit carried forward		3,168	3,962	3,957
Proposed dividend		1,710	0	0
TOTAL SHAREHOLDERS' EQUITY		6,191	5,278	5,272
OTHER SUBORDINATED LOAN CAPITAL		1,744	1,755	1,745
Provisions for unearned premiums		1,856	3,274	3,220
Profit margin, non-life insurance contracts		751	648	696
Products with guarantees and profitsharing		24,063	24,354	23,642
Unit-Linked products		29,891	25,854	31,451
Total life insurance provisions		53,954	50,208	55,093
Profit margin, life insurance and investment contracts		244	114	244
Provisions for claims and benefits		13,013	12,960	13,129
Risk margin, non-life insurance contracts		315	316	331
Provisions for bonuses and rebates		156	138	145
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		70,289	67,658	72,858
Pensions and similar commitments		28	28	27
Deferred tax liabilities		61	62	72
Deferred tax on security funds		306	306	306
TOTAL LIABILITIES PROVIDED		395	396	405
DEPOSITS RECEIVED FROM REINSURERS		77	87	70
Creditors arising out of direct insurance operations		270	397	327
Creditors arising out of reinsurance operations		27	44	44
Amounts due to credit institutions		43	195	310
Current tax liabilities		35	217	91
Derivatives		512	598	1,017
Other creditors		1,293	1,127	1,028
TOTAL CREDITORS		2,181	2,578	2,817
ACCRUALS AND DEFERRED INCOME		81	84	101
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		80,958	77,837	83,268
Financial assets and liabilities	3			
Contingent liabilities	4			
Related parties	5			
Sale of affiliated company	6			

Cash flow statement • Group

(DKK m)	Full year 2017	H1 2017	H1 2018
Cash flow from operations			
Gross premiums written	8,965	5,748	5,870
Claims paid	(5,838)	(2,936)	(2,973)
Expenses paid	(1,294)	(709)	(727)
Reinsurance ceded	(238)	(174)	(235)
Cash flow from non-life insurance	1,595	1,929	1,935
Gross premiums written	8,234	3,956	4,767
Claims and benefits	(4,699)	(2,550)	(2,050)
Pension return tax	(452)	(446)	(485)
Expenses paid	(440)	(225)	(208)
Reinsurance ceded	27	5	(11)
Cash flow from life insurance	2,671	740	2,013
Cash flow from insurance business	4,266	2,669	3,948
Payments on investment contracts	890	353	616
Dividends from associated companies	0	0	11
Interest income and dividends etc.	1,855	1,080	902
Interest charges etc.	(117)	(58)	(53)
Corporation tax	(460)	(35)	(99)
Other items	(33)	(7)	(13)
Cash flow from operations	6,402	4,003	5,313
Investments			
Intangible assets, operating equipment	(168)	(72)	(115)
Properties	(180)	(192)	(252)
Shares in associated companies	(274)	(45)	2
Shares	27	(50)	126
Unit trusts	1	0	(0)
Bonds	(1,198)	1,789	1,101
Loans	(10)	(17)	0
Derivatives	(138)	(496)	158
Investment activities related to unit-linked products	(2,497)	(898)	(3,729)
Balances with associated companies	39	10	5
Investments	(4,397)	(200)	(2,704)
Financing			
Dividend paid	0	0	(1,637)
Sale of affiliated company	0	0	124
Shares bought back	(417)	(417)	0
Exercise of share options	108	65	78
Redemption of subordinated loan capital	(409)	0	0
Issue of subordinated loan capital	397	0	0
Amounts due to credit institutions	(0)	151	267
Financing	(322)	(200)	(1,169)
Change in cash and cash equivalents	1,683	3,603	1,440
Cash and cash equivalents at 1 January	2,282	2,282	3,941
Revaluation of cash and cash equivalents	(24)	(15)	9
Cash and cash equivalents in sold affiliated company	0	0	(22)
Cash and cash equivalents end of period	3,941	5,870	5,368
Cash and cash equivalents comprise:			
Liquid funds	537	1,074	172
Deposits with credit institutions	3,405	4,796	5,196
	3,941	5,870	5,368

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

Statement of changes in equity • Group

(DKKm)

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Total
2017							
Shareholders' equity at 31 December prior year	95	13	1,146	57	3,392		4,702
Profit for the year				7	16	1,710	1,733
Other comprehensive income				0	0		0
Total comprehensive income for the year				7	16	1,710	1,733
Cancellation of own shares	(5)				5		0
Share buy-back					(410)		(410)
Share-based payments					54		54
Exercise of share options					108		108
Taxation					4		4
Other transactions	(5)				(240)		(245)
Shareholders' equity at 31 December 2017	90	13	1,146	64	3,168	1,710	6,191
H1 2017							
Shareholders' equity at 31 December prior year	95	13	1,146	57	3,392		4,702
Profit for the period				4	885		889
Other comprehensive income		1		0	0		0
Total comprehensive income for the period		1		4	885		890
Share buy-back					(410)		(410)
Share-based payments					30		30
Exercise of share options					65		65
Other transactions					(314)		(314)
Shareholders' equity at 30 June 2017	95	13	1,146	61	3,962		5,278
H1 2018							
Shareholders' equity at 31 December prior year	90	13	1,146	64	3,168	1,710	6,191
Profit for the period				2	611		613
Other comprehensive income		1		0	0		1
Total comprehensive income for the period		1		2	611		613
Dividend paid					0	(1,710)	(1,710)
Dividend, own shares					73		73
Share-based payments					25		25
Exercise of share options					78		78
Taxation					1		1
Other transactions					177	(1,710)	(1,533)
Shareholders' equity at 30 June 2018	90	13	1,146	66	3,957	0	5,272

Segment information • Group

Income statement

(DKKm)	Per- sonal	SME	Elimin- ated	Non-life	Life	Parent etc.	Elimin- ated	Group
H1 2017								
Non-life insurance								
Gross premiums earned	2,508	1,979	(10)	4,477				4,477
Claims incurred	(1,605)	(1,126)	8	(2,722)			6	(2,716)
Expenses	(414)	(335)	1	(747)			10	(738)
Net reinsurance	(34)	(160)	(0)	(193)				(193)
Technical profit on non-life insurance	456	358	(0)	814			16	830
Life insurance								
Gross premiums written					3,881			3,881
Allocated investment return					1,786			1,786
Pension return tax					(269)			(269)
Benefits and change in provisions					(5,168)			(5,168)
Expenses					(225)		2	(222)
Technical profit on life insurance					6		2	9
Total investment return				173	1,843	51	46	2,114
Pension return tax non-life insurance				1	(1)			0
Return and revaluations non-life insurance provisions				(4)				(4)
Transferred to technical result					(1,786)			(1,786)
Other items				4	66	(18)	(64)	(12)
Pre-tax profit				988	128	33	0	1,149
Taxation								(261)
Profit								889
H1 2018								
Non-life insurance								
Gross premiums earned	2,541	2,042	(9)	4,574				4,574
Claims incurred	(1,695)	(1,390)	8	(3,076)			7	(3,069)
Expenses	(422)	(346)	(0)	(767)			11	(756)
Net reinsurance	(34)	(34)	(0)	(69)				(69)
Technical profit / (loss) on non-life insurance	391	272	(2)	661			19	680
Life insurance								
Gross premiums written					4,665			4,665
Allocated investment return					185			185
Pension return tax					(25)			(25)
Benefits and change in provisions					(4,637)			(4,637)
Expenses					(215)		3	(212)
Net reinsurance					(1)			(1)
Technical profit / (loss) on life insurance					(29)		3	(26)
Total investment return				67	235	39	60	401
Pension return tax non-life insurance				(3)	3			0
Return and revaluations non-life insurance provisions				(66)				(66)
Transferred to technical result					(185)			(185)
Other items				(1)	83	(24)	(82)	(25)
Pre-tax profit				659	106	15	0	779
Taxation								(166)
Profit								613

Notes to the financial statements • Group

(DKK m)	Full year 2017	H1 2017	H1 2018
Note 1. Claims incurred, net of reinsurance - Non-life insurance			
Run-off result:			
Gross business	393	178	132
Reinsurance ceded	(50)	(22)	3
Run-off result, net of reinsurance (profit)	344	157	135

Note 2. Gross premiums written - Life insurance

Individual policies	309	137	131
Policies w hich are part of a tenure	1,892	913	1,025
Group life	508	381	271
Regular premiums	2,709	1,431	1,427
Individual policies	1,752	792	912
Policies w hich are part of a tenure	3,788	1,659	2,326
Single premiums	5,541	2,450	3,238
Gross premiums	8,250	3,881	4,665

Note 3. Financial assets and liabilities	31 December 2017	30 June 2017	30 June 2018
Financial assets recorded at fair value based on non-observable input (level 3), comprises of a bond portfolio.			
1 January	582	582	692
Purchases	239	70	54
Repayments	(103)	(77)	(151)
Foreign exchange adjustment	(26)	(17)	5
31 December	692	557	600

The item consists of construction financing of property projects (DKK 308m) and Vindmøllepark (w ind farm) guaranteed by EKF (DKK 98m) and bonds of DKK 194m, 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.

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	611	795	525
Adjustments to VAT liabilities	80	60	82
Other liabilities	19	8	20
Capital commitments made to loan funds and private equity funds etc.	1,072	1,313	1,007

All companies in the Topdanmark Group and Danish companies and affiliates in the Sampo Group are jointly taxed w ith 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 w ithhold tax from interests, royalties and dividend for companies concerned.

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

Notes to the financial statements • Group

(DKKm)

Note 5. Related parties

In H1 2018, Topdanmark A/S paid dividend of DKK 798m to Sampo plc.

In H1 2018, Topdanmark A/S received dividend of DKK 1,700m (H1 2017: DKK 700m) from Topdanmark Forsikring A/S.

In addition to this, there have been no material transactions with related parties.

Note 6. Sale of affiliated company

As of 1 April 2018, the Group has disposed of the shares in the subsidiary Nykredit Livsforsikring A/S for DKK 124m cash.

Thus, as per the time of sale, the balance sheet of the company was compounded as follows:

Investment activities related to unit-linked products	1,919
Cash and cash equivalents	22
Other assets	471
Total assets	2,412
Provisions for insurance contracts	(2,138)
Creditors	(151)
Shareholders' equity	124

Income statement • Parent company

(DKK m)	Full year 2017	Q2 2017	Q2 2018	H1 2017	H1 2018
Income from affiliated companies	1,771	482	354	906	636
Interest charges	(7)	(2)	(3)	(4)	(5)
Total investment return	1,764	480	352	902	630
Other expenses	(42)	(8)	(9)	(18)	(24)
PRE-TAX PROFIT	1,722	472	343	884	606
Taxation	11	2	3	5	7
PROFIT FOR THE PERIOD	1,733	474	345	889	613

Statement of comprehensive income • Parent company

Profit for the period	1,733	474	345	889	613
Other comprehensive income from affiliated companies	0	0	0	1	1
Other comprehensive income	0	0	0	1	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,733	474	346	890	613

Balance sheet • Parent company

(DKK m)	31 December 2017	30 June 2017	30 June 2018
Assets			
Operating equipment	3	3	3
TOTAL TANGIBLE ASSETS	3	3	3
Shares in affiliated companies	6,624	5,734	5,430
Total investment in affiliated companies	6,624	5,734	5,430
TOTAL INVESTMENT ASSETS	6,624	5,734	5,430
Amounts due from affiliated companies	484	642	765
Other debtors	0	0	4
TOTAL DEBTORS	484	642	770
Deferred tax assets	0	2	0
Liquid funds	3	3	2
TOTAL OTHER ASSETS	3	5	2
TOTAL ASSETS	7,114	6,384	6,204

Shareholders' equity and liabilities

Share capital	90	95	90
Other reserves	2,875	1,985	1,681
Total reserves	2,875	1,985	1,681
Profit carried forward	1,822	3,503	3,807
Proposed dividend	1,710	0	0
TOTAL SHAREHOLDERS' EQUITY	6,497	5,584	5,578
OTHER SUBORDINATED LOAN CAPITAL	397	409	397
Amounts due to affiliated companies	183	165	133
Current tax liabilities	34	216	90
Other creditors	2	11	6
TOTAL CREDITORS	219	392	229
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	7,114	6,384	6,204

Statement by Management

The Board of Directors and the Executive Board have today considered and adopted the interim report for H1 2018 for Topdanmark A/S.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU, and the interim financial statements for the parent company are presented in accordance with the Danish Financial Business Act. Further, the interim report is presented in accordance with 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 30 June 2018 as well as the result of the Group's and the parent company's activities and the Group's cash flows for the financial period 1 January to 30 June 2018.

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, 20 July 2018

Executive Board:

Peter Hermann
(CEO)

Brian Rothemejer Jacobsen

Lars Thykier

Board of Directors:

Torbjörn Magnusson
(Chairman)

Jens Aaløse
(Deputy Chairman)

Tina Møller Carlsson

Mette Jensen

Petri Niemisvirta

Lone Møller Olsen

Annette Sadolin

Søren Vestergaard

Ricard Wennerklint