



Topdanmark A/S

ANNUAL REPORT 2015



TOPDANMARK'S EQUITY STORY

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

Focused strategy

- Danish player
 - Stable insurance risks
 - Low expense ratio
 - Limited financial risk
 - Synergy between life and non-life
 - Efficient capital management
 - Limited top line growth
 - Profitable growth - in that order
 - High net result
 - Large share buy-back programme
 - No protection against a take-over in the Articles of Association
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Read more about Topdanmark's equity story on www.topdanmark.com → Investor → Share profile

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

TOPDANMARK ANNUAL REPORT FOR 2015

2 March 2016 Announcement No. 16/2016

Key features 2015

- Post-tax profit of DKK 1,132m (2014: DKK 1,558m).
- This profit is in line with the profit forecast of DKK 1,050-1,150m assumed for 2015 in the interim report for Q1-Q3 2015.
- EPS was DKK 11.3 (2014: DKK 14.4).
- Combined ratio was 87.3% (2014: 86.0%).
- Combined ratio excluding run-off profits was 91.6% (2014: 89.8%).
- Premiums declined 1.8% in non-life insurance, but increased 42.1% in life insurance.
- Impacted by lower investment returns, profit on life insurance declined to DKK 174m (2014: DKK 200m).
- Investment return declined to DKK 274m (2014: DKK 711m).
- Share buy-back of DKK 1,667m in 2015, representing a buy-back yield of 8.6 %. The buy-back programme of DKK 1,950m for 2015 has been fully concluded.

Q4 2015

- Post-tax profit: DKK 278m (Q4 2014: DKK 304m).
- EPS: DKK 2.9 (Q4 2014: DKK 2.9).
- Combined ratio: 91.6% (Q4 2014: 83.6%). As compared to Q4 2014, the combined ratio was impacted by weather-related claims in Q4 2015, corresponding to a 5.9pp effect on the combined ratio.
- Combined ratio excluding run-off profits: 97.1% (Q4 2014: 87.5%).
- Trend in premiums: 2.6% decline in non-life insurance, 61.0% increase in life insurance.
- Profit on life insurance: DKK 85m (Q4 2014: DKK 2m).
- Investment return: DKK 122m (Q4 2014: DKK 60m).

Profit forecast model for 2016

- As compared to the guidance for 2016 in the Q1-Q3 2015 report, the assumed combined ratio for 2016 remains unchanged at around 91% excluding run-off.
- In the interim report for Q1-Q3 2015, it was announced that the assumed non-life premium development for 2016 was a decline of around 1%. The Danish non-life insurance market continues to be competitive. In line with comments in the interim report for Q1-Q3 2015, and keeping the strategy of profitability as the primary target unchanged, Topdanmark still expects negative premium growth in 2016.
- Overall post-tax profit forecast model: DKK 800-900m, excluding run-off, representing EPS of DKK 9.2.

Share buy-back

- The share buy-back programme for 2016, which will be executed from 12 February 2016 until the announcement of the 2016 Annual report on 23 February 2017, is DKK 1,250m, representing a buy-back yield of 7.5%.

Accounting policies 2016

- The accounting policies for 2016 will be changed on the basis of the new Danish Executive Order on Financial Reports. The changes are not expected to have material effect on results and shareholders' equity.

Topdanmark appoints two new members to its Executive Board

- Kim Bruhn-Petersen, Topdanmark's COO of non-life insurance, has announced that he wants to resign. When Kim Bruhn-Petersen resigns on 1 March 2016, Marianne Wier and Brian Rothemejer Jacobsen will join the Executive Board, see: company announcement No. 11/2016 of 11 February 2016.

Reduction in capital

- At the Company's Annual General Meeting on 7 April 2016, the Board of Directors will propose to reduce Topdanmark's share capital by own shares with a nominal value of DKK 10,000,000. The notice convening the Annual General Meeting, including the complete agenda for the meeting, will be published on 9 March 2016.

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Financial highlights

(DKKm)	2011	2012	2013	2014	2015	Q4 2014	Q4 2015
Premiums earned:							
Non-life insurance	8,668	8,759	8,889	9,116	8,956	2,304	2,244
Life insurance	3,242	3,059	3,511	4,448	6,320	1,087	1,749
	11,910	11,818	12,400	13,563	15,275	3,390	3,993
Results:							
Non-life insurance	1,086	2,103	1,361	1,803	1,276	386	264
Life insurance	187	210	442	200	174	2	85
Parent company etc.	76	22	73	7	31	16	20
Pre-tax profit	1,349	2,335	1,875	2,010	1,481	404	368
Tax	(326)	(512)	(407)	(452)	(349)	(100)	(90)
Profit	1,023	1,823	1,468	1,558	1,132	304	278
Run-off profits, net of reinsurance	148	201	306	351	381	90	123
Shareholders' equity of parent company at 1 January	4,900	4,915	5,716	5,490	5,442	5,516	5,072
Profit	1,023	1,823	1,468	1,558	1,132	304	278
Share buy-back	(1,159)	(1,200)	(1,836)	(1,716)	(1,667)	(407)	(377)
Share-based payments	150	177	142	110	76	26	5
Other movements in shareholders' equity	1	2	0	(1)	(3)	2	1
Shareholders' equity of parent company end of period	4,915	5,716	5,490	5,442	4,979	5,442	4,979
Deferred tax on security funds	(348)	(348)	(306)	(306)	(306)	(306)	(306)
Shareholders' equity of Group end of period	4,567	5,368	5,184	5,135	4,673	5,135	4,673
Capital base, parent company*)	5,319	6,122	5,897	5,848	5,388	5,848	5,388
Total assets, parent company	6,408	6,895	6,485	6,143	5,676	6,143	5,676
Total assets, Group	61,013	59,435	61,092	64,516	67,670	64,516	67,670
Provisions for insurance and investment contracts:							
Non-life insurance	16,228	16,251	16,721	16,485	16,248	16,485	16,248
Life insurance	30,618	32,553	33,640	36,375	40,537	36,375	40,537
Financial ratios (parent company)							
Post-tax profit as a % of shareholders' equity	21.1	33.9	26.0	28.1	21.3	5.5	5.4
Post-tax EPS (DKK)	7.4	14.2	12.5	14.4	11.3	2.9	2.9
Post-tax EPS, diluted (DKK)	7.4	14.1	12.3	14.3	11.3	2.9	2.9
Net asset value per share, diluted (DKK)	36.8	45.8	48.3	52.2	51.8	52.2	51.8
Share buy-back per share, diluted (DKK)	8.4	9.3	15.4	15.8	16.6	3.9	3.9
Listed share price end of period	89.5	121.3	142.8	200.2	196.0	200.2	196.0
Average number of shares ('000)	137,409	128,276	117,904	107,908	99,971	104,273	96,806
Average number of shares, diluted ('000)	138,023	129,367	119,131	108,805	100,461	105,102	97,241
Number of shares end of period ('000)	133,319	123,940	112,632	103,623	95,672	103,623	95,672
Ratios non-life insurance (%)							
Gross loss ratio	78.2	70.0	80.4	69.3	69.5	64.9	73.2
Net reinsurance ratio	(3.6)	2.2	(5.0)	1.0	1.9	3.3	1.9
Claims trend	74.6	72.2	75.4	70.3	71.4	68.2	75.1
Gross expense ratio	15.7	15.8	16.2	15.7	15.9	15.4	16.5
Combined ratio	90.3	88.0	91.5	86.0	87.3	83.6	91.6
Operating ratio	89.6	87.8	91.4	85.9	87.3	83.6	91.6
Combined ratio excl. run-off profits	92.0	90.3	95.0	89.8	91.6	87.5	97.1

*) Shareholders' equity and loan capital

Results for 2015

Topdanmark's post-tax profit was DKK 1,132m (2014: DKK 1,558m). EPS was DKK 11.3 (2014: DKK 14.4).

Pre-tax profit declined DKK 529m to DKK 1,481m.

The technical result declined DKK 156m to DKK 1,133m primarily due to higher expenses on weather-related claims (DKK 99m) and the lower level of interest rates (DKK 60m).

The investment return after transfer to technical result declined DKK 371m to DKK 143m. This was partly due to an extraordinarily high investment return in 2014 and partly due to the impact on the 2015 results of adverse development in the Danish mortgage market and in

foreign equities. On the other hand, Topdanmark achieved a profit of DKK 111m on the disposal of two residential properties.

Profit on life insurance declined DKK 26m to DKK 174m mainly due to a lower investment return.

Profit of the parent company etc. increased DKK 24m to DKK 31m.

The DKK 1,132m profit is in line with the assumption in the most recent profit forecast model for 2015 in the interim report for Q1-Q3 2015, which was a post-tax profit of DKK 1,050-1,150m.

Results and profit forecast model		Forecast 2015			Results
(DKKm)	Results	as in Q1-Q3 2015			Results
	2014	interim report			2015
Non-life insurance					
- Technical result	1,289	1,100	-	1,150	1,133
- Investment return after transfer to technical result etc.	514	120	-	170	143
Profit on non-life insurance	1,803	1,220	-	1,320	1,276
Life insurance	200	120	-	150	174
Parent company etc.	7	20	-	30	31
Pre-tax profit	2,010	1,360	-	1,500	1,481
Taxation	(452)	(310)	-	(350)	(349)
Profit for the year	1,558	1,050	-	1,150	1,132

Results for Q4 2015

Profit for Q4 2015 declined to DKK 278m (Q4 2014: DKK 304m). EPS was DKK 2.9 (Q4 2014: DKK 2.9).

Pre-tax profit declined DKK 36m to DKK 368m in Q4 2015.

The technical result declined by DKK 190m to DKK 188m. Weather-related claims were DKK 133m higher in Q4 2015 than in Q4 2014, primarily impacted by storm Gorm, which generated claims of around DKK 120m net of reinsurance.

The investment return increased DKK 68m to DKK 76m.

Profit on life insurance increased DKK 83m to DKK 85m. In Q4 2014, profit on life insurance was impacted by a lower investment return due to the increase in credit spreads in that period.

Profit of the parent company increased DKK 4m to DKK 20m.

Trend in profit	Q4	Q4
(DKKm)	2014	2015
Non-life insurance		
- Technical result	378	188
- Investment return after transfer to technical result etc.	8	76
Profit on non-life insurance	386	264
Life insurance	2	85
Parent company etc.	16	20
Pre-tax profit	404	368
Tax	(100)	(90)
Profit	304	278

Non-life insurance 2015

Premiums earned declined 1.8 % to DKK 8,956m. This was in line with the assumed decline in premiums of 1-2%. The personal segment accounted for a 1.1% decline and the SME and industrial segment for a 2.6% decline.

It is a key feature of Topdanmark's business model to give priority to profitability over growth.

In the SME and industrial segment, this focus on profitability has generated a loss of major industrial customers, who did not meet Topdanmark's return requirements. For example, premiums earned on workers' compensation declined 8.3% in 2015. On Group basis this loss had a 1.2pp adverse effect on premiums in 2015.

During 2015, competition in car insurance, in particular, intensified, driven by the existing players in the market. This trend in car insurance is due to the predominance of the sale of smaller and more roadworthy cars, which has resulted in a trend with declining risk and declining average premiums, but maintained profitability. As a result of the trend in car insurance, the Topdanmark Group incurred a 1.0pp decline in premiums earned in 2015.

As part of the continued work to improve profitability, Topdanmark is introducing a new sales strategy for distribution through its certified sales representatives in the personal segment. The new sales strategy increases their responsibility for individual risk assessment when the policy is written. This change has caused a loss of momentum, but also improved the quality of the new customer portfolio. The new sales strategy will be fully implemented in the course of H1 2016.

The level of new sales through bank distribution was lower in 2015 than the previous year. The reason is that, due to the low interest rates, Danish banks have allocated more resources to serve customers who want to convert their mortgage credit loans. This has resulted in a declining number of referrals of potential non-life insurance customers. As compared to the first three

quarters of 2015, the number of referrals increased in Q4. The number of referrals is expected to increase from 2015 to 2016, when also, the distribution agreement made with Sydbank will have a positive effect.

Claims trend

The claims trend was 71.4% in 2015 (2014: 70.3%).

Gross weather-related claims were DKK 209m in 2015. Storm claims accounted for DKK 171m, rainstorm claims for DKK 24m and snow loading claims for DKK 15m.

After reimbursement from the reinsurance companies, weather related claims were DKK 187m net of reinsurance (2014: DKK 88m). Accordingly, weather-related claims had an adverse effect of 1.1pp on the claims trend in 2015 as compared to 2014. Topdanmark assumes a normal level of DKK 170m net of reinsurance for weather-related claims. Accordingly, weather-related claims net of reinsurance were DKK 17m higher for 2015 than the normal level, representing an effect of 0.2pp on the claims trend.

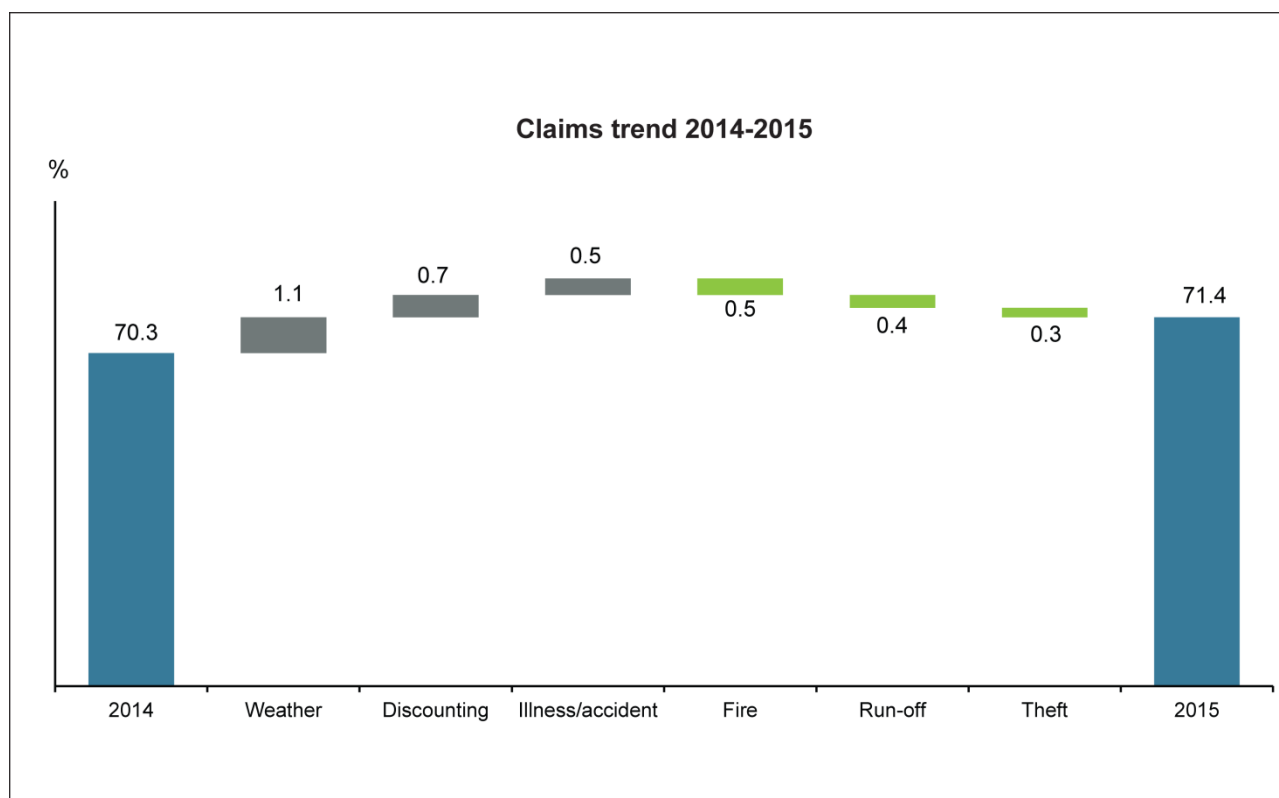
The interest rate curve used to discount the provisions for outstanding claims was lower in 2015 than in 2014, which impacted the claims trend adversely by 0.7pp as compared to 2014.

The claims trend for illness/accident insurance had an adverse 0.5pp impact on the overall claims trend due to a larger number of claims than in 2014.

The level of fire claims declined in the agricultural and personal areas, but increased in the SME and industrial area. The fire claims trend improved the overall trend by 0.5pp.

Run-off profits, net of reinsurance, were DKK 381m (2014: DKK 351m), representing a 0.4pp improvement of the combined ratio. Run-off profits were generated in primarily motor liability, workers' comp, change of ownership and illness/accident insurance.

The number of thefts declined, which improved the claims trend by 0.3pp in 2015.



Expense ratio

The expense ratio increased to 15.9% (2014: 15.7%). Nominal expenses declined slightly, in spite of an increase in expenses due to general wage increases and the 0.8pp increase in the payroll tax. The expense savings were achieved partly through efficiency-promoting measures and partly through the payment of lower sales commission in connection with lower new sales in the personal segment.

Combined ratio

Overall expenses on claims, reinsurance, sales and administration as a percentage of premiums earned (combined ratio) increased to 87.3% (2014: 86.0%). Excluding run-off profits, the combined ratio was 91.6% (2014: 89.8%).

Developments in Q4 2015

Premiums earned declined 2.6% to DKK 2,244m. The decline was 1.8% in the personal segment and 3.4% in the SME segment. The decline in premiums continued to be due to the loss of major SME customers (workers' compensation insurance) and lower motor premiums.

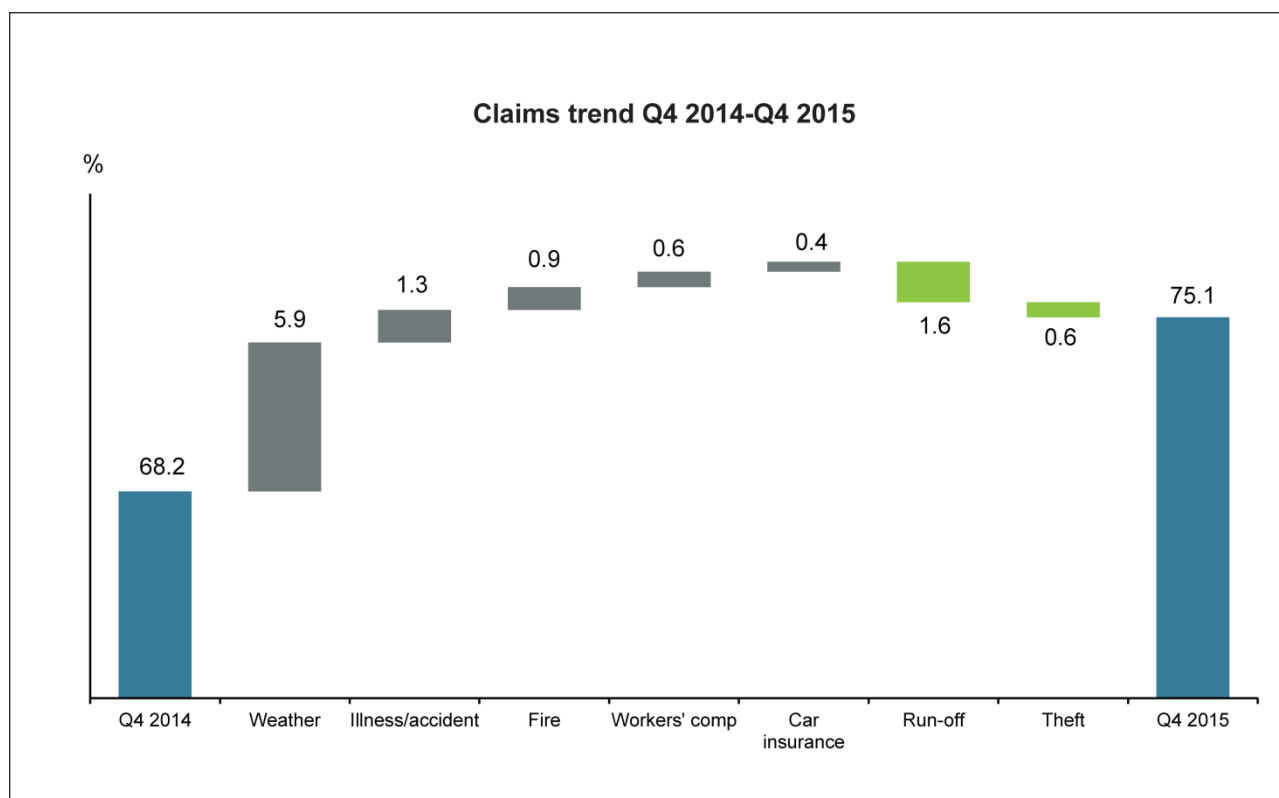
The claims trend was 75.1% in Q4 2015 (2014: 68.2%). In Q4 2015, the claims trend was affected by weather-related claims generating gross expenses of DKK 162m. After reimbursement from the reinsurance companies, weather-related claims were DKK 140m. Weather-related

claims were DKK 133m higher in Q4 2015 than in Q4 2014, representing a 5.9pp deterioration of the combined ratio. Topdanmark assumes a normal level of DKK 50m net of reinsurance for weather-related claims in Q4. Accordingly, weather-related claims were DKK 90m higher than the normal level, representing an effect of 4.0pp on the claims trend.

Furthermore, as compared to Q4 2014, the claims trend was adversely impacted by illness/accident insurance as an adjustment of the expected sizes of claims resulted in an extraordinarily low claims level in Q4 2014 (1.3pp). Moreover, the claims trend was adversely impacted by a number of large fire claims in the SME and industrial area (0.9pp), workers' compensation insurance (0.6pp) and car insurance (0.4pp). The increase in the claims trend for car insurance was mainly due to a 9% increase in the number of car accidents from Q4 2014. On the other hand, the claims trend benefitted from a higher level of run-off profits (1.6pp) and a lower number of thefts (0.6pp).

The expense ratio increased to 16.5% in Q4 2015 (Q4 2014: 15.4%) mostly due to lower premiums and non-recurring savings in Q4 2014.

The combined ratio increased to 91.6% in Q4 2015 (Q4 2014: 83.6%). Excluding run-off profits, it was 97.1% in Q4 2015 (Q4 2014: 87.5%).



Financial highlights – Non-life insurance (DKKm)	Q4 2014	Q4 2015	2014	2015
Gross premiums earned	2,304	2,244	9,116	8,956
Technical interest	1	0	8	(2)
Claims incurred	(1,494)	(1,642)	(6,320)	(6,224)
Expenses	(356)	(371)	(1,427)	(1,426)
Net reinsurance	(77)	(43)	(88)	(171)
Technical result	378	188	1,289	1,133
Investment return after transfer to technical result	(4)	65	478	104
Other items	12	11	36	39
Profit on non-life insurance	386	264	1,803	1,276
Run-off profits, net of reinsurance	90	123	351	381
Gross loss ratio (%)	64.9	73.2	69.3	69.5
Net reinsurance ratio (%)	3.3	1.9	1.0	1.9
Claims trend (%)	68.2	75.1	70.3	71.4
Gross expense ratio (%)	15.4	16.5	15.7	15.9
Combined ratio (%)	83.6	91.6	86.0	87.3
Operating ratio (%)	83.6	91.6	85.9	87.3
Combined ratio excl. run-off profits (%)	87.5	97.1	89.8	91.6

Segment reporting

Personal

The Personal segment sells policies for individual households in Denmark.

Premiums earned declined 1.1% to DKK 4,966m. Premium growth was marginal in personal and illness/accident insurance, while there was a decline in premiums earned on car insurance impacted by a lower average premium (2.6%). In Q4 2015, premiums earned in the Personal segment declined 1.8% to DKK 1,241m primarily due to a decline in car, house and contents insurance premium prices.

The technical result declined DKK 115m to DKK 663m.

The claims trend deteriorated 2.1p to 70.3% primarily due to weather-related claims (0.9pp) and a poor result of illness/accident insurance before run-off, which had a negative 1.9pp effect on the claims trend. On the other hand, the claims trend benefitted from a better claims trend for fire and theft (0.4pp) and higher run-off profits (0.3pp).

Nominal expenses declined 1.6%.

The combined ratio increased to 86.6% (2014: 84.6%). Excluding run-off profits, the combined ratio increased to 91.1% (2014: 88.7%).

Personal (DKKm)	Q4 2014	Q4 2015	2014	2015
Gross premiums earned	1,263	1,241	5,021	4,966
Technical interest	1	(0)	4	(1)
Claims incurred	(852)	(907)	(3,428)	(3,426)
Expenses	(205)	(209)	(822)	(809)
Net reinsurance	(1)	(18)	3	(68)
Technical result	207	106	778	663
Run-off profits, net of reinsurance	38	51	208	221
Gross loss ratio (%)	67.4	73.1	68.3	69.0
Net reinsurance ratio (%)	0.0	1.5	(0.1)	1.4
Claims trend (%)	67.4	74.6	68.2	70.3
Gross expense ratio (%)	16.2	16.9	16.4	16.3
Combined ratio (%)	83.7	91.5	84.6	86.6
Operating ratio (%)	83.6	91.5	84.5	86.6
Combined ratio excl. run-off profits (%)	86.7	95.6	88.7	91.1

SME and Industrial

The SME and Industrial segment offers policies for Danish-based SME, agricultural and industrial businesses.

Premiums earned declined 2.6% to DKK 4,009m. The reason is a continued loss of less profitable customers. Accordingly, premiums earned declined 9.5% in workers' compensation insurance alone, where generally profitability is poor. In Q4 premiums earned in the SME and Industrial segment declined 3.4% to DKK 1,009m.

The technical result declined DKK 34m to DKK 476m.

The claims trend improved 0.2pp to 72.7% benefitting from a better claims trend for fire and theft insurance (0.8pp) and from run-off (0.5pp), while weather-related claims and the lower interest rates had an adverse effect on the claims trend of 1.4pp and around 1pp respectively.

Nominal expenses increased 1.8%, which, due to the lower level of premiums, increased the expense ratio by 0.6pp to 15.4%.

The combined ratio was 88.1% (2014: 87.7%). Excluding run-off profits, the combined ratio was 92.1% (2014: 91.2%).

SME and Industrial (DKKm)	Q4 2014	Q4 2015	2014	2015
Gross premiums earned	1,045	1,009	4,116	4,009
Technical interest	0	0	4	(1)
Claims incurred	(647)	(737)	(2,911)	(2,811)
Expenses	(152)	(162)	(608)	(619)
Net reinsurance	(77)	(25)	(91)	(103)
Technical result	170	85	510	476
Run-off profits, net of reinsurance	51	72	143	161
Gross loss ratio (%)	61.9	73.0	70.7	70.1
Net reinsurance ratio (%)	7.3	2.5	2.2	2.6
Claims trend (%)	69.2	75.5	72.9	72.7
Gross expense ratio (%)	14.5	16.1	14.8	15.4
Combined ratio (%)	83.7	91.6	87.7	88.1
Operating ratio (%)	83.7	91.6	87.6	88.1
Combined ratio excl. run-off profits (%)	88.7	98.7	91.2	92.1

Life insurance 2015

The result from life insurance was a profit of DKK 174m (2014: DKK 200m).

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

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

Result of life insurance (DKKm)	Q4 2014	Q4 2015	2014	2015
Investment return on shareholders' equity	0	40	105	57
Sales and administration	(22)	(22)	(65)	(45)
Insurance risk	(3)	5	25	19
Risk return on shareholders' equity	35	36	145	137
Risk return transferred to (minus)/from shadow account	(8)	28	(10)	7
Profit on life insurance	2	85	200	174
Estimated value of shadow account end of period			26	12

The decline in profit was mainly due to the decline to DKK 57m in the investment return on shareholders' equity (2014: DKK 105m).

The result of sales and administration improved to a DKK 45m loss (2014: DKK 65m loss) primarily due to non-recurring savings.

The risk result declined to DKK 19m (2014: DKK 25m) mainly due to a deteriorated claims trend for disability cover.

The estimated value of the shadow account is DKK 12m, which will be recognised as income in a subsequent period, when profits are generated in those contribution groups which have a shadow account.

Trend in premiums

Gross premiums increased 42.1% to DKK 6,320 in 2015, of which premiums on unit-linked pension schemes were DKK 4,868m, an increase of 54.3% from 2014. Unit-linked pension schemes represented 94.0% of new sales in 2015.

Regular premiums increased 14.7% to DKK 2,513m in 2015.

Single premiums were DKK 3,807m in 2015, representing a 68.7% increase.

Developments in Q4 2015

The result of life insurance increased to DKK 85m (2014: DKK 2m). The improvement of DKK 83m was due to a higher investment return in Q4 2015 (DKK 40m) and the full inclusion of risk return in income (DKK 36m).

Overall, premiums were DKK 1,749m in Q4 2015, representing a 61.0% increase from Q4 2014. Regular premiums increased 17.0% to DKK 648m, while single premiums increased 106.7% to DKK 1,101m.

Sources of gross premiums (DKKm)	Q4 2014	Q4 2015	2014	2015
With-profits schemes	233	210	848	753
Unit-linked schemes	283	363	939	1,226
Group life	38	75	404	533
Regular premiums	554	648	2,191	2,513
With-profits schemes	(30)	31	40	165
Unit-linked schemes	563	1,070	2,216	3,642
Single premiums	533	1,101	2,257	3,807
Gross premiums	1,087	1,749	4,448	6,320

Investment activities Topdanmark Group excl. life insurance

The investment return in the Topdanmark Group excluding life insurance was DKK 274m in 2015 including the revaluation of provisions and income from associated companies, but before the transfer to the technical result (2014: DKK 711m).

It is Topdanmark's policy to accept a certain level of financial risk, given its strong liquid position and stable, high earnings from insurance operations. Topdanmark has invested in, among other things, equities, properties and CDOs in order to improve the average investment return. The return in Q4 and the full year 2015 on the most significant classes of assets is disclosed in the following table:

Investment return	Portfolio 31 Dec		Return Q4 2014		Return Q4 2015		Return 2014		Return 2015	
	2014	2015	Return Q4 2014	%	Return Q4 2015	%	Return 2014	%	Return 2015	%
	(DKKbn)		(DKKm)		(DKKm)		(DKKm)		(DKKm)	
Danish equities	0.4	0.5	(16)	(2.6)	35	7.6	84	18.0	113	27.7
Foreign equities	0.7	0.7	14	1.7	27	3.3	64	7.3	7	0.9
Government and mortgage bonds	10.5	12.0	23	0.3	33	0.3	239	2.3	(25)	(0.2)
Credit bonds	0.4	0.2	2	0.5	2	1.1	21	5.0	18	6.1
CDOs	0.7	0.6	(11)	(1.3)	(6)	(0.7)	89	12.7	24	3.6
Properties	1.4	1.0	5	0.4	8	1.3	39	2.9	166	14.9
Assets related to I/A	2.1	2.1	34	1.6	21	0.9	193	9.4	(1)	(0.0)
Money market etc.	3.2	2.5	(14)	(0.4)	(19)	(1.0)	(30)	(0.9)	(61)	(2.7)
Subordinated loan capital	(1.2)	(2.2)	(16)	(5.3)	(11)	(0.6)	(61)	(5.3)	(50)	(4.5)
Interest-bearing debt	(0.4)	(0.4)	(0)	(0.7)	(0)	0.0	(2)	(0.7)	(1)	(0.3)
	17.8	17.1	22	0.1	88	0.5	636	3.4	191	1.0
Asset management			38		34		76		83	
Total investment return			60		122		711		274	
Transferred return technical provisions										
Discounting			(29)		(30)		(147)		(108)	
Technical interest			(1)		(0)		(8)		2	

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 government and mortgage bonds and assets related to I/A (illness/accident) includes revaluations of claims provisions. The return on properties includes revaluation and reversed revaluation of owner-occupied property, which has been included in other comprehensive income.

The investment return after the transfer to the technical result was DKK 168m, which was just under DKK 100m lower than the expected return for the year, calculated using Topdanmark's forecast model at the beginning of 2015. The lower return was primarily due to a relatively low return on Danish mortgage bonds as compared to the comparable revaluation of provisions and the very low short-term interest rates. Additionally, there was a lower return on foreign equities. The relatively high returns on Danish equities and a profit on the disposal of residential properties only partially alleviated the effect of development in the interest rate markets.

The post-tax equity exposure was DKK 754m (pre-tax: DKK 985m) excluding associated companies, but including the impact of derivatives.

The equity portfolios are well diversified with no large individual positions. The composition of the portfolios is based on OMXCCAP for Danish equities (representing around 30% of the portfolio at 31 December 2015) and MSCI World in the original currency for foreign equities.

The Group's investments have no significant concentration of credit risk except for AAA-rated Danish mortgage bonds. The class of "Government and mortgage bonds" comprises primarily Danish government and mortgage bonds and revaluation of technical provisions. In addition, there are foreign government bonds mainly from European core countries, covered bonds and derivatives.

Credit bonds with a rating lower than BBB (DKK 97m) comprise high yield bonds, part of which are convertible, and subordinated bank capital issued by EU banks. Credit bonds with a rating of BBB and A (DKK 151m) are ordinary and convertible corporate bonds, subordinated bank capital issued by EU banks and annuity policies.

The underlying assets of CDOs are mostly senior secured bank loans, while the remainder are primarily CDOs with investment-grade investments as the underlying assets.

The maturity of the CDO investments is dependent on any changes in the payments made by the underlying assets, which in turn are dependent on changes in the general economy, and therefore, it is not possible to outline the maturity distribution for the portfolio.

The property portfolio comprises mainly owner-occupied property (DKK 857m). 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. Except for a single property, which was sold in 2016, 97.9% of the property portfolio is let.

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

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

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

"Interest-bearing debt" comprises other debt.

Parent company etc.

The parent company, Topdanmark, does not perform any independent activities. The result of the parent company etc. includes the results of subsidiaries, excluding the insurance business (primarily Topdanmark Kapitalforvaltning, the asset management company) and finance costs.

The result was a profit of DKK 31m in 2015 (2014: DKK 7m).

Taxation

The tax charge was DKK 349m of the pre-tax profit of DKK 1,481m, corresponding to an effective tax rate of 23.6% (2014: 22.5%).

Profit forecast model

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

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

Non-life insurance

In the interim report for Q1-Q3 2015 Topdanmark assumed, for 2016, a decline of 1% in premiums earned and a combined ratio of around 91%, excluding run-off.

This was based on the following assumptions:

- A normal year for weather-related claims of DKK 170m, broken down by quarter:
 - Q1: DKK 50m
 - Q2: DKK 25m
 - Q3: DKK 45m
 - Q4: DKK 50m
- A level of interest rates corresponding to the interest rate curve on 6 November 2015.

Topdanmark continues to assume a combined ratio of around 91% for 2016, excluding run-off. The expense ratio is assumed to be around 16%.

In the interim report for Q1-Q3 2015, it was announced that the assumed non-life premium development for 2016 was a decline of around 1%. The Danish non-life insurance market continues to be competitive. In line with comments in the interim report for Q1-Q3 2015, and keeping the strategy of profitability as the primary target unchanged, Topdanmark still expects negative premium growth in 2016.

Overall, the assumed pre-tax profit on non-life insurance is DKK 850-950m.

Life insurance

Assumed growth in regular premiums is 0-5% for 2016. At this time of the year, it is not appropriate to assume a level of growth in single premiums.

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

- Due to the lower interest rates and the negative capital markets in January 2016, the investment return on shareholders' equity is expected to be around DKK 40m in 2016 (2015: DKK 57m).

- No recognition of income from the shadow account is assumed in 2016. In 2015 DKK 7m was recognised as income from the shadow account.

Overall, the assumed pre-tax profit on life insurance is DKK 130-160m.

The result is highly sensitive to fluctuations particularly in the investment return. The risk allowance and shadow account will not be finally calculated until the preparation of the 2016 Annual Report.

Parent company

The profit forecast model for the parent company plus subsidiaries outside of the insurance group assumes a pre-tax profit of DKK 30-40m.

Taxation

Given a corporation tax rate of 22.0%, the tax charge is expected to be DKK 210-250m.

Total Group profit

Overall, the post-tax profit forecast model for 2016 is DKK 800-900m, representing EPS of DKK 9.2. The assumed profit for 2016 is exclusive of run-off.

This profit forecast model is based on the assumption of an annual 7.0% return on equities and foreign exchange rates unchanged from the level on 29 January 2016. 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 1.96% (risk-free interest rate plus 2.0pp).

Profit forecast 2016 (DKKm)	Results 2015	Forecast 2016 29 January 2016		
Non-life insurance				
- Technical result	1,133	750	-	800
- Investment return after transfer to technical result etc.	143	100	-	150
Profit on non-life insurance	1,276	850	-	950
Life insurance	174	130	-	160
Parent company etc.	31	30	-	40
Pre-tax profit	1,481	1,010	-	1,150
Taxation	(349)	(210)	-	(250)
Profit for the year	1,132	800	-	900

Share buy-back

In the interim report for Q1-Q3 2015 it was announced that the share buy-back programme for 2015, which was executed until 10 February 2016, was at DKK 1,950m. This buy-back has been fully concluded, see: company announcement No 09/2016 of 11 February 2016.

For the financial year 2015, the share buy-back was DKK 1,667m, representing a buy-back yield of 8.6%.

The reduction of DKK1,667m in shareholders' equity was partly offset by DKK 76m strengthening of shareholders' equity by issue and exercise of share options etc.

In order to optimise the capital structure, the size of the buy-back programme for 2016 will exceed the expected post-tax profit by DKK 400m.

Accordingly, given that the profit for 2016 is in line with the profit forecast model of DKK 800-900m, the intention is to buy back own shares of DKK 1,250m in the period from the announcement of the 2015 annual results on 11 February 2016 until the announcement of the 2016 Annual Report on 23 February 2017.

Following the change to Solvency II, Danish insurance companies, including Topdanmark, need the approval of the DFSA before they initiate the buy-back programme. Therefore, the buy-back programme for 2016 is subject to the approval of the DFSA.

The buy-back programme for 2016 represents a buy-back yield of 7.5% p.a.(calculated on the basis of the price of the share on 29 January 2016).

The number of shares was 105,000,000 at 29 January 2016, of which Topdanmark's holding of own shares was 10,526,000. If before the Annual General Meeting on 7 April 2016, contrary to expectation, no further shares are bought back, the number of voting shares will be 94,474,000.

Since 1998, when Topdanmark started buying back own shares, it has been decided to cancel DKK 15.0bn of own shares, representing a 74.5% write-down of the share capital. The average price of the shares written down is DKK 48.6 per share.

In the years 2000-2015, the annual average buy-back yield has been 9.4%.

Topdanmark's buy-back programme is executed under the European Commission's Regulation No. 2273/2003 of 22 December 2003 (the "Safe Harbour" method). Topdanmark has made an agreement with Danske Bank, which is the lead manager for the share buy-back. The agreement with Danske Bank ensures that trade

decisions and the execution of the buy-back will be independent of and without influence from Topdanmark.

From 12 February 2016 to 9 May 2016, Danske Bank has been authorised to buy shares in Topdanmark up to a value of DKK 300m.

Up to 9 May 2016, the maximum amount Topdanmark can pay for shares under the programme is DKK 300m, and a maximum of 3,500,000 shares can be bought, representing 3.3% of the existing share capital in Topdanmark.

The buy-back must not be made at a price exceeding the higher of (1) the share price of the latest independent transaction and (2) the highest current independent offer price on Nasdaq Copenhagen on the day of trading.

The maximum number of shares in Topdanmark that may be bought on each trading day will represent 25% of the average daily trading volume of the Company's shares traded on Nasdaq Copenhagen within the 20 trading days preceding the purchase date.

As long as the share buy-back programme runs, Topdanmark will, at the beginning of each week, announce the number and the value of the shares bought back in a separate company announcement to Nasdaq Copenhagen.

Risk management

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

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

In this light, it is Topdanmark's opinion that the Company's future annual results will, with a very high probability, be positive even in the event of, for example, another collapse in the financial markets as in 2008.

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

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

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

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

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

internal model to be used in these new EU solvency calculations.

The risk management function implements an annual ORSA process identifying risks in the business, quantifying these risks and collecting them in a risk register. Additionally, the principles of solvency calculation are reviewed, and the risk management process is updated. An ORSA report has been prepared, which, together with the risk register and risk management process, was considered at a Board seminar in the autumn of 2015.

The risk management function has addressed the new rules for solvency calculation, reporting etc. of the Solvency II Directive in order to ensure that Topdanmark would meet this set of rules when it took effect on 1 January 2016.

Review

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

- Non-life insurance.
- Life insurance.
- Market.
- Credit and counterparty.
- Operational.
- Compliance.
- Strategic.

The most important risks are described in the following survey. A more detailed description is available in [note 49](#).

Risk survey – Topdanmark Group

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

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

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

Credit and counterparty risks		
Most important risks	Risk preferences	Risk reducing activities
Reinsurance.	To obtain efficient and secure reinsurance cover which is price competitive, a certain level of counterparty concentration is required.	Counterparty risk is limited by mainly buying hedging from reinsurance companies which as a minimum have a rating of A-.
Investment.	A certain level of credit risk is accepted as an element of the creation of return. Counterparty risk is due to the use of derivatives which are primarily used to control and reduce market risk.	Credit risk is limited by diversification both geographically and in terms of type of debtor. Counterparty risk on financial contracts is limited by the required security when overall risk on any given counterparty reaches a relatively low threshold value.

Operational risks		
Most important risks	Risk preferences	Risk reducing activities
IT.	Generally, operational risks are to be reduced to an acceptable level.	Group IT security function. Risk assessment, IT security policy, guidelines, controls and IT emergency plans based on ISO27001.
Errors in internal processes, human errors insurance fraud and deceit.		Policy for routines, process descriptions, controls and division of duties. Special department for insurance fraud and deceit. Event register.

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

Strategic risks		
Most important risks	Risk preferences	Risk reducing activities
Generally, strategic risks are related to the Company's business model, political conditions, reputation, alliance partners' and competitors' behaviour as well as macroeconomic conditions.	Low strategic risk due to strong business model.	Topdanmark's business model stands strong against strategic risks. The results of the Company will, with very high probability, be positive even in the event of another collapse in the financial markets as in 2008. The results of the Company will also be positive if it is hit by a storm like the 1999-hurricane, which was the largest storm event in the Company's history. In a situation where Topdanmark's solvency might come under pressure, the share buy-back will be stopped. Additionally, the cancellation of own shares bought under the buy-back programme will be effected with a certain delay giving Topdanmark the opportunity to increase its solvency capital by selling own shares.

Risk scenarios

The Group's risk factors are illustrated in the following table on the most significant risk factors. The given assumptions do not reflect Topdanmark's expected risks, but are shown only as examples which could be used as a basis for assessing the Company's exposure to the risks mentioned.

In the calculation of the effect on the results, it is assumed that the bonus reserves and the individual bonus potential in life insurance could offset adverse fluctuations at the levels described as the collective bonus potential was DKK 1,697m at 31 December 2015 (2014: DKK 1,677m), and the bonus potential on paid-up benefits DKK 1,101m (2014: 746m).

Risk scenarios (DKKm) after taxation and pension return tax				2014	2015
Non-life insurance					
Underwriting risk					
Combined ratio – 1pp increase				(69)	(69)
Provisioning risk					
Provisions on own account – 1% increase				(98)	(99)
Storm claims up to DKK 5,100m (Plus reinstatement premium etc.)				(76)	(77)
Life insurance					
Disability intensity – 10% increase				0	0
Mortality intensity – 10% decline				(22)	(19)
Market risk					
Interest-bearing assets	1 pp increase			(484)	(431)
Provisions for claims and benefits etc.	in effective interest rate			505	465
Index-linked bonds	5% loss			(27)	(27)
Equities	10% loss			(68)	(80)
CDOs < AA	10% loss			(65)	(49)
Properties	10% loss			(156)	(127)
Annual currency loss with an up to 2.5% probability				(21)	(19)

Solvency calculation and capital requirements

Solvency II took effect on 1 January 2016. Solvency II introduces new common EU rules on the calculation of solvency capital requirements and capital base.

An important goal of Solvency II is to promote good risk management based on market values and actual risk calculations. Solvency II includes a standard model for calculation of solvency capital requirements, which will be common to all insurance companies in the EU. Although the model provides the opportunity for company-specific values for some variables, the standard model will not provide a fair view of all the risk elements of all companies.

Therefore, Solvency II gives the companies the opportunity to fully or partially develop their own internal risk model for the solvency calculation. Topdanmark uses

a partial internal model it has developed in-house to calculate the non-life risk. This model, approved by the DFSA, provides basis for including non-life risks in Topdanmark's solvency calculations.

In 2015, the solvency capital requirement was calculated on the basis of Solvency I and the special Danish rules of Individual Solvency. The Danish rules, Individual Solvency, were intended as an approximation of SCR, the solvency capital calculation of Solvency II. Therefore, the change from Individual Solvency to SCR has had no significant numerical importance to Topdanmark. For, with effect from 31 December 2015, Topdanmark has, generally speaking, calculated Individual Solvency using the same methods which apply to the SCR calculations in 2016. The DFSA has permitted Topdanmark to use the volatility adjusted Solvency II interest rate curve.

Capital base

In 2015, the calculation of the capital base was based on the Danish executive order on solvency, which is an adjustment to reflect Solvency II, but in which a few new elements of the Solvency II capital base were not recognised.

The Danish executive order on solvency for 2015 already recognised the following significant Solvency II elements:

- Provision for risk margin is deducted from the capital base.
- If the accounting provisions for outstanding claims exceed best estimate, the surplus amount is added to the capital base.
- An expected profit can be recognised on non-life insurance policies written for the remaining period of cover.

A significant Solvency II element not recognised in the calculation of the capital base for 2015, but which can be recognised in 2016 according to the Solvency II rules, is a higher limit for recognition of subordinated loan capital.

A new Danish executive order on financial reports for insurance companies took effect on 1 January 2016. The order adjusts the accounting provision calculation to reflect the Solvency II principles for calculation of provisions. In 2016, the most significant differences between shareholders' equity and capital base are:

- Expected future profit (profit margin) is recognised in the capital base.
- Intangible assets are deducted in the capital base.

In 2016, insurance holding companies are subject to the same solvency rules and methods of calculation as those for insurance companies. A Group calculation will be made for Topdanmark A/S in 2016.

In June 2015, Topdanmark redeemed subordinated notes of DKK 350m (subordinated loan capital) issued in 2010,

see: company announcement of 18 June 2015 from Topdanmark Forsikring. The redeemed subordinated notes were replaced and supplemented in December 2015, when Topdanmark Forsikring issued new subordinated notes in two tranches, see: company announcement of 2 December 2015 from Topdanmark Forsikring:

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

There is no intention to issue additional subordinated notes in the event of redemption of previously issued subordinated notes with call in 2016.

Capital model

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

So far, the size of the necessary solvency capital has been calculated at DKK 4,700m. This amount is the forecast solvency requirement under Solvency II plus an adequate buffer ensuring that usual fluctuations in earnings will not result in insufficient solvency cover.

The capital requirement of the new rules for 2016 are at the same level as the Individual Solvency requirement on 31 December 2015. Therefore, a solvency capital cover of DKK 4,700m, as a minimum, is maintained from the solvency capital elements: shareholders' equity reduced by intangible assets, hybrid capital and subordinated loan capital, see: www.topdanmark.com → Investor → [Capital model](#). At the end of 2015, the calculated solvency capital was DKK 6,444m.

The necessary capital of DKK 4,700m, as stated above, is based on Topdanmark using the internal model for calculation of the non-life risk, approved by the DFSA. If Topdanmark did not use the internal model, the solvency capital requirement would be at a level of DKK 800m higher.

Detailed information on, among other subjects, Topdanmark's capital structure model and model for calculation of share buy-back potential is available on www.topdanmark.com → Investor → [Capital model](#).

Topdanmark's Solvency II project

Solvency II took effect on 1 January 2016. During the years up to the implementation on 1 January 2016, Topdanmark has worked on establishing organisation, data and calculation of solvency requirements accordingly. Consequently, Topdanmark has established the four key functions (compliance, risk management, actuary and internal audit).

Now, the only outstanding issue is working with the new, very detailed external reporting to the DFSA (QRT and RSR) and the reporting for publication on the website (SFCR). The project is going according to plan.

Capital structure and ownership

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

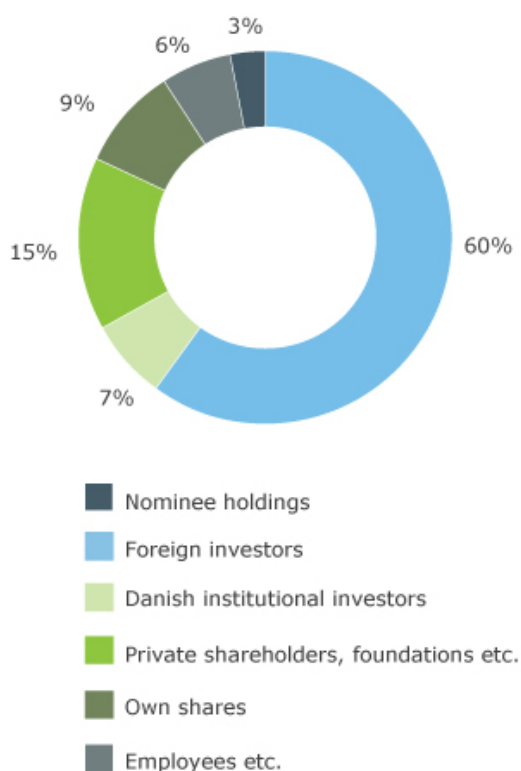
Furthermore, for the period until the Annual General Meeting in 2020, the Board of Directors is authorised to acquire own shares of up to 15% of the share capital for the purpose of ownership or security. The shares can be acquired at a minimum market price of DKK 1.05 per share of DKK 1 each and a maximum price of current market value plus 10%. It is a standing authorisation which, subject to the approval of the general meeting, is renewed regularly.

At 31 December 2015 Topdanmark's share capital totalled DKK 105,000,000 divided into 105,000,000 shares of DKK 1 each, corresponding to 105,000,000 voting rights. As of 29 January 2016, Topdanmark held 10,526,000 of own shares representing 10.0% of the share capital, of which 2,108,466 shares are earmarked to cover Management's share option scheme.

Shareholders

At 31 December 2015 Topdanmark had 44,189 shareholders registered by name.

Shareholder structure 31 December 2015



The following shareholder owns more than 5% of the share capital (29.98%):

If P & C Insurance Holding Ltd (publ)
Barks Väg 15, Solna
10680 Stockholm
Sweden

Board of Directors and Articles of Association

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

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

Topdanmark's Board of Directors comprises nine members, six of them elected by at the Annual General Meeting and three by Topdanmark's employees in accordance with the Danish Companies Act. Since 9 December 2015, one of the directorships elected at the Annual General Meeting has been vacant, see: company

announcement No. 21/2015. It will be refilled at the Company's Annual General Meeting on 7 April 2016.

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

The age limit for Board members is 70, and the term of office for members elected by shareholders at the general meeting is one year, while in accordance with legislation, it is four years for members elected by employees.

Board members are elected individually, and no Board member may be appointed by any individual shareholder.

The Board of Directors has made a response to its composition and qualifications in "Policy for diversity in the Board of Directors". The Company believes that, by imposing very specific requirements on the Board of Directors in advance, it may prevent the election of an evidently qualified Board candidate who does not 100% meet the requirements. Instead, an individual decision will be made on each Board candidate based upon an overall consideration of the candidate's qualifications as compared with the Company's business model and associated risks, present needs and the composition of the rest of the Board of Directors. Topdanmark believes that in a company like Topdanmark, among them its Board members ought to possess skills within insurance operations, reinsurance, long-tail business, financial and insurance reporting, general statistics, risk management and assessment, strategic management, sales in the personal and professional markets, marketing/branding, finance, audit, financing/investment, statutory limits, IT and recruitment. With its current composition Topdanmark's Board of Directors possesses all these skills.

Diversity

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

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

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

Topdanmark works to maintain and develop openness in our company culture to counter any form of discrimination due to gender, race, colour, nationality, social and ethnic origin, religion, beliefs, political opinion, disability, age and sexual orientation. Topdanmark believes that diversity provides business value and that it is important that all employees have access to executive positions at all levels. Topdanmark's Board of Directors has adopted a policy for diversity. Detailed information on diversity including "Women in management" is available in the [CSR Report](#).

Amendments to the Company's Articles of Association

The general meeting is Topdanmark's chief decision-making vehicle. Decisions at general meetings are made by a simple majority of votes unless a special majority or representation is required by the Danish Companies Act or the Articles of Association. The Articles of Association provide that decisions on the alteration of the Articles of Association are only valid if adopted by an affirmative vote of not less than two thirds of the votes cast as well as of the capital represented at the general meeting. The Articles of Association provide no restrictions on voting rights.

Severance pay

As stated in the remuneration policy adopted at the Annual General Meeting, it is part of the contracts for the Executive Board and five other members of the Group's top management team that, under certain circumstances, they will receive compensation in the form of an extended period of notice and an increased severance pay if Topdanmark, and/or the company of the Topdanmark Group with which the person concerned is employed, is taken over by or merges with a company outside of the Group, or if one or more owners take control of Topdanmark, and/or the company of the Topdanmark Group with which the person concerned is employed. The maximum amount of compensation will represent two years' salary.

Additionally, Topdanmark offers severance pay in accordance with legislation, as set out in a contract or in specific cases as has been individually agreed upon, but

always adhering closely to the guidelines of the Danish Salaried Employees Act. The maximum amount of the overall severance pay will represent two years' salary.

On 23 September 2013, the EU Commission decided that If P & C Insurance Holding Ltd (publ) de facto is in control of Topdanmark. As a consequence of this special situation, it has been agreed that Topdanmark's Executive Board earns a compensation over three years, representing six months' salary for each qualifying year. Christian Sagild and Lars Thykier have earned this compensation during the years 2013-2015. Marianne Wier and Brian Rothemejer Jacobsen will earn the compensation during the years 2016-2018. The compensation will be paid on resignation.

Remuneration structure

Topdanmark's remuneration policy is intended to optimise long-term value creation at a group level. In accordance with Section 77(d) of the Danish Financial Business Act and Section 139 of the Danish Companies Act, the Annual General Meeting has adopted "Remuneration policy of the Topdanmark Group including general guidelines for performance-related pay."

Besides salary policy, the remuneration policy also includes Topdanmark's general guidelines for performance-related pay, its pension policy and its guidelines for the granting of severance pay. The remuneration policy covers Topdanmark's Board of Directors, Executive Board, significant risk takers and, as provided by legislation, employees involved in control functions and audit work. If specifically stated, Topdanmark's remuneration policy also covers its executive team, comprising a number of the heads of business sectors and administrative departments ("the Friday Team") and certain other employees, at the discretion of the Board of Directors. The remuneration policy etc., as adopted by the Annual General Meeting, is available on www.topdanmark.com → Investor Relations → Corporate Governance → [Remuneration structure](#).

The share price reflects expected value creation potential at group level. This is one of the reasons why Topdanmark believes that share options rather than the receipt of individual bonuses encourage the executives to be more holistic in their approach to value creation.

The remuneration package of the Executive Board, the Friday Team and significant risk takers is based upon a fixed basic salary, 10% of which is paid as share options. Individual bonuses or other types of variable salary are not paid. The determination of the fixed basic salary paid to the Executive Board and the Friday Team is based on a specific assessment of the employee. In its assessment Topdanmark includes, among other factors, their position, characteristics and performance.

Besides options, which in accordance with the revolving option scheme are paid to the Executive Board, significant risk takers and the Friday Team as part of their fixed salaries, the Executive Board may grant a total of up to 200,000 options to employees who are expected to make a special effort or otherwise contribute extraordinarily to value creation in the Company in that year of granting.

No special pension contribution is paid to the Executive Board, and, therefore, they are paid a personal allowance of 25% of their cash salary. Consequently, Topdanmark has no pension commitments towards the Executive Board, and no type of pension compensation on retirement is granted. The Friday Team and significant risk takers receive a pension contribution of up to 25% of

their cash salary. The amount is paid to the chosen pension provider and consequently all pension obligations are fully covered by them.

Share options

For 2016, Topdanmark has granted 223,460 share options to its Executive Board and a number of executives. The strike price of DKK 215 was fixed at 110% of the market price of Topdanmark's shares on 30 December 2015 (average of all trades).

Besides the revolving scheme referred to above, a further 184,000 share options have been granted for 2016 to a number of other executives who are expected to make a special effort or otherwise contribute extraordinarily to value creation in the Company.

Share options granted	Executive Board	Senior Executives	Total
2012	126,690	474,920	601,610
Market value of those options granted (DKKm)	2	6	7
2013	107,150	439,590	546,740
Market value of those options granted (DKKm)	2	7	9
2014	86,950	394,486	481,436
Market value of those options granted (DKKm)	2	8	10
2015	67,782	295,118	362,900
Market value of those options granted (DKKm)	2	8	10
2016	71,860	335,600	407,460
Market value of those options granted (DKKm)	2	8	10

The options granted for 2016 may not be exercised any earlier than subsequent to the publication of the 2018 Annual Report in 2019 and no later than subsequent to the publication of the 2020 Annual Report in 2021. In the intervening period, the options can only be exercised up to three banking days subsequent to Topdanmark's publication of annual and interim reports.

The market value of the options for 2016 has been calculated at DKK 10m at the time of granting.

The value was calculated using the Black and Scholes model based on a share price of DKK 195.41, an interest rate corresponding to the zero coupon rate based on the swap curve on 30 December 2015, future annual volatility of 22% and a pattern of exercise similar to Topdanmark's previous granting of share options: see IFRS 2 on share-based payments.

At the end of 2015 the exposure of the options held by the Executive Board represented 0.3% of the number of outstanding shares.

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

Corporate Governance

Topdanmark's "Statutory Corporate Governance Report, see Section 131 of Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds" ("Executive Order on Financial Reports"), is available on www.topdanmark.com → Investor Relations → Reports and presentations → [Statutory Corporate Governance Reports](#) (<http://inv.topdanmark.com/governancestatement.cfm>).

CSR

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

Investor Relations

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

- Value creating activities are reflected in a fair price for Topdanmark's shares.
- Topdanmark's shares are not traded at a discount due to lack of liquidity.
- There is a high level of confidence in Topdanmark's shares.
- The provision of uniform and consistent information helps ensure low volatility in Topdanmark's shares.

Communication to investors and analysts is performed through the following information channels:

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

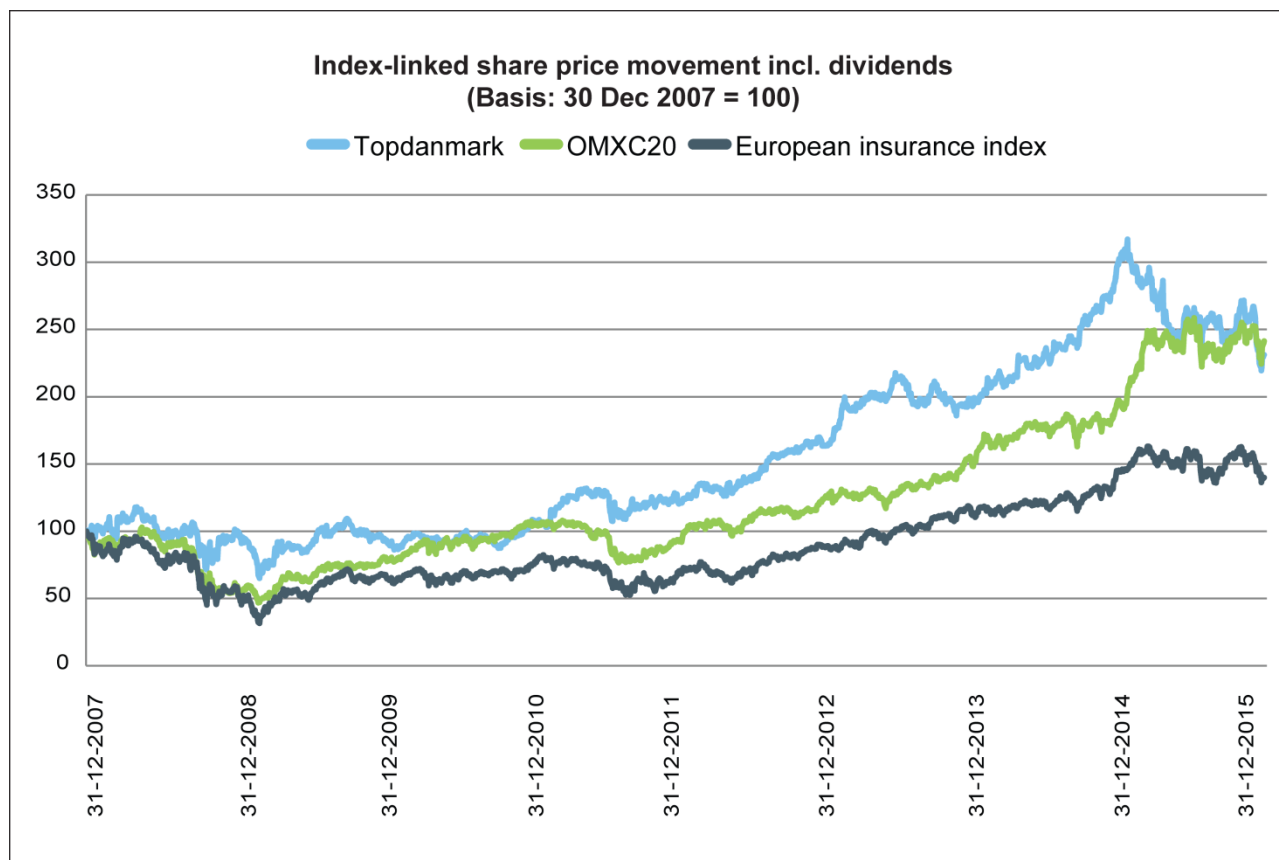
The regular contact with investors and analysts is supported by Topdanmark's website

www.topdanmark.com.

Shares

Topdanmark's shares are listed on NASDAQ Copenhagen and included in OMXC large Cap.

Share price movement



Distribution policy

Topdanmark's policy is to pay out to shareholders all surplus capital by way of share buy-backs.

Since the buy-back programme was initiated in 1998, Topdanmark has decided to cancel DKK 15.0bn of own shares representing a 74.5% write-down of the share capital. The average price of the shares written down is DKK 48.6 per share.

Topdanmark's buy-back programme is executed under the European Commission's Regulation No. 2273/2003 of 22 December 2003 (the "Safe Harbour" method).

Topdanmark has made an agreement with Danske Bank,

which is the lead manager for the share buy-back. The agreement with Danske Bank ensures that trade decisions and the execution of the buy-back will be independent of and without influence from Topdanmark.

Trading in Topdanmark's shares

Daily share trading on NASDAQ Copenhagen was DKK 45m in 2015 (2014: DKK 40m). NASDAQ Copenhagen continues to be the primary stock exchange for trading in Topdanmark's shares with a market share of 64% in 2015 (2014: 65%). Consequently, the share of the trading was 26% on other trading platforms such as BATS, Chi-x and Turquoise.

The overall daily share on all platforms was DKK 70m in 2015 (2014: DKK 62m)

Most active brokers at NASDAQ Copenhagen A/S in 2015		%
Danske Bank		20
Deutsche Bank		14
Morgan Stanley		10
Credit Suisse		7
Nordea		5
Merrill Lynch		4
Société Générale		4
UBS		3
Carnegie		3
Instinet Europe		2

Topdanmark is monitored by 19 analysts. Share analysts' recommendations of Topdanmark's shares are available on Topdanmark's investor site www.topdanmark.com → Investor Relations → Share profile → [Analysts](#).

Accounting policies 2016

With effect from 2016, the Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds has been amended to comply with the new EU solvency rules, Solvency II, which took effect on 1 January 2016.

In accordance with Solvency II, insurance provisions are calculated as best estimate of the present value of the expected future cash flow on insurance policies written by the Company.

A risk margin is calculated and recognised to cover the risk of deviation between best estimate and the final settlement of future cash flow.

The present value of insurance provisions is calculated using an interest rate curve provided in Solvency II (EIOPA interest rate curve). Topdanmark Forsikring and Topdanmark Livsforsikring use the volatility adjusted interest rate curve.

In Solvency II, the expected profit (profit margin) is included in the capital base at the time of the writing of the insurance policies, and consequently it is not a liability in the solvency balance sheet.

See below the material accounting changes due to the implementation of Solvency II in the executive order on financial reports.

Non-life insurance

Provisions for unearned premiums

Provisions for unearned premiums are calculated at the present value of best estimate of expected payments of future claims covered by the policies written. In Topdanmark the policies are primarily written for one year.

Expected payments comprise claims incurred and expenses on claims handling and administration, which are assessed each quarter as part of the ongoing forecast process. Furthermore, recognition is made of acquisition costs not yet paid (primarily new business and portfolio commission), and bonuses and rebates.

Best estimate of premium payments not yet due for policies written is deducted from the provision for unearned premiums.

Up to and including 2015, the provision for unearned premiums was calculated as the proportion of those premiums receivable which, based on the spread of risk during the period of cover, relate to the period after the end of the financial year.

Risk margin

The risk margin is calculated as the amount which the Company is expected to pay to an acquirer of the insurance portfolio to take over the risk of the actual costs on settlement of insurance provisions deviating from best estimate.

In Topdanmark Forsikring, the risk margin is calculated using the Cost of Capital model determined under Solvency II. In illness/accident insurance administered by Topdanmark Livsforsikring, a model developed in-house is used, in which the biometric risks are put under stress.

According to the previous accounting rules, the risk margin was not a separate provision in the financial statements.

Profit margin

The profit margin is the expected profit in future periods of cover for insurance policies written and is part of the insurance provisions.

The profit margin is calculated as the value of premiums for future periods of cover for insurance policies written less expected payouts and the proportion of the risk margin that relates to the settlement of the provision for unearned premiums. Accordingly, acquisition costs paid prior to the writing of the policy are not deducted from the profit margin.

In the financial statements, the profit margin is recognised as income continuously over the period of cover for the policies.

Premiums earned

As provisions for unearned premiums and the profit margin are calculated on a discounted basis, premiums earned include an element of interest.

Consequently, no technical interest is calculated.

Life insurance

Life insurance provisions

The life insurance provisions are calculated as the present value of the expected cash flow for policies written using best estimate of all relevant parameters such as life expectancy and frequency of disability. As previously, the life insurance provisions include a risk margin reflecting what an independent acquirer of the insurance portfolio would demand to take on the risk of fluctuations in the expected payments. Accordingly, the life insurance provisions are divided into guaranteed benefits, risk margin and individual and collective bonus potential.

Innovatively, the guaranteed benefits are valued at best estimate of the frequencies of surrenders and termination of payment of premium, while the risk margin is

calculated as the increase of the guaranteed benefits by stressing the biometric risks.

As a consequence of the recognition of estimates of the frequencies for surrenders and termination of payment of premium in the guaranteed benefits, the individual bonus potential is no longer split up into bonus potential on future premiums and bonus potential on paid-up benefits.

Forward-looking, the collective bonus potential will be included in the life insurance provisions, but otherwise continue to act as an equalisation of the individual years' payments of bonus in accordance with the contribution rules reported to the DFSA.

Profit margin

The profit margin is the expected future profit for the Company on the contracts concluded, and it is financed, as far as possible, by the individual bonus potential and secondarily by the collective bonus potential. The value is calculated as an interest margin in accordance with the going concern principle, in which the recognised profit on the future premiums complies with the contract limits of Solvency II.

In the table below, the insurance provisions at 31 December 2014 and 31 December 2015, have been calculated in accordance with the accounting policies for 2015 and the new accounting policies.

Insurance provisions (DKKbn)	31 December 2014		31 December 2015	
	Policies 2015	Policies 2016	Policies 2015	Policies 2016
Non-life insurance				
Provisions for unearned premiums	2.7	1.3	2.6	1.3
Profit margin	-	1.4	-	1.3
Provisions for outstanding claims	13.6	13.3	13.5	13.1
Risk margin	-	0.3	-	0.3
Bonuses and rebates	0.1	0.1	0.1	0.1
Non-life insurance	16.5	16.4	16.2	16.1
Life insurance				
Provisions for with-profits schemes			-	24.2
Life insurance provisions			22.6	-
Collective bonus potential			1.7	-
Provisions for outstanding claims			0.1	-
Provisions for unit-linked schemes			16.2	16.2
Profit margin			-	0.2
Life insurance			40.5	40.5
Insurance provisions			56.8	56.7

Comparatives for life insurance at 31 December 2014 have not been prepared.

Annual General Meeting

The Annual General Meeting will be held on 7 April 2016, 15:00 (CET) at:

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

All of the Board members elected at the Annual General Meeting are up for re-election. Bjarne Graven Larsen has resigned from the Board, and Anders Colding Friis is not standing for re-election. The Board proposes election of Lone Møller Olsen and Jens Aaløse as new Board members. All other members of the Board are proposed for re-election.

The Board of Directors proposes election of:

- Torbjörn Magnusson.
- Lone Møller Olsen.
- Birgitte Nielsen.
- Annette Sadolin.
- Søren Thorup Sørensen.
- Jens Aaløse.

The agenda for the Annual General Meeting will be published on 9 March 2016.

Financial calendar

AGM	7 Apr 2016
Q1 2016 Interim Report	10 May 2016
2016 Half-year Report	16 Aug 2016
Q1-Q3 2016 Interim Report	15 Nov 2016
2016 Annual Report	23 Feb 2017

Company announcements and trading reports

Company announcements

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

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

2016

29 Feb 15/2016 Topdanmark – weekly report on share buy-backs
24 Feb 14/2016 Topdanmark temporarily suspends its buy-back programme for 2016
22 Feb 13/2016 Topdanmark – weekly report on share buy-backs
15 Feb 12/2016 Topdanmark – weekly report on share buy-backs
11 Feb 11/2016 Topdanmark appoints two new members to its Executive Board
11 Feb 10/2016 Topdanmark Announcement of 2015 Annual Results
11 Feb 09/2016 Topdanmark – share buy-back programme concluded
08 Feb 08/2016 Topdanmark – weekly report on share buy-backs
01 Feb 07/2016 Topdanmark – weekly report on share buy-backs
29 Jan 06/2016 Topdanmark increases its holding of own shares
25 Jan 05/2016 Topdanmark – weekly report on share buy-backs
18 Jan 04/2016 Topdanmark – weekly report on share buy-backs
11 Jan 03/2016 Topdanmark – weekly report on share buy-backs
04 Jan 02/2016 Issue of options
04 Jan 01/2016 Topdanmark increases its holding of own shares

2015

28 Dec 24/2015 Topdanmark – weekly report on share buy-backs
21 Dec 23/2015 Topdanmark – weekly report on share buy-backs
14 Dec 22/2015 Topdanmark – weekly report on share buy-backs
10 Dec Topdanmark Forsikring A/S – Final loan terms
09 Dec 21/2015 Bjarne Graven Larsen retires as a member of Topdanmark's Board of Directors
07 Dec 20/2015 Topdanmark – weekly report on share buy-backs
02 Dec Topdanmark Forsikring A/S issues subordinated notes
30 Nov Topdanmark Forsikring A/S publishes base prospectus
30 Nov 19/2015 Topdanmark – weekly report on share buy-backs
23 Nov 18/2015 CORRECTION: Topdanmark – weekly report on share buy-backs
23 Nov 18/2015 Topdanmark – weekly report on share buy-backs
16 Nov Supplementary / corrective disclosure for the 2014 Annual Report for Topdanmark Forsikring A/S
16 Nov 17/2015 Supplementary / corrective disclosure for the 2014 Annual Report for Topdanmark A/S
16 Nov 16/2015 Topdanmark Interim Report for Q1-Q3 2015
11 Nov Topdanmark Forsikring A/S plans to issue subordinated capital
04 Nov 15/2015 Topdanmark's internal capital model has been approved
31 Aug 14/2015 Share capital and voting rights in Topdanmark
19 Aug 13/2015 Topdanmark Half-Year Report for 2015
05 Aug 12/2015 Write-down of Topdanmark's share capital – Topdanmark's holding of own shares below 10%
05 Aug Updated Articles of Association
18 Jun Topdanmark Forsikring A/S – Redemption of subordinated notes
12 Jun 11/2015 Tier 2 capital Topdanmark
20 May 10/2015 Topdanmark Interim Report for Q1 2015
18 May Topdanmark Forsikring A/S – Redemption of subordinated notes
15 Apr 09/2015 Annual General Meeting of Topdanmark – 15 April 2015
09 Apr 08/2015 Election of employees to Topdanmark's Board of Directors
18 Mar 07/2015 Notice convening Annual General Meeting of Topdanmark A/S, 15 April 2015
04 Mar 06/2015 Constitution of Board of Directors
04 Mar 05/2015 Topdanmark's Annual Report for 2014
19 Feb 04/2015 Topdanmark Announcement of 2014 Annual Results
23 Jan 03/2015 Annual General Meeting 2015
05 Jan 02/2015 Topdanmark increases its holding of own shares
02 Jan 01/2015 Issue of options

Trading Reports

2016

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

2015

26 Feb 04/2015 Trading in Topdanmark's shares by insiders

24 Feb 03/2015 Trading in Topdanmark's shares by insiders

23 Feb 02/2015 Trading in Topdanmark's shares by insiders

02 Jan 01/2015: CORRECTION: Trading in Topdanmark's shares by insiders

02 Jan 01/2015: Trading in Topdanmark's shares by insiders

Board of Directors and Executive Board

Board of Directors



Søren Thorup Sørensen, Chairman^{1), 3), 4), 5)}

DOB:

29 September 1965.

Joined Topdanmark's Board of Directors:

2010.

Current position held:

CEO of KIRKBI A/S.

Previous positions held:

1987-2006: KPMG Denmark and UK.

2006-2009: Group CFO and member of Group Executive Board, A.P. Møller-Mærsk A/S.

Education:

- MSc (Business Administration and Auditing), CBS, Denmark.
- State-authorised public accountant.
- Advanced Management Programme, Harvard Business School, USA.

Offices held:

Member of the Boards of Directors of:

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

Independence:

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



Torbjörn Magnusson, Deputy Chairman^{1), 4), 5)}

DOB:

9 November 1963.

Joined Topdanmark's Board of Directors:

2014.

Current position held:

CEO, If P&C Insurance Ltd.

Previous positions held:

1988-1989: Arthur Andersen & Co.

1990-1993: Skandia International.

1994-1996: Mercantile & General Re, London.

1997-1999: Vice President, Skandia P&C.

1999-2002: Head of Commercial Division and Head of Commercial Products, If P&C Insurance Ltd.

Education:

- M.Sc. and Lic. Eng (Optimization Theory), The Royal Institute of Technology, Stockholm.

Offices held:

Member of the Boards of Directors of:

- Insurance Europe (Vice President).
- Insurance Sweden.
- Academedia AB.

Independence:

As Torbjörn Magnusson represents a controlling shareholder's interests, he does not meet the definition of independence set out by the Committee on Corporate Governance.



Ann-Jeanette Bakbøl ²⁾

DOB:

15 August 1957.

Joined Topdanmark's Board of Directors:

2015.

Current position held:

Claims Executive.

Offices held:

Chairman of Topdanmark's Senior Officers' Association.



Tina Møller Carlsson ²⁾

DOB:

18 August 1976.

Joined Topdanmark's Board of Directors:

2015.

Current position held:

Deputy Chairman of Topdanmark's Staff Association.



Anders Colding Friis ¹⁾

DOB:

25 August 1963.

Joined Topdanmark's Board of Directors:

2012.

Current position held:

CEO of Pandora A/S.

Previous positions held:

1987-1989: Marketing trainee, Mölnlycke Kemtekniske Produkter.

1989-1991: Product Manager, Mölnlycke Kemtekniske Produkter, Göteborg.

1991-1992: Product Group Manager, Mölnlycke Kemtekniske Produkter, Allerød.

1992-1994: Market Manager, Estrella A/S.

1994-1996: Sales and Marketing Manager, Schulstad Brød A/S.

1996-1998: Sales and Marketing Manager, Schulstad Gruppen A/S.

1998-1999: Group Managing Director, Schulstad Gruppen A/S and CEO, Schulstad Brød A/S.

1999-2006: Group Managing Director, Skandinavisk Tobakskompagni A/S and CEO, House of Prince A/S.

2006-2015: CEO of Scandinavian Tobacco Group A/S.

Education:

- MSc (Economics and Business Administration).

Offices held:

Member of the Boards of Directors of:

- Industrial Employers in Copenhagen (Deputy Chairman).
- IC Companys A/S (Deputy Chairman).
- Executive Committee and Governing Body of The Confederation of Danish Industry.

Independence:

Anders Colding Friis meets the definition of independence set out by the Committee on Corporate Governance.



Mette Jensen ^{2), 4)}

DOB:

20 June 1976.

Joined Topdanmark's Board of Directors:

2015.

Current position held:

Chairman of Topdanmark's Staff Association.



Birgitte Nielsen ^{1), 3)}

DOB:

13 September 1963.

Joined Topdanmark's Board of Directors:

2013.

Current position held:

Professional Board Member.

Previous positions held:

1986-1989: Dealer, Danske Bank's arbitrage, commercial paper and liquidity risk management.
 1989-1990: Danske Bank New York Branch, implementing risk management system.
 1990-1992: Vice President, Danske Bank, interest rate derivatives trading.
 1992-1996: Treasury Manager, FLS Industries A/S.
 1996-1999: Group Financial Officer, Vice President, FLS Industries A/S.
 1999-2000: Group Corporate Control, Vice President, FLS Industries A/S.
 2000-2003: CFO, FLS Industries A/S.
 2003-2006: Independent consultancy, Nielsen + Axelsson Aps.

Education:

- Banking education.
- B.Com Degree (HD), International Trade, CBS.
- B.Com Degree (HD), Accounting and Financial Management, CBS.
- General Management Program, CEDEP/INSEAD.

Offices held:

Member of the Boards of Directors of:

- Kirk Kapital A/S.
- Arkil A/S.
- Chairman of the Audit Committee, Arkil A/S.
- Gigtföreningen (the Danish Rheumatoid Arthritis Society).
- Matas A/S.
- Chairman of the Audit Committee, Matas A/S.
- De Forenede Ejendomsselskaber A/S.
- Coloplast A/S.

Independence:

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



Annette Sadolin ^{1), 3)}

DOB:

4 January 1947.

Joined Topdanmark's Board of Directors:

2004.

Current position held:

Professional Board Member.

Previous positions held:

1980-1986: Assistant to management and subsequently Divisional Manager, Baltica Re / Baltica-Nordisk Re.
 1986-1989: Ass. General Manager, Baltica-Nordisk Re.
 1989-1993: Deputy General Manager, Employers Reinsurance International, Copenhagen.
 1993-1996: CEO, Employers Reinsurance International, Copenhagen.
 1996-2003: Member of Executive Board, GE Frankona Rückversicherungs-Aktiengesellschaft, Munich.

Education:

- Law degree, University of Copenhagen.
- Special law programme, Columbia University, NY, USA.
- GE training programmes incl. Six Sigma GB Certificate.

Offices held:

Member of the Boards of Directors of:

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

Independence:

Annette Sadolin meets the definition of independence set out by the Committee on Corporate Governance.

- ¹⁾ Elected at the Annual General Meeting
- ²⁾ Elected by employees
- ³⁾ Member of Topdanmark's Audit committee
- ⁴⁾ Member of Topdanmark's Remuneration committee
- ⁵⁾ Member of Topdanmark's Nomination committee

Executive Board



Christian Sagild

CEO of Topdanmark A/S.

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

Education:

- MSc in insurance science.

Managerial responsibilities:

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

Member of the Executive Board of:

- Zulu ApS.

Member of the Boards of Directors of:

- The Danish Insurance Association.
- Ambu A/S.
- Gobike A/S.
- Bikeshare Danmark A/S.



Brian Rothemejer Jacobsen

COO of Topdanmark A/S.

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

Education:

- Henley Executive MBA.

Managerial responsibilities:

- Personal.
- Partners.
- Agricultural.
- SME and Industrial.
- Marketing.
- Topdanmark Livsforsikring (life insurance).



Lars Thykier

CFO of Topdanmark A/S.

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

Education:

MSc (Economics and Business Administration)

Managerial responsibilities:

- Asset Management.
- Finance.
- Accounting.
- Statistical Services.
- Reinsurance.
- Tax.
- Credits.

Member of the Board of Directors of:

- Green World Society Ltd.



Marianne Wier

COO of Topdanmark A/S.

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

Education:

- MA (Laws), Attorney.

Managerial responsibilities:

- Claims Handling.
- IT.
- Group Development.

Member of the Board of Directors of:

- Telecentre-danmark.

Information on the Executive Board's responsibilities, as required by Article 80 of the Danish Financial Business Act, is shown in the Annual Report for Topdanmark Forsikring A/S.

Five-year summary • Group

(DKKm)	2011	2012	2013	2014	2015
NON-LIFE INSURANCE					
Gross premiums earned*	8,709	8,823	8,963	9,167	9,017
Technical interest	65	20	14	8	(2)
Gross claims incurred	(6,759)	(6,122)	(7,132)	(6,308)	(6,210)
Bonuses and rebates	(41)	(64)	(74)	(52)	(62)
Total operating expenses	(1,340)	(1,372)	(1,415)	(1,408)	(1,404)
Net reinsurance	312	(193)	445	(88)	(171)
TECHNICAL PROFIT ON NON-LIFE INSURANCE	945	1,092	801	1,321	1,169
LIFE INSURANCE					
Gross premiums written	3,242	3,059	3,511	4,448	6,320
Allocated investment return, net of reinsurance	579	2,364	2,031	2,691	1,029
Claims and benefits	(3,626)	(3,149)	(3,871)	(4,189)	(3,220)
Change in the life insurance provisions	370	(738)	1,635	831	810
Bonus	14	(228)	(704)	(314)	(39)
Change in the provisions for unit-linked contracts	(233)	(978)	(1,968)	(3,079)	(4,471)
Total operating expenses	(308)	(324)	(337)	(357)	(406)
Net reinsurance	1	3	(1)	1	(3)
TECHNICAL PROFIT ON LIFE INSURANCE	38	7	297	32	19
Profit on investment activities after transfer to technical results	359	1,263	813	697	315
Other income	47	12	19	17	20
Other expenses	(40)	(40)	(54)	(57)	(42)
PRE-TAX PROFIT	1,349	2,335	1,875	2,010	1,481
Taxation	(326)	(512)	(407)	(452)	(349)
PROFIT FOR THE YEAR	1,023	1,823	1,468	1,558	1,132
Run-off profits, net of reinsurance	148	201	306	351	381
Provisions for insurance and investment contracts:					
Non-life insurance	16,228	16,251	16,721	16,485	16,248
Life insurance	30,618	32,553	33,640	36,375	40,537
Total insurance assets	1,184	797	1,458	769	709
Total shareholders' equity	4,567	5,368	5,184	5,135	4,673
Total assets	61,013	59,435	61,092	64,516	67,670
Gross loss ratio (%)	78.2	70.0	80.4	69.3	69.5
Net reinsurance ratio (%)	(3.6)	2.2	(5.0)	1.0	1.9
Claims trend (%)	74.6	72.2	75.4	70.3	71.4
Gross expense ratio (%)	15.7	15.8	16.2	15.7	15.9
Combined ratio (%)	90.3	88.0	91.5	86.0	87.3
Operating ratio (%)	89.6	87.8	91.4	85.9	87.3
Relative run-off profits, net of reinsurance (%)	1.3	1.6	2.4	2.8	2.9
Return on shareholders' equity (%)	22.7	36.3	27.8	29.7	22.6

* Before deducting bonuses and rebates

Income statement • Group

(DKK m)	Note	2014	2015
NON-LIFE INSURANCE			
Gross premiums written	3	9,121	8,883
Reinsurance ceded		(661)	(671)
Change in the provisions for unearned premiums, gross	3	47	134
Change in the reinsurers' share of the provisions for unearned premiums		2	5
Premiums earned, net of reinsurance		8,509	8,351
Technical interest, net of reinsurance	4	8	(2)
Gross claims paid		(7,104)	(6,254)
Reinsurance cover received		1,185	476
Change in the provisions for claims, gross		796	45
Change in the reinsurers' share of the provisions for claims		(697)	(68)
Claims incurred, net of reinsurance	5	(5,819)	(5,801)
Bonuses and rebates		(52)	(62)
Acquisition costs		(914)	(920)
Administrative expenses		(493)	(484)
Reinsurance commission and share of profits		82	86
Total operating expenses, net of reinsurance		(1,325)	(1,318)
TECHNICAL PROFIT ON NON-LIFE INSURANCE	6	1,321	1,169
LIFE INSURANCE			
Gross premiums written	7	4,448	6,320
Reinsurance ceded		(7)	(10)
Premiums, net of reinsurance		4,441	6,309
Allocated investment return, net of reinsurance		2,691	1,029
Claims and benefits paid	8	(4,200)	(3,240)
Reinsurance cover received		9	7
Change in the provisions for claims and benefits		12	20
Claims and benefits paid, net of reinsurance		(4,180)	(3,214)
Change in the life insurance provisions	9	831	810
Change in the reinsurers' share		(1)	(1)
Change in the life insurance provisions, net of reinsurance		830	809
Bonus	10	(314)	(39)
Change in provisions for unit-linked contracts		(3,079)	(4,471)
Acquisition costs		(130)	(153)
Administrative expenses		(227)	(253)
Reinsurance commission and share of profits		0	1
Total operating expenses, net of reinsurance		(356)	(405)
TECHNICAL PROFIT ON LIFE INSURANCE		32	19

Income statement • Group

(DKKm)	Note	2014	2015
NON-TECHNICAL ACTIVITIES			
Technical profit on non-life insurance		1,321	1,169
Technical profit on life insurance		32	19
Income from associated companies		193	93
Income from investment properties	11	143	94
Interest income and dividends etc.		1,786	1,938
Revaluations	12	2,055	(382)
Interest charges		(69)	(61)
Expenses on investment business		(56)	(66)
Total investment return		4,052	1,616
Technical interest transferred to non-life insurance business		(155)	(106)
Pension return tax		(509)	(165)
Investment return transferred to life insurance business		(2,691)	(1,029)
Other income		17	20
Other expenses	13	(57)	(42)
PRE-TAX PROFIT		2,010	1,481
Taxation	14	(452)	(349)
PROFIT FOR THE YEAR		1,558	1,132
EPS (DKK)	15	14.4	11.3
EPS, diluted (DKK)	15	14.3	11.3

Statement of comprehensive income • Group

Profit for the year	1,558	1,132
Items which cannot subsequently be reclassified as profit or loss:		
Revaluation of owner-occupied properties	0	1
Reversed revaluation of owner-occupied properties	(12)	0
Taxation	3	0
Other comprehensive income	(10)	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,548	1,133

Assets • Group

(DKK m)	Note	2014	2015
INTANGIBLE ASSETS	16	610	689
Operating equipment		115	127
Owner-occupied properties		857	857
TOTAL TANGIBLE ASSETS	17	972	984
Investment properties	18	3,829	3,868
Shares in associated companies	19	340	184
Loans to associated companies		1	0
Total investment in associated companies		341	184
Shares		7,614	6,728
Unit trusts		32	0
Bonds		33,975	31,455
Loans guaranteed by mortgages		12	7
Other loans		0	32
Deposits with credit institutions		2,267	3,721
Derivatives		1,873	1,350
Total other financial investment assets		45,773	43,292
TOTAL INVESTMENT ASSETS		49,943	47,344
INVESTMENT ASSETS RELATED TO UNIT-LINKED CONTRACTS	20	10,117	15,645
Reinsurers' share of the provisions for unearned premiums	21	89	94
Reinsurers' share of the life insurance provisions		33	32
Reinsurers' share of the provisions for claims and benefits	22	648	584
Total reinsurers' share of provisions		769	709
Amounts due from policyholders		304	328
Amounts due from insurance companies		195	57
Amounts due from associated companies		497	378
Other debtors		114	259
TOTAL DEBTORS		1,879	1,730
Assets held temporarily		3	0
Current tax assets		0	25
Deferred tax assets	23	19	14
Liquid funds		323	640
Other		77	120
TOTAL OTHER ASSETS		422	799
Accrued interest and rent		372	284
Other prepayments and accrued income		201	193
TOTAL PREPAYMENTS AND ACCRUED INCOME		573	477
TOTAL ASSETS		64,516	67,670

Shareholders' equity and liabilities • Group

(DKK m)	Note	2014	2015
Share capital		115	105
Revaluation reserve		10	11
Security fund		1,146	1,146
Other reserves		39	47
Total reserves		1,185	1,193
Profit carried forward		3,825	3,364
TOTAL SHAREHOLDERS' EQUITY		5,135	4,673
SUBORDINATED LOAN CAPITAL	24	1,156	2,154
Provisions for unearned premiums	25	2,724	2,590
Guaranteed pension benefits		20,824	19,577
Bonus potential on future premiums		2,192	1,879
Bonus potential on paid-up benefits		746	1,101
Total life insurance provisions	26	23,761	22,557
Provisions for claims and benefits	27	13,723	13,587
Collective bonus potential	28	1,677	1,697
Provisions for bonuses and rebates		124	137
Provisions for unit-linked contracts	29	10,851	16,216
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		52,860	56,785
Pensions and similar commitments		29	28
Deferred tax liabilities	23	74	73
Deferred tax on security funds		306	306
TOTAL LIABILITIES PROVIDED		409	407
DEPOSITS RECEIVED FROM REINSURERS		154	62
Creditors arising out of direct insurance operations		315	394
Creditors arising out of reinsurance operations		34	37
Bond loans		29	0
Amounts due to credit institutions		1,961	1,346
Amounts due to associated companies		3	6
Current tax liabilities		31	1
Derivatives		870	534
Other creditors		1,446	1,125
TOTAL CREDITORS		4,690	3,443
ACCRUALS AND DEFERRED INCOME		111	146
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		64,516	67,670

Cash flow statement • Group

(DKK m)	2014	2015
Cash flow from operations		
Gross premiums written	9,069	8,827
Claims paid	(7,053)	(6,182)
Expenses paid	(1,335)	(1,314)
Reinsurance ceded	432	(12)
Cash flow from non-life insurance	1,113	1,319
Gross premiums written	4,740	6,398
Claims and benefits	(4,205)	(3,365)
Expenses paid	(352)	(385)
Reinsurance ceded	(29)	(52)
Cash flow from life insurance	154	2,595
Total cash flow from insurance business	1,267	3,914
Payments on investment contracts	295	525
Dividends from associated companies	3	8
Interest income and dividends etc.	1,903	1,999
Interest charges etc.	(130)	(131)
Pension return tax	(287)	(496)
Corporation tax	(434)	(403)
Other items	(39)	(20)
Total cash flow from operations	2,577	5,396
Investments		
Intangible assets, operating equipment	(108)	(200)
Properties	103	48
Shares in associated companies	945	245
Shares	1,200	1,458
Unit trusts	(29)	33
Bonds	1,333	1,974
Loans	1	(28)
Derivatives	175	(970)
Investment assets related to unit-linked contracts	(3,042)	(5,107)
Balances with associated companies	(199)	123
Total investments	379	(2,424)
Financing		
Shares bought back	(1,716)	(1,652)
Exercise of share options etc.	71	50
Sale of own shares	38	16
Redemption of subordinated loan capital	0	(350)
Issue of subordinated loan capital	0	1,345
Bond loans	(30)	(29)
Amounts due to credit institutions	(198)	(615)
Total financing	(1,834)	(1,235)
Change in cash and cash equivalents	1,121	1,736
Cash and cash equivalents at 1 January	1,467	2,590
Revaluation of cash and cash equivalents	1	35
Cash and cash equivalents at 31 December	2,590	4,361
Cash and cash equivalents comprise:		
Liquid funds	323	640
Deposits with credit institutions	2,267	3,721
	2,590	4,361

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	Revalu- ation reserve	Security fund	Other reserves	Profit carried forward	Total
2014						
Shareholders' equity at 31 December prior year	125	20	1,146	34	3,860	5,184
Profit for the year				5	1,553	1,558
Other comprehensive income		(9)		0	0	(10)
Total comprehensive income for the year		(9)		5	1,553	1,548
Cancellation of own shares	(10)				10	0
Share buy-back					(1,716)	(1,716)
Sale of own shares					38	38
Reclassification of share options					(30)	(30)
Issue of share options					10	10
Exercise of share options					93	93
Taxation					8	8
Other transactions	(10)				(1,587)	(1,597)
Shareholders' equity at 31 December 2014	115	10	1,146	39	3,825	5,135
2015						
Shareholders' equity at 31 December prior year	115	10	1,146	39	3,825	5,135
Profit for the year				8	1,124	1,132
Other comprehensive income		1		0	0	1
Total comprehensive income for the year		1		8	1,124	1,133
Cancellation of own shares	(10)				10	0
Share buy-back					(1,667)	(1,667)
Sale of own shares					16	16
Issue of share options					10	10
Exercise of share options					50	50
Taxation					(4)	(4)
Other transactions	(10)				(1,586)	(1,596)
Shareholders' equity at 31 December 2015	105	11	1,146	47	3,364	4,673

Notes to the financial statements • Group

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Change in life insurance provisions	9
Bonus	10
Income from investment properties	11
Revaluations	12
Other expenses	13
Taxation	14
Profit per share	15
Intangible assets	16
Tangible assets	17
Investment properties	18
Shares in associated companies	19
Investment assets related to unit-linked contracts	20
Reinsurers' share of the provisions for unearned premiums	21
Reinsurers' share of the provisions for claims	22
Deferred tax	23
Subordinated loan capital	24
Provisions for unearned premiums	25
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Notes to the financial statements • Group

(DKKm)

Note 1. Segment information income statement

	Per- sonal	SME and Indus- trial	Eli- min- ated	Non-life	Life	Parent etc.	Eli- min- ated	Group
2014								
Non-life insurance								
Gross premiums earned	5,021	4,116	(20)	9,116				9,116
Technical interest*	4	4	0	8				8
Claims incurred	(3,428)	(2,911)	19	(6,320)			12	(6,308)
Expenses	(822)	(608)	3	(1,427)			20	(1,408)
Net reinsurance	3	(91)	0	(88)				(88)
Technical profit on non-life insurance	778	510	1	1,289			32	1,321
Life insurance								
Gross premiums written					4,448			4,448
Allocated investment return					2,691			2,691
Benefits and change in provisions					(6,750)			(6,750)
Expenses					(362)		5	(357)
Net reinsurance					1			1
Technical profit on life insurance					27		5	32
Total investment return				669	3,265	54	63	4,052
Pension return tax				(35)	(473)			(509)
Transferred to technical result				(155)	(2,691)			(2,846)
Investment return				478	101	54	63	697
Other items				36	72	(48)	(100)	(40)
Pre-tax profit				1,803	200	7	0	2,010
Taxation								(452)
Profit for the year								1,558
2015								
Non-life insurance								
Gross premiums earned	4,966	4,009	(20)	8,956				8,956
Technical interest*	(1)	(1)	0	(2)				(2)
Claims incurred	(3,426)	(2,811)	13	(6,224)			14	(6,210)
Expenses	(809)	(619)	2	(1,426)			22	(1,404)
Net reinsurance	(68)	(103)	0	(171)				(171)
Technical profit / (loss) on non-life insurance	663	476	(6)	1,133			36	1,169
Life insurance								
Gross premiums written					6,320			6,320
Allocated investment return					1,029			1,029
Benefits and change in provisions					(6,920)			(6,920)
Expenses					(412)		6	(406)
Net reinsurance					(3)			(3)
Technical profit on life insurance					13		6	19
Total investment return				206	1,265	66	78	1,616
Pension return tax				4	(169)			(165)
Transferred to technical result				(106)	(1,029)			(1,135)
Investment return				104	67	66	78	315
Other items				39	94	(35)	(120)	(22)
Pre-tax profit				1,276	174	31	0	1,481
Taxation								(349)
Profit for the year								1,132
Amortisations:								
2014	63	58		121	1	0		122
2015	51	47		98	2	0		100

*After discounting DKK 108m (2014: DKK 147m)

Notes to the financial statements • Group

(DKKm)

Note 2. Segment information balance sheet

	Non-life	Life	Parent etc.	Elimin- ated	Group
2014					
Intangible assets	561	49	0		610
Tangible assets	958	12	3		972
Investment properties	455	3,309	66		3,829
Loans to affiliated companies	300	0	0	(300)	0
Shares in associated companies	57	283	0		340
Loans to associated companies	0	1	0		1
Other financial investment assets	16,255	29,511	7		45,773
Investment assets related to unit-linked contracts	0	10,117	0		10,117
Reinsurers' share of provisions	736	33	0		769
Amounts due from affiliated companies	1,681	27	102	(1,810)	0
Other assets	1,016	1,080	8		2,105
Total assets	22,019	44,421	186	(2,110)	64,516
Subordinated loan capital	749	300	407	(300)	1,156
Total provisions for insurance and investment contracts	16,485	36,375	0		52,860
Amounts due to affiliated companies	178	1,593	39	(1,810)	0
Other liabilities	1,958	3,314	93		5,365
Total liabilities	19,370	41,582	539	(2,110)	59,381
Purchase of tangible and intangible assets	84	33	0		117
Results from associated companies	5	188	0		193
2015					
Intangible assets	565	124	0		689
Tangible assets	964	18	3		984
Investment properties	95	3,710	63		3,868
Loans to affiliated companies	300	0	0	(300)	0
Shares in associated companies	66	118	0		184
Other financial investment assets	18,073	25,212	7		43,292
Investment assets related to unit-linked contracts	0	15,645	0		15,645
Reinsurers' share of provisions	677	32	0		709
Amounts due from affiliated companies	614	462	453	(1,529)	0
Other assets	781	1,480	36		2,297
Total assets	22,136	46,800	562	(1,829)	67,670
Subordinated loan capital	1,745	300	409	(300)	2,154
Total provisions for insurance and investment contracts	16,248	40,537	0		56,785
Amounts due to affiliated companies	865	628	36	(1,529)	0
Other liabilities	1,642	2,376	40		4,058
Total liabilities	20,500	43,841	485	(1,829)	62,997
Purchase of tangible and intangible assets	114	82	0		196
Results from associated companies	8	85	0		93
Technical provisions, net of reinsurance, relating to illness / accident insurance administered by life insurance, and assets and other liabilities allocated to this portfolio are included in non-life insurance.					

Notes to the financial statements • Group

(DKKm)	2014	2015
Note 3. Gross premiums earned - non-life insurance		
Gross premiums written	9,121	8,883
Change in gross provisions for unearned premiums	47	134
Gross premiums earned	9,167	9,017
Gross premiums earned, direct business, by location of the risk:		
Denmark	9,162	9,012
Other EU-countries	4	5
Other countries	1	1
	9,167	9,017
Note 4. Technical interest, net of reinsurance - non-life insurance		
Calculated interest	155	106
Discounting (amortisation) of technical provisions and reinsurers' share	(147)	(108)
Technical interest, net of reinsurance	8	(2)
Note 5. Claims incurred, net of reinsurance - non-life insurance		
Run-off profit:		
Gross business	253	387
Reinsurance ceded	97	(5)
Run-off profit, net of reinsurance	351	381
Specification of run-off profit in Note 6.		
Claims incurred include revaluation of derivatives hedging the inflation risk in workers' compensation and illness / accident insurance	(211)	12
Note 6. Technical result - non-life insurance		
Gross premiums written	9,121	8,883
Gross premiums earned	9,167	9,017
Gross claims incurred	(6,308)	(6,210)
Bonuses and rebates	(52)	(62)
Gross operating expenses	(1,408)	(1,404)
Net reinsurance	(88)	(171)
Technical interest, net of reinsurance	8	(2)
Technical profit	1,321	1,169
Gross loss ratio (%)	69.3	69.5
Combined ratio (%)	86.0	57.3
Run-off profits, net of reinsurance	351	381
Claims provisions, net of reinsurance	12,989	12,937
Number of claims incurred ('000)	418	432
Average value of claim (DKK '000)	16	15
Frequency of claims	109	114
The loss ratio and the combined ratio have been calculated before elimination of internal rent.		
The frequency of claims has been calculated as a per thousand value.		
Technical profit / (loss) analysed by industry is disclosed on the next page.		

Notes to the financial statements • Group

(DKKm)

Note 6. Technical result - non-life - continued	2014	2015	2014	2015	2014	2015
	Illness and accident		Health insurance		Workers' compensation	
Gross premiums written	1,201	1,207	130	143	713	648
Gross premiums earned	1,204	1,219	132	142	707	637
Gross claims incurred	(758)	(815)	(99)	(112)	(574)	(522)
Bonuses and rebates	(5)	(6)	(7)	(2)	(3)	(3)
Gross operating expenses	(168)	(161)	(11)	(16)	(90)	(85)
Net reinsurance	(5)	(27)	0	0	(7)	(2)
Technical interest, net of reinsurance	1	0	0	0	1	0
Technical profit	269	210	16	12	34	25
Gross loss ratio (%)	63.4	67.4	78.7	80.1	81.6	82.4
Combined ratio (%)	78.0	83.1	87.6	91.4	95.6	96.4
Run-off profits / (losses), net of reinsurance	106	86	(4)	(4)	52	83
Claims provisions, net of reinsurance	3,041	3,028	52	58	6,079	6,082
Number of claims incurred ('000)	23	24	19	21	9	8
Average value of claim (DKK '000)	37	38	6	6	72	76
Frequency of claims	23	24	456	450	166	151
	Motor third-party liability		Motor own damage		Fire and property Personal	
Gross premiums written	741	690	1,526	1,478	1,955	1,921
Gross premiums earned	776	715	1,543	1,511	1,976	1,955
Gross claims incurred	(688)	(559)	(819)	(833)	(1,436)	(1,474)
Bonuses and rebates	(3)	(2)	(5)	(5)	(5)	(6)
Gross operating expenses	(150)	(151)	(200)	(204)	(302)	(290)
Net reinsurance	(7)	(3)	(4)	(7)	21	(34)
Technical interest, net of reinsurance	1	0	1	0	2	0
Technical profit / (loss)	(72)	(1)	517	461	257	151
Gross loss ratio (%)	89.1	78.6	53.3	55.4	73.0	75.8
Combined ratio (%)	109.8	100.6	66.7	69.7	87.4	92.6
Run-off profits / (losses), net of reinsurance	50	134	(9)	(8)	43	(17)
Claims provisions, net of reinsurance	1,767	1,664	133	145	563	649
Number of claims incurred ('000)	30	30	93	95	115	120
Average value of claim (DKK '000)	24	24	9	9	12	12
Frequency of claims	51	50	189	194	165	175
	Fire and property SME		Liability		Other insurance	
Gross premiums written	1,853	1,798	389	403	611	594
Gross premiums earned	1,847	1,820	393	399	590	618
Gross claims incurred	(1,326)	(1,222)	(210)	(307)	(400)	(365)
Bonuses and rebates	(11)	(22)	(2)	(2)	(11)	(14)
Gross operating expenses	(315)	(322)	(65)	(66)	(107)	(108)
Net reinsurance	(53)	(120)	(26)	30	(6)	(7)
Technical interest, net of reinsurance	1	0	0	0	1	0
Technical profit	143	133	91	53	67	124
Gross loss ratio (%)	72.4	68.1	53.7	77.5	69.1	60.4
Combined ratio (%)	92.7	93.0	77.2	87.1	88.6	79.6
Run-off profits, net of reinsurance	41	18	40	21	31	69
Claims provisions, net of reinsurance	564	589	524	511	265	212
Number of claims incurred ('000)	27	29	8	7	94	99
Average value of claim (DKK '000)	50	43	33	46	5	4
Frequency of claims	138	152	90	80	144	154

Notes to the financial statements • Group

(DKKm)	2014	2015
Note 7. Gross premiums written - life insurance		
Individual policies	330	330
Policies which are part of a tenure	1,456	1,650
Group life	404	533
Regular premiums	2,191	2,513
Individual policies	535	1,047
Policies which are part of a tenure	1,721	2,760
Single premiums	2,257	3,807
Gross premiums	4,448	6,320
Gross premiums written, direct business, by the policyholders' location:		
Denmark	4,391	6,206
Other EU-countries	51	83
Other countries	6	30
	4,448	6,320
Proportion of gross premiums represented by premiums related to unit-linked contracts not eligible for bonus investment risk is taken by the policyholder.		
	3,155	4,868
All other gross premiums relate to insurance policies entitled to a bonus.		
Number of policyholders at 31 December ('000):		
Individual policies	46	45
Policies which are part of a tenure	80	83
Group life	151	190
Note 8. Claims and benefits paid - life insurance		
Claims payable on death	136	167
Claims payable on maturity	305	176
Pension and annuity payments	589	593
Surrenders	2,942	2,025
Bonuses paid in cash	228	278
Claims and benefits paid	4,200	3,240
Surrenders in 2015 includes advanced tax of DKK 94m (2014: DKK 761m) on capital pension schemes.		
Note 9. Change in life insurance provisions		
Guaranteed benefits	(1,982)	852
Bonus potential on future premiums	1,195	313
Bonus potential on paid-up benefits	1,618	(355)
Change in life insurance provisions	831	810
Note 10. Bonus		
Provisions for collective bonus potential at 1 January	1,472	1,677
Provisions for collective bonus potential at 31 December	1,677	1,697
Change in provisions for collective bonus potential	205	20
Advanced tax on capital pension schemes		
Accumulated revaluation	48	13
Collective bonus potential	62	6
Bonus	314	39
Note 11. Income from investment properties		
Rental income	199	188
Operating expenses from properties rented out	(39)	(62)
Operating expenses from properties not rented out	(9)	(19)
Gross profit	152	106
Administrative expenses	(9)	(13)
Income from investment properties	143	94

Notes to the financial statements • Group

(DKKm)	2014	2015
Note 12. Revaluations		
Held for trading:		
Shares	1,029	571
Unit trusts	3	1
Bonds	731	(546)
Loans guaranteed by mortgages	0	(1)
Derivatives	300	(1,157)
Total held for trading	2,062	(1,132)
Investment assets related to unit-linked contracts:		
Shares	654	710
Unit trusts	107	59
Bonds	(2)	(41)
Derivatives	(357)	(308)
Total designated at fair value	403	421
Revaluations of financial assets and liabilities at fair value through profit or loss	2,465	(711)
Of which revaluation of derivatives transferred to claims incurred	211	(12)
Investment properties	(11)	87
Shares in associated companies	51	1
Provisions for claims and benefits	(663)	195
Reinsurers' share	3	0
Provisions for unearned premiums	(1)	0
Liquid funds	1	35
Other	(1)	24
Revaluations	2,055	(382)
Note 13. Other expenses		
Holding expenses	47	35
Other	10	6
Other expenses	57	42
Note 14. Taxation		
Current tax	460	349
Change in deferred tax	(9)	5
Prior year adjustment	(6)	(1)
Tax in foreign companies	(3)	0
Tax for the year	441	353
Tax taken to other comprehensive income	3	0
Tax taken to shareholders' equity	8	(4)
Taxation	452	349
Calculated tax on profit for the year 23.5% (2014: 24.5%)	493	348
Adjusted for the tax effect of:		
Returns on shares etc. not liable to tax	(31)	5
Non-deductible expenses / income not liable to tax	(6)	(1)
Prior year adjustment	(4)	(2)
	452	349
Effective rate of taxation	22.5	23.6

Notes to the financial statements • Group

(DKKm)	2014	2015
Note 15. Profit per share		
Profit for the year	1,558	1,132
Average number of shares ('000)	107,908	99,971
Diluting impact of options ('000)	897	490
Average number of shares, diluted ('000)	108,805	100,461
EPS (DKK)	14.4	11.3
EPS, diluted (DKK)	14.3	11.3

Note 16. Intangible assets

	Goodwill	Completed IT developm't software	Completed developm't projects	Developm't projects under con- struction	Total
2014					
Cost / valuation at 1 January	441	199	452	48	1,140
Purchased	0	13	0	55	67
Transferred	0	0	39	(39)	0
Disposals	0	0	(2)	0	(2)
Cost / valuation at 31 December	441	211	489	64	1,205
Impairment and amortisation at 1 January	0	(173)	(347)	0	(520)
Amortisation for the year	0	(16)	(61)	0	(77)
Disposals	0	0	2	0	2
Impairment and amortisation at 31 December	0	(189)	(406)	0	(595)
Intangible assets 2014	441	22	83	64	610
2015					
Cost / valuation at 1 January	441	211	489	64	1,205
Purchased	0	15	0	122	137
Transferred	0	0	19	(19)	0
Cost / valuation at 31 December	441	227	508	167	1,342
Impairment and amortisation at 1 January	0	(189)	(406)	0	(595)
Amortisation for the year	0	(18)	(39)	0	(57)
Impairment and amortisation at 31 December	0	(207)	(445)	0	(653)
Intangible assets 2015	441	19	62	167	689

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

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

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

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

Primary assumptions:

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

The calculation of the terminal value includes a growth rate of 0% (2014: 0%).

The pre-tax discount rate is 10% (2014: 10%) and the post-tax rate 7.5% (2014: 7.5%). The discount rate is calculated as the risk-free interest rate and a risk allowance.

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

Amortisation of intangible assets is primarily included in claims incurred and operating expenses.

Notes to the financial statements • Group

(DKKm)

Note 17. Tangible assets

	Operating equip- ment	Owner- occupied properties	Total
2014			
Cost / revaluation at 1 January	413	869	1,282
Additions, including improvements	48	2	50
Disposals	(23)	0	(23)
Revaluation taken to other comprehensive income	0	(12)	(12)
Transferred on revaluation	0	(2)	(2)
Cost / revaluation at 31 December	438	857	1,295
Impairment and amortisation at 1 January	(297)	0	(297)
Amortisation for the year	(44)	(2)	(45)
Transferred on revaluation	0	2	2
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	18	0	18
Impairment and amortisation at 31 December	(323)	0	(323)
Tangible assets 2014	115	857	972
2015			
Cost / revaluation at 1 January	438	857	1,295
Additions, including improvements	60	0	60
Disposals	(73)	0	(73)
Revaluation taken to other comprehensive income	0	1	1
Transferred on revaluation	0	(1)	(1)
Cost / revaluation at 31 December	424	857	1,281
Impairment and amortisation at 1 January	(323)	0	(323)
Amortisation for the year	(41)	(1)	(43)
Transferred on revaluation	0	1	1
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	67	0	67
Impairment and amortisation at 31 December	(297)	0	(297)
Tangible assets 2015	127	857	984
		2014	2015
Owner-occupied properties are measured at a revalued amount corresponding to fair value (level three). The measurement is based on an expected annual return on operations and a rate of return A general plus/minus 0.5pp change in the rate of return will have an effect of minus DKK 76m / plus DKK 92m on the fair value (2014: minus DKK 76m / plus DKK 92m).			
Average rate of return		5.3%	5.3%
Cost of revalued owner-occupied properties		749	749

Note 18. Investment properties

Fair value at 1 January	3,951	3,829
Additions - improvements	208	256
Disposals	(324)	(305)
Fair value revaluation for the year taken to to revaluations	(6)	88
Investment properties	3,829	3,868
Office property	2,787	2,673
Residential and part residential	836	774
Land and buildings under construction	206	421
	3,829	3,868

Notes to the financial statements • Group

(DKKm)

2014

2015

Note 18. Investment properties - continued

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

The measurement is based on an expected annual return on operations and a rate of return.

A general plus/minus 0.5pp change in the rate of return will have an effect of minus

DKK 285m / plus DKK 341m on the fair value (2014: minus DKK 320m / plus DKK 384m).

Average rate of return:

Office property	5.8%	5.8%
Residential and part residential	4.7%	4.7%

Note 19. Shares in associated companies

Book value at 1 January	892	340
Share of profit	193	93
Dividends received	(3)	(8)
Disposals	(794)	(242)
Profit on disposal	51	1
Shares in associated companies	340	184

2014	Percentage share	Share-holders' equity	Assets	Liabilities	Income	Result
Bornholms Brandforsikring A/S, Rønne	27	155	273	119	110	18
Captives, Luxembourg	10-20	40	162	122	75	0
EjendomsSelskabet af Januar 2002 P/S, Copenhagen	25	462	475	12	21	30
Dantop Ejendomme P/S, Copenhagen	50	166	173	6	6	1
Margretheholm P/S, Hellerup	50	18	1,018	1,001	20	17
		841	2,100	1,259	233	66
2015						
Bornholms Brandforsikring A/S, Rønne	27	180	294	114	111	25
Captives, Luxembourg	10-20	40	153	113	72	0
Margretheholm P/S, Hellerup	50	237	976	740	53	219
		456	1,423	967	237	244

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

Note 20. Investment assets related to unit-linked contracts

Shares	4,645	7,809
Unit trusts	1,460	1,858
Bonds	3,905	5,978
Deposits with credit institutions	23	0
Derivatives	83	0
Investment assets related to unit-linked contracts	10,117	15,645

Note 21. Reinsurers' share of the provisions for unearned premiums

Reinsurers' share at 1 January	87	89
Reinsurance ceded	661	671
Reinsurance earned	(659)	(666)
Reinsurers' share of the provisions for unearned premiums at 31 December	89	94

Notes to the financial statements • Group

(DKKm)	2014	2015		
Note 22. Reinsurers' share of the provisions for claims				
Non-life insurance				
Reinsurers' share at 1 January	1,337	648		
Reimbursement of claims relating to previous years	(1,006)	(357)		
Change in expected income relating to previous years	97	(5)		
Reimbursement of claims relating to this year	(180)	(119)		
Expected income relating to this year	392	414		
Discounting effect (annual amortisation)	4	4		
Revaluation	3	0		
Reinsurers' share of the provisions for claims at 31 December	648	584		
Note 23. Deferred tax				
	2013	2014	2015	
Properties	71	59	43	
Operating equipment	16	11	9	
Liabilities provided	(7)	(7)	(6)	
Deferred pension return tax	0	0	16	
Other	(16)	(9)	(3)	
Deferred tax	64	55	60	
Recognised as:				
Deferred tax assets	(22)	(19)	(14)	
Deferred tax liabilities	86	74	73	
	64	55	60	
Changes relating to the year		(9)	5	
Note 24. Subordinated loan capital				
	Hybrid core capital	Subordinated loan capital	Subordinated loan capital	Subordinated loan capital
Borrower	Topdanmark A/S	Topdanmark Forsikring A/S		
Principal	EUR 55m	DKK 400m	DKK 500m	DKK 850m
Date of issue	July 2007	June 2011	December 2015	December 2015
Maturity	Bullet	24 June 2019	11 December 2025	11 June 2026
If permitted by the DFSA, the borrower can give notice of termination from	15 Sep 2017	24 June 2016	11 December 2020	11 June 2021
Interest rate	EURIBOR 3 months +1.90% to 2017	6.633% to 2016	2.92% to 2020	Cibor 3 months+270bp to 2026
Subsequently	EURIBOR 3 months +2.90%	Cibor 3 months +525bp	Cibor 3 months +625bp	
			2014	2015
Interest charges			61	50
Costs of raising the loan capital			-	5
Hybrid core capital has been fully included in the parent company's capital base			407	409
Subordinated loan capital of Topdanmark Forsikring A/S has been included in the Company's capital base with			256	567

Notes to the financial statements • Group

(DKKm)	2014	2015
Note 25. Provisions for unearned premiums		
Provisions for unearned premiums at 1 January	2,769	2,724
Gross premiums written	9,121	8,883
Premiums earned	(9,167)	(9,017)
Discounting	1	0
Revaluation	1	0
Provisions for unearned premiums at 31 December	2,724	2,590

Note 26. Life insurance provisions

Life insurance provisions at 1 January	24,982	23,761
Accumulated revaluation at 1 January	(1,445)	(2,392)
Retrospective provisions at 1 January	23,537	21,370
Gross premiums written	1,293	1,451
Accrued interest	557	595
Claims and benefits	(3,442)	(2,267)
Expense loading inclusive of expense bonus	(131)	(170)
Risk gain after allocating policyholders' risk bonus	(77)	(47)
Other	21	109
Intra-group transfers	(390)	(370)
Retrospective provisions at 31 December	21,370	20,669
Accumulated revaluation at 31 December	2,392	1,888
Life insurance provisions at 31 December	23,761	22,557
Guaranteed benefits	20,824	19,577
Bonus potential on future premiums	2,192	1,879
Bonus potential on paid-up benefits	746	1,101
Life insurance provisions	23,761	22,557

Increase in guaranteed benefits as life insurance provisions must not be lower than the guaranteed surrender value

1 2

The increases have been calculated excluding surrender probabilities.

Portfolios analysed by capitalisation rates	Capitalisation rate	Guaranteed benefits	Bonus potential on future premiums	paid-up benefits
2014				
Interest rate group 9 and 10	1%	535	518	125
Interest rate group 1 and 3	[1%-2%]	9,004	1,074	518
Interest rate group 2 and 4	[2%-3%]	3,678	376	60
Interest rate group 5	[3%-4%]	1,359	60	7
Interest rate group 6	[4%-5%]	5,237	162	16
Interest rate group 7	5%	196	1	1
Group Life		247	0	0
U74-life annuities		341	0	0
Other		227	0	18
Total 2014		20,824	2,192	746
2015				
Interest rate group 9 and 10	1%	537	601	192
Interest rate group 1 and 3	[1%-2%]	8,090	1,070	785
Interest rate group 2 and 4	[2%-3%]	3,677	135	81
Interest rate group 5	[3%-4%]	1,387	26	9
Interest rate group 6	[4%-5%]	4,986	47	16
Interest rate group 7	5%	94	0	0
Group Life		274	0	0
U74-life annuities		297	0	0
Other		235	0	18
Total 2015		19,577	1,879	1,101

The provisions include an allowance for risk corresponding to the percentage which would be demanded by an arms-length purchaser of the company's portfolio of life insurance policies to compensate for the risk of fluctuations in the expected payments. The overall allowance for risk is an estimate calculated as the interest rate used less 5%.

Notes to the financial statements • Group

(DKKm)	2014	2015
Note 27. Provisions for claims		
Non-life insurance:		
Gross		
Provisions at 1 January	13,831	13,637
Claims paid relating to previous years	(3,738)	(2,991)
Change in expected claims payments relating to previous years	(253)	(387)
Claims paid relating to this year	(3,366)	(3,263)
Expected claims payments relating to this year	6,561	6,596
Inflation hedging	(211)	12
Discounting (annual amortisation)	150	112
Revaluation	663	(195)
Non-life insurance, gross, at 31 December	13,637	13,521
Life insurance	86	67
Provisions for claims and benefits	13,723	13,587
Net of reinsurance		
Provisions at 1 January	12,494	12,989
Claims paid relating to previous years	(2,732)	(2,634)
Change in expected claims payments relating to previous years	(351)	(381)
Claims paid relating to this year	(3,186)	(3,144)
Expected claims payments relating to this year	6,169	6,183
Inflation hedging	(211)	12
Discounting (annual amortisation)	146	108
Revaluation	660	(195)
Non-life insurance, net of reinsurance, at 31 December	12,989	12,937
Life insurance	86	67
Provisions for claims, net of reinsurance	13,076	13,004
Provisions for workers' compensation insurance, net of reinsurance	6,079	6,082
Average period of settlement	8 years	7 years
Illness / accident insurance, net of reinsurance, administered by the life insurance business	2,066	2,098
Average period of settlement	13 years	13 years

Notes to the financial statements • Group

(DKKm)

Note 27. Provisions for claims - continued

Claims liabilities analysed by claims year

Gross	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Total
End of year	6,598	6,652	7,549	6,414	7,203	6,814	6,730	6,559	6,400	6,122	
1 year later		6,639	7,755	6,439	7,347	6,834	6,526	6,753	6,426	5,934	
2 years later			7,698	6,455	7,282	6,952	6,585	6,769	6,473	5,778	
3 years later				6,374	7,274	6,926	6,583	6,887	6,492	5,682	
4 years later					7,184	6,865	6,513	6,851	6,576	5,718	
5 years later						6,803	6,521	6,735	6,576	5,737	
6 years later							6,497	6,763	6,537	5,721	
7 years later								6,723	6,575	5,699	
8 years later									6,509	5,752	
9 years later										5,745	66,770
Less paid incl. inflation hedging	3,263	4,884	6,277	5,264	6,306	6,030	5,887	5,911	5,872	5,322	55,016
Provisions before discounting at 31 December	3,336	1,755	1,421	1,110	878	773	610	811	636	423	11,753
Discounting	(18)	(9)	(5)	(3)	(1)	(1)	0	0	0	0	(37)
	3,318	1,746	1,416	1,108	876	772	610	811	636	423	11,716
Provisions relating to previous years at 31 December											1,804
Gross provisions at 31 December 2015 - non-life insurance											13,521
Net of reinsurance											
End of year	6,182	6,259	6,387	6,028	6,164	6,385	6,389	6,227	6,073	5,813	
1 year later		6,226	6,461	6,098	6,268	6,433	6,191	6,429	6,096	5,651	
2 years later			6,404	6,115	6,218	6,564	6,286	6,467	6,148	5,505	
3 years later				6,038	6,205	6,553	6,295	6,594	6,168	5,407	
4 years later					6,126	6,509	6,226	6,556	6,249	5,451	
5 years later						6,443	6,235	6,446	6,247	5,470	
6 years later							6,222	6,475	6,210	5,456	
7 years later								6,436	6,251	5,436	
8 years later									6,185	5,488	
9 years later										5,482	61,744
Less paid incl. inflation hedging	3,144	4,554	5,080	4,955	5,275	5,690	5,618	5,635	5,552	5,063	50,566
Provisions before discounting at 31 December	3,039	1,672	1,324	1,083	851	753	603	801	633	419	11,178
Discounting	(16)	(8)	(4)	(3)	(1)	(1)	0	0	0	0	(33)
	3,023	1,663	1,320	1,081	850	753	603	801	633	419	11,145
Provisions relating to previous years at 31 December											1,792
Provisions, net of reinsurance, at 31 December 2015 - non-life insurance											12,937
Reconciliation:											
Provisions for claims											13,587
Less amount relating to life insurance											(67)
Less reinsurers' share of provisions											(584)
Provisions, net of reinsurance, at 31 December 2015 - non-life insurance											12,937
Composition of expected payments, net of reinsurance:											
Original payment	6,200	6,199	6,397	5,991	6,062	6,379	6,361	6,148	6,068	5,807	61,612
Loss / (gain) on settlement		(17)	(65)	(58)	(142)	(123)	(400)	(140)	(293)	(622)	(1,862)
Discounting / revaluation											
workers' compensation											
insurance and illness / accident	(18)	44	73	105	206	187	261	428	410	297	1,994
	6,182	6,226	6,404	6,038	6,126	6,443	6,222	6,436	6,185	5,482	61,744

The table shows the historical development in the estimated final liability (the sum of claims payments and provisions) for each claims year from 2006. Significant proportions of the liabilities shown have been calculated without discounting which to a great extent eliminates changes in discounting rates and methods after the change to IFRS. However, workers' compensation and illness / accident administered by Topdanmark Livsforsikring A/S are included at discounted values.

Notes to the financial statements • Group

(DKKm)

Note 28. Collective bonus potential

	Capitalisation rate	Bonus ratio		2014	2015
		2014	2015		
Interest rate group 9	1%	8.3%	6.8%	76	72
Interest rate group 10	1%	10.9%	10.7%	31	31
Interest rate group 1	]1%-2%]	4.3%	5.8%	421	540
Interest rate group 3	]1%-2%]	8.6%	7.0%	41	35
Interest rate group 2	]2%-3%]	0.0%	1.5%	0	47
Interest rate group 4	]2%-3%]	9.6%	8.0%	49	45
Interest rate group 5	]3%-4%]	9.1%	8.2%	105	98
Interest rate group 6	]4%-5%]	17.9%	15.4%	690	577
Interest rate group 7	5%	52.4%	64.1%	72	43
Risk groups				181	192
Cost groups				12	18
Collective bonus potential				1,677	1,697

Note 29. Provisions for unit-linked contracts

	Insurance contracts	Investment contracts	Total
2014			
Gross provisions at 1 January	6,534	554	7,088
Retrospective provisions at 1 January	6,534	554	7,088
Gross premiums written	3,155	374	3,529
Return	664	56	720
Claims and benefits	(747)	(79)	(826)
Expense loading inclusive of expense bonus	(35)	(3)	(38)
Risk gain after addition of risk bonus	11	0	11
Premiums waived transferred to life insurance provisions	(22)	0	(22)
Intra-group transfers	356	34	390
Retrospective provisions at 31 December	9,915	936	10,851
Provisions for unit-linked contracts 2014	9,915	936	10,851
2015			
Gross provisions at 1 January	9,915	936	10,851
Retrospective provisions at 1 January	9,915	936	10,851
Gross premiums written	4,868	685	5,553
Return	565	58	623
Claims and benefits	(953)	(160)	(1,113)
Expense loading inclusive of expense bonus	(47)	(6)	(53)
Risk gain after addition of risk bonus	9	0	9
Premiums waived transferred to life insurance provisions	(22)	0	(22)
Intra-group transfers	336	34	370
Retrospective provisions at 31 December	14,670	1,546	16,216
Provisions for unit-linked contracts 2015	14,670	1,546	16,216
		2014	2015
Number of customers with investment contracts		4,599	6,604
The contracts written do not have guarantees.			

Note 30. Technical basis for risk allowance and shadow account

Customers' share of technical basis for risk allowance	811	433
Share of technical basis for risk allowance allocated to shareholders' equity	77	37
Insurance technical result	888	470
The allocation of the technical basis for risk allowance to policyholders is in accordance with the executive order on contribution principle.		

Notes to the financial statements • Group

(DKKm)	2014	2015
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Note 30. Technical basis for risk allowance and shadow account - continued

Shadow account at 1 January	72	26
Amortised	(52)	0
Return	1	0
Provided/(used)	5	0
Shadow account at 31 December	26	26

Shadow account by interest rate, risk and cost groups:

	Capitalisation rate	Expected future recognition as income	
		2014	2015
Interest rate group 2	]2%-3%]	8	0
Risk groups		14	1
Cost groups		4	11
Total shadow account		26	12

Note 31. Advanced tax

The Company has calculated advanced tax on capital pension schemes, analysed as follows:

Paid tax on savings	761	94
Calculated tax on:		
Accumulated revaluation	48	13
Collective bonus potential	62	6
Total advanced tax	871	113

Tax on accumulated revaluation and collective bonus potential to be settled in 2016.

Note 32. Expenses

Expenses by their nature:		
Commission - non-life insurance	228	204
Commission - life insurance	58	76
Staff costs (excl. commission)	1,768	1,831
Other staff costs	131	112
Premises costs etc.	151	154
IT operations and maintenance	190	221
Impairment and amortisation	122	100
Other expenses	171	163
Total expenses	2,819	2,860

These expenses have been disclosed in:

Non-life insurance:		
Acquisition costs	914	920
Administrative expenses	493	484
Claims paid (claims handling and assessment)	886	848
	2,294	2,253
Life insurance:		
Acquisition costs	130	153
Administrative expenses	227	253
	357	406
Income from investment properties (administration and operation)	56	94
Expenses on investment business	56	66
Other expenses	57	42
Total expenses	2,819	2,860

Note 33. Auditors' fee

Fee to the auditors elected at the Annual General Meeting		
Deloitte:		
Fee for statutory audit of the annual accounts	4	4
Fee for other assurance engagements	0	0
Fee for tax advice	0	0
Fee for services, other than audit work*	4	0
	8	5

*In 2014, primarily fee for one-off services related to the acquisition of an IT system in the life insurance group.

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

Notes to the financial statements • Group

(DKKm)	2014	2015
Note 34. Staff costs		
Salaries	1,488	1,524
Pensions	240	246
Social security costs	42	41
Payroll tax	203	218
Share options	8	8
	1,981	2,036
Average number of full-time employees	2,641	2,668

Share options

Topdanmark's share option scheme is for its Executive Board and senior executives. The strike price has been fixed at 110% of the market price on the last trading date in the prior financial year (average of all trades). The options can be exercised 3-5 years subsequent to the granting. The scheme is settled by shares (equity instruments). The table below is categorised by the option holders' current standing:

Total number of options ('000)	Strike price	Executive Board	Senior executives	Resigned	Total
2014					
Outstanding at 1 January		781	1,942	118	2,840
Granted	157	87	394	0	481
Exercised		(547)	(751)	(86)	(1,384)
Outstanding at 31 December 2014		321	1,586	32	1,938
Average strike price at 31 December 2014		126	118	115	
2015					
Outstanding at 1 January		321	1,586	32	1,938
Granted	220	68	295	0	363
Transferred		0	(90)	90	0
Disposal		0	0	(20)	(20)
Exercised		(92)	(471)	(17)	(580)
Outstanding at 31 December 2015		296	1,320	85	1,701
Average strike price at 31 December 2015		156	151	116	
Per granting	Exercise period				
2011	March 2014 - February 2016	81	0	91	21
2012	February 2015 - February 2017	99	35	164	19
2013	February 2016 - February 2018	133	107	401	31
2014	February 2017 - February 2019	157	87	369	13
2015	February 2018 - February 2020	220	68	295	0
Outstanding at 31 December 2015		296	1,320	85	1,701
Average strike price exercised options 2014		78	79	78	77
Average strike price exercised options 2015		99	91	99	92
Average current price on date of exercise 2014					171
Average current price on date of exercise 2015					219
Fair value of granting 2014		2	8		10
Fair value of granting 2015		2	8		10
Fair value at 31 December 2014		23	125	3	150
Fair value at 31 December 2015		14	70	6	91

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a price of DKK 200.28 (2014: DKK 142.95) per share, an interest rate corresponding to the zero coupon rate based on the swap curve on 31 December the previous year, future volatility of 22% (2014: 22%) p.a. and a pattern of exercise similar to Topdanmark's previous granting of share options. The volatility has been calculated on the basis of previous years' volatility, which continues to be Management's best estimate of future volatility.

	2014	2015
Number of options which could be exercised on 31 December ('000)	308	330

Severance pay

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

Notes to the financial statements • Group

(DKKm)

2014

2015

Note 35. Related parties

The Group has no related parties with controlling influence.

Related parties with significant influence comprise If P&C Insurance Holding Ltd (publ), the Board of Directors, the Executive Board and their families.

Remuneration of the Board of Directors

Directors' fees were DKK 5,075,000 (2014: DKK 4,712,000) of which DKK 263,000 (2014: 244,000) related to Topdanmark Forsikring A/S.

Fee (DKK '000):

Søren Thorup Sørensen	975	1,378
Torbjörn Magnusson	217	678
Ann-Jeanette Bakbøl	-	233
Tina Møller Carlsson	-	233
Anders Colding Friis	325	350
Mette Jensen	-	233
Birgitte Nielsen	433	525
Annette Sadolin	488	525
Bjarne Graven Larsen	-	233
Per Mathiesen	325	117
Michael Pram Rasmussen	1,192	335
Desiree Schultz	325	117
Aage Nedergaard Smidt	203	117
Charlotte Hougaard	122	-
Jens Maaløe	108	-
Total fee paid to nine Board members	4,712	5,075

The Board of Directors receive only a fixed remuneration.

Remuneration of the Executive Board

Salaries etc.	19	19
Share options	2	2
Total remuneration to three members of the Executive Board	20	21
Christian Sagild	8.8	8.9
Kim Bruhn-Petersen	5.8	5.9
Lars Thykier	5.7	5.9
	20.3	20.7

10% of the fixed basic salary etc. paid to the Executive Board is paid as share options.

In addition, the Executive Board has successively earned severance pay, representing 18 months' pay.

The compensation will be paid on resignation.

The Executive Board receives only a fixed remuneration.

The Group has no unhedged pension commitments.

Significant risk taker

Besides the Executive Board one employee of the Group has significant influence on its risk profile.

In accordance with an exemption clause this remuneration is not disclosed.

Shares, bonds and subordinated notes held by the Board of Directors and Executive Board

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

Board of Directors		
Number of shares	25,970	14,319
Bonds, nominal value DKK '000	82	0
Subordinated notes (subordinated loan capital) Topdanmark Forsikring, nominal value DKK '000	6,050	4,050
Executive Board		
Number of shares	83,430	49,930
Bonds, nominal value DKK '000	690	0

IF P&C Insurance Holding Ltd (publ)

The company owns 31,476,920 shares in Topdanmark A/S and subordinated notes (hybrid core capital) in Topdanmark A/S, nominal value EUR 33,500,000.

Notes to the financial statements • Group

(DKK m)	2014	2015
Note 35. Related parties - continued		
Associated companies		
Premiums ceded	92	89
Commission received	(6)	(6)
Reimbursed claims	(145)	(65)
Reinsurers' share of provisions	23	24
Trading takes place under normal market conditions. Shares are disclosed in the balance sheet and specified in the note on shares in associated companies. Balances are disclosed in the balance sheet.		

Note 36. Financial assets

Financial assets at fair value where the revaluation is taken to the income statement		
Held for trading:		
Shares	7,614	6,728
Bonds	33,975	31,455
Loans guaranteed by mortgages and other loans	12	39
Derivatives	1,873	1,350
	43,475	39,571
Designated at fair value:		
Deposits with credit institutions	2,267	3,721
Investment assets related to unit-linked contracts	10,117	15,645
	12,384	19,366
Total financial assets at fair value where the revaluation is taken to the income statement	55,859	58,937
Loans and receivables at amortised cost		
Loans to associated companies	1	0
Amounts due from policyholders	304	328
Amounts due from insurance companies	195	57
Other debtors	114	259
Liquid funds	323	640
Other	574	498
	1,511	1,781
Accrued interest and rent	372	284
Total financial assets	57,742	61,003
The book value of loans and receivables at amortised cost approximately corresponds to fair value.		

(DKK bn)

	Quoted prices Level 1	Observable inputs Level 2	Non-observable inputs Level 3	Total
2014				
Financial assets recorded at fair value				
Held for trading:				
Shares	5.3	2.3		7.6
Government bonds	4.7	1.5		6.2
Mortgage bonds	7.0	16.8		23.8
CDOs	0.0	2.1		2.1
Credits	1.2	0.5	0.2	1.9
Bonds	12.9	20.9	0.2	34.0
Loans guaranteed by mortgages and other loans		0.0		0.0
Derivatives		1.9		1.9
Designated at fair value:				
Deposits with credit institutions		2.3		2.3
Shares	4.5	0.1		4.6
Unit trusts	1.5	0.0		1.5
Bonds	0.7	3.2		3.9
Derivatives		0.1		0.1
Investment assets related to unit-linked contracts	6.7	3.4		10.1
Total financial assets at fair value	24.9	30.7	0.2	55.9

Notes to the financial statements • Group

(DKKbn)

Note 36. Financial assets - continued

2015	Quoted prices Level 1	Observable inputs Level 2	Non- observable inputs Level 3	Total
Financial assets recorded at fair value				
Held for trading:				
Shares	4.7	2.1		6.7
Government bonds	0.1	0.0	0.0	0.1
Mortgage bonds	10.1	17.8		27.9
CDOs	0.0	1.7		1.7
Credits	0.9	0.4	0.5	1.8
Bonds	11.1	19.9	0.5	31.5
Loans guaranteed by mortgages and other loans		0.0		0.0
Derivatives		1.3		1.3
Designated at fair value:				
Deposits with credit institutions		3.7		3.7
Shares	7.6	0.2		7.8
Unit trusts	1.8	0.0		1.8
Bonds	1.0	5.0		6.0
Investment assets related to unit-linked contracts	10.4	5.2		15.6
Total financial assets at fair value	26.2	32.2	0.5	58.9

The Group's holding of financial assets, which are recorded at fair value using valuation models based on non-observable inputs was DKK 523m. Besides the project financing in Carlsberg Byen (DKK 269m), the item primarily comprises bonds of DKK 238m, the regular return on which depends on payment into annuity contracts. The bonds have been reclassified as this category of financial assets as valuation based on observable inputs has no longer been possible.

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

	2014	2015
Bonds measured by reference to non-observable inputs - Level 3:		
Portfolio at 1 January	0.1	0.2
Purchases	0.1	0.1
Transferred from level 2	0.0	0.3
Portfolio at 31 December	0.2	0.5

There have been no other changes in the classification of financial assets or liabilities in 2015.

(DKKkm)

Allowance account (policyholders and insurance companies):		
1 January	71	68
Changes	(3)	(2)
31 December	68	67
Group companies have agreed to lend equities against security:		
Book value of equities lent	1,323	1,075
Fair value of bonds received as security for the loan	1,604	1,154

Notes to the financial statements • Group

(DKKm)	2014	2015
Note 37. Financial liabilities		
Financial liabilities measured at fair value through profit or loss		
Held for trading:		
Derivatives	870	534
Designated at fair value:		
Amounts due to credit institutions	1,961	1,346
Total financial liabilities measured at fair value through profit or loss	2,832	1,880
Financial liabilities measured at amortised cost		
Subordinated loan capital	1,156	2,154
Deposits with ceding undertakings	154	62
Creditors arising out of direct insurance operations	315	394
Creditors arising out of reinsurance operations	34	37
Bond loans	29	0
Amounts due to associated companies	3	6
Current tax liabilities	31	1
Other creditors	1,446	1,125
Total financial liabilities measured at amortised cost	3,168	3,779
Total financial liabilities	6,000	5,659
Book value of financial liabilities at amortised cost approximately corresponds to fair value.		
Financial liabilities payable after five years or more:		
Subordinated loan capital	407	1,256
Amounts due to credit institutions	4	3
	Observable inputs Level 2	
Financial liabilities recorded at fair value		
Held for trading:		
Derivatives	870	534
Designated at fair value:		
Amounts due to credit institutions	1,961	1,346
Total financial liabilities recorded at fair value	2,832	1,880

Note 38. Settlement of assets and liabilities

Except for tangible and intangible assets, investment properties, investments in associated companies and CDOs most other assets are expected to be settled within a year.

It is expected that the following significant liabilities will be settled 12 months or more after the balance sheet date:

Subordinated loan capital	1,156	1,754
Provisions for unearned premiums	178	172
Guaranteed benefits	18,523	17,896
Bonus potential on future premiums	1,976	1,715
Bonus potential on paid-up benefits	687	1,098
Provisions for claims and benefits	10,317	9,783
Collective bonus potential	1,525	1,566
Provisions for unit-linked contracts	9,592	14,585
Deferred tax on security funds	306	306
	44,260	48,875

Notes to the financial statements • Group

(DKKm)

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

	Book value		Net	Return
	1 January	31 December	investment	(%)*
Land and buildings, directly owned	3,309	3,710	422	1.7
Limited property companies	283	118	(208)	44.4
Total land and buildings	3,592	3,828	214	3.9
Listed Danish shares	1,170	986	(426)	34.9
Unlisted Danish shares	368	368	15	4.1
Listed foreign shares	3,131	2,441	1,085	(0.9)
Unlisted foreign shares	1,879	1,767	(22)	0.5
Total other shares	6,548	5,563	652	5.0
Government bonds (Zone A)	2,321	105	(2,186)	6.6
Mortgage bonds	14,956	14,389	(360)	(1.6)
Index-linked bonds	1,368	1,315	(74)	3.7
Credit bonds investment grade	2,185	1,461	265	3.4
Credit bonds non-investment grade and emerging market bonds	1,340	1,128	340	2.0
Total bonds	22,170	18,399	(2,016)	(0.1)
Other financial investment assets	1,155	2,565	1,100	0.0
Derivatives to hedge against the net change in assets and liabilities**	1,697	1,204		

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

** Topdanmark Livsforsikring has invested in interest rate options - Euro-CMS-floors with a strike rate of 5% – to hedge the guaranteed benefits.

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

The exposure in foreign shares is adjusted by means of derivatives.

After including derivatives the exposure in foreign shares on 31 December 2015 was DKK 5,307m (2014: DKK 4,532m).

Note 40. Exposure information

2014

2015

Non-life insurance

Event	Effect on shareholders' equity	
0.7-1.0 pp increase in interest rates	31	33
0.7-1.0 pp decline in interest rates	(11)	9
12% decline in equity prices	(145)	(150)
8% decline in property prices	(105)	(76)
Exchange rate exposure (VaR 99.0%)	(6)	(5)
Loss on counterparties of 8%	(138)	(156)

Life insurance

2014 Event	Min. effect on capital base	Max. effect on collective bonus potential	Max. effect on bonus potential before change in bonus potential used for such benefits	Max. effect on bonus potential used for benefits of paid-up policies
0.7-1.0 pp increase in interest rates	(158)	62	530	0
0.7-1.0 pp decline in interest rates	157	(189)	(547)	(26)
12% decline in equity prices	(29)	(570)	0	(58)
8% decline in property prices	(47)	(160)	0	(27)
Exchange rate exposure (VaR 99.0%)	(2)	(3)	0	(1)
Loss on counterparties of 8%	(66)	(227)	0	(37)
10% decline in mortality intensity	(22)	(100)	(6)	(7)
10% increase in mortality intensity	19	96	6	0
10% increase in disability intensity	0	(16)	(2)	(4)

Notes to the financial statements • Group

(DKKm)

Note 40. Exposure information - continued

Life insurance

2015 Event	Min. effect on capital base	Max. effect on collective bonus potential	Max. effect on bonus potential on benefits on paid-up policies before change in bonus poten- tial used for such benefits	Max. effect on bonus potential used for benefits of paid-up policies
0.7-1.0 pp increase in interest rates	(141)	116	731	0
0.7-1.0 pp decline in interest rates	112	(253)	(627)	(26)
12% decline in equity prices	(23)	(594)	0	(8)
8% decline in property prices	(45)	(210)	0	(18)
Exchange rate exposure (VaR 99.0%)	(2)	(1)	0	0
Loss on counterparties of 8%	(68)	(221)	0	0
10% decline in mortality intensity	(19)	(99)	(9)	0
10% increase in mortality intensity	17	87	11	0
10% increase in disability intensity	0	(18)	(2)	0

Note 41. Shares analysed by industry and region (%) - life insurance

2015	Denmark	Other Europe	North America	South America	Japan	Other Far East	Other countries	Not analysed	Total
Energy	0	1	2	0	0	0	0	0	3
Materials	0	1	0	0	0	0	0	0	3
Industrial	5	1	2	0	1	0	0	0	9
Consumer durables	2	2	4	0	1	0	0	0	9
Consumer goods	1	2	3	0	0	0	0	0	7
Health care	4	3	4	0	0	0	0	0	12
Financial	5	3	4	0	1	1	0	0	13
IT	0	2	6	0	0	1	1	0	9
Tele-communication	0	1	1	0	0	0	0	0	2
Supply	0	0	0	0	0	0	0	0	1
Not analysed	6	0	0	0	0	0	0	27	33
Total	23	17	25	0	4	3	1	27	100

A list of the shares held by the companies can be ordered from the company.

Note 42. Leasing

Operational finance leases:	Minimum lease payment	Interest	Present value
2014			
0-1 years	55	0	55
1-5 years	15	0	15
more than 5 years	9	0	9
	79	0	79
2015			
0-1 years	57	0	57
1-5 years	2	0	2
more than 5 years	2	0	2
	61	0	61

Notes to the financial statements • Group

(DKKm)	2014	2015
Note 43. Number of shares		
Reconciliation of the number of shares ('000)		
Shares issued at 1 January	125,000	115,000
Own shares at 1 January	(12,368)	(11,377)
Number of shares at 1 January	112,632	103,623
Shares bought back	(10,393)	(8,551)
Shares sold	1,384	600
Shares issued at 31 December	115,000	105,000
Own shares at 31 December	(11,377)	(9,328)
Number of shares at 31 December	103,623	95,672

Note 44. Own shares

	Number of shares '000	Nominal value DKKm	Percentage of share capital	Bought /sold DKKm
Held at 1 January 2014	12,368	12	9.9	
Bought in 2014	10,393	10	9.0	1,716
Sold	(1,384)	(1)	1.2	(131)
Written down	(10,000)	(10)	-	
Held at 31 December 2014	11,377	11	9.9	
Bought in 2015	8,551	9	8.1	1,667
Sold	(600)	(1)	0.6	(66)
Written down	(10,000)	(10)	-	
Held at 31 December 2015	9,328	9	8.9	
Number of shares held to cover the granting of options: 1,701,000 (2014: 1,938,000)				

Note 45. Provision of security	2014	2015
The Group's insurance companies have registered the following assets as security for technical provisions:		
Shares in associated companies	83	0
Loans to associated companies	1	0
Shares	5,565	4,845
Bonds	31,439	30,904
Deposits with credit institutions	1,543	3,100
Investment assets related to unit-linked contracts	10,375	15,796
Liquid funds	21	349
Accrued interest	0	275
Shares in and amounts due from affiliated companies eliminated in the consolidated accounts	6,959	5,173
	55,986	60,441
Bonds provided as security for loans in accordance with standard repo-contracts for Danish mortgage and government bonds	432	0
Other provision of security	59	56

Note 46. Contingent liabilities

Contract liabilities	310	121
Adjustments to VAT liabilities	28	39
Other liabilities	11	13
Capital commitments made to loan funds and private equity funds etc.	701	1,254
Share of associated companies' liabilities:		
Contract liabilities	48	0
The Group companies participate in technical insurance collaboration where they are jointly liable for the insurance liabilities.		

Notes to the financial statements • Group

(DKKm)

Note 47. Companies

Name	Registered office	Activity
Topdanmark A/S	Ballerup	Holding
Non-life:		
Topdanmark Forsikring A/S	Ballerup	Insurance
TDP.0007 A/S	Ballerup	Property
Topdanmark EDB A/S	Ballerup	Internal IT services
E. & G. Business Holding A/S	Ballerup	Holding
Topdanmark Holding S.A.	Luxembourg	Holding
Risk & Insurance Services S.A.	Luxembourg	Administration
TDLII.0087 A/S	Ballerup	Investment
Life:		
Topdanmark Liv Holding A/S	Ballerup	Holding
Topdanmark Livsforsikring A/S	Ballerup	Insurance
Nykredit Livsforsikring A/S	Ballerup	Insurance
Topdanmark EDB II ApS	Ballerup	IT services
Topdanmark Ejendom A/S	Ballerup	Property
TDE.201 ApS	Ballerup	Property
Bygmestervej ApS	Ballerup	Property
Other companies:		
Topdanmark Kapitalforvaltning A/S	Ballerup	Asset management
Topdanmark Invest A/S	Ballerup	Investment
Hotel Kongens Ege ApS	Ballerup	Property
Topdanmark Ejendomsadministration A/S	Ballerup	Property
All of the companies are 100% owned.		

Note 48. Other disclosures

The five-year summary, in accordance with Section 91(a) of the Danish Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds, is included in "Management's review". For further details see "Risk management" and "Capital model" in "Management's review".

There have been no events in the period from 31 December 2015 until the presentation of the consolidated financial statements which could change the assessment of the annual report.

Notes to the financial statements • Group

Note 49. Risk factors

The following description of risks in the Topdanmark Group elaborates on Risk management in Management's review.

Non-life insurance

Underwriting risk

Acceptance policy

Topdanmark's acceptance policy is based on a desire to make a profit from both products and customers.

Topdanmark varies the pricing of its products depending on the relevant risk criteria and the costs of administering those products.

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

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

Follow-up policy

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

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

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

General insurance rates are re-calculated at least every three years and motor, and workers' compensation rates are reviewed annually.

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

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

Claims handling

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

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

Customers should feel "well-helped"

Topdanmark works to ensure that its customers feel "well-helped" in every situation during the claims handling process. It is crucial for the customers' experiences that:

- The customer feels LISTENED TO.
- The customer has an OVERALL VIEW of the entire claims process – particularly who is doing what and when.
- The customer is CONFIDENT that Topdanmark helps the customer solve the claims problem.

Customers' satisfaction with visits and telephone and internet contact is monitored daily to act immediately on each dissatisfied customer enabling us to help the customer and also learn from the incident.

Efficient management of claims incurred

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

- Promptness.
- Better replacement purchasing power.
- Quality.

Promptness

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

Typically, the claims department operates with day-to-day management of claims notifications and other claims handling in order that the value of the claim does not increase. Simple notification is attended to immediately over the telephone. Turnaround times are continuously monitored.

Better replacement purchasing power

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

The responsibility for arranging co-operation and purchase agreements has been channelled into one

centralised purchasing function to ensure the highest possible discount, quality and security when delivering products and services. Service agreements have been made with, for example, Falck, Falck Health Care, Scalepoint, Bygma, tradesmen, garages and damage service companies.

Quality

Topdanmark has developed routines for all major claims processes to ensure that they are handled in a uniform and controlled manner. These are supplemented by rules governing the level of professional and financial competence expected of each of the claims employees.

The overall professionalism is controlled by regular quality assessment of a random sample of claims. For example, it is investigated whether the cover, reason for the claim and provisioning are correct, the recourse possibilities have been tested and that the excess, VAT etc. have all been charged.

Claims handling supported by Topdanmark's claims handling system

Topdanmark's claims handling system supports professional accuracy, and Topdanmark continuously works to optimise its systems in order to improve the claims handling processes through automation.

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

Emergency plan

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

Loss prevention and loss limitation

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

Provisioning risk

Provisions for outstanding claims

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

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

Composition of Topdanmark's overall provisions for outstanding claims:

Provisions for outstanding claims (%)	2014	2015
Short-tail	13	13
Annuity provisions in workers' compensation	24	23
Other claims provisions in workers' compensation	23	25
Accident	24	24
Motor personal liability	12	12
Commercial liability	4	4

The much higher provisioning risk in long-tail than in short-tail lines is due to the longer period of claims settlement. It is not unusual that claims in long-tail lines are settled three to five years after notification and in rare cases up to 10-15 years.

During such a long period of settlement, the levels of compensation could be significantly affected by changes in legislation, case-law or practice in the award of damages adopted by, for example, the Danish National Board of Industrial Injuries which awards compensation for injury and

loss of earnings potential in all cases of serious industrial injuries.

The practice adopted by the Danish National Board of Industrial Injuries also has some impact on the levels of compensation for accident and personal injury within motor, liability and commercial liability insurance.

The provisioning risk represents mostly the ordinary uncertainty of calculation and claims inflation, i.e. an increase in the level of compensation due to the annual increase in

compensation per policy being higher than the level of general indexation or due to a change in judicial practice / legislation.

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

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

Provisions for unearned premiums

The risk on provisions for unearned premiums is relevant particularly within change of ownership insurance and lines with high levels of compensation, for example, workers' compensation and motor liability insurance. In the event of a change in the level of either premiums or compensation in these lines, the provision for unearned premiums could be insufficient to cover the related expenses. In this case, it will be necessary to strengthen this provision.

For change of ownership insurance, the policy covers a period of five or ten years and the full five or ten-year payment is made up front. Topdanmark's level of provisions for change of ownership policies is based on statistical analyses of the pattern of claims notifications as compared to the remaining period of the policies.

For workers' compensation and motor liability insurance policies, which unlike change of ownership are one-year policies, the need for strengthening the provision for unearned premiums is assessed on the basis of quarterly analyses of the development in premiums and claims.

Disaster risks

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

Storm and rainstorms

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

programme not having been hit previously by two individual storms each exceeding DKK 3.3bn. The storm programme is renewed on 1 July.

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

Fire

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

Terror

With certain restrictions terror is covered by the reinsurance contracts.

A national guarantee scheme of DKK 15bn covering terror claims including an element of NBCR (nuclear, biological, chemical, radiological) has been established. In 2015, the national guarantee scheme covered any market retention in excess of DKK 5.5bn. With effect from 1 January 2016, the market retention was increased to DKK 13.73bn.

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

Workers' compensation

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

Cumulative risk

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

Life insurance

Loss absorbing buffers in the event of low interest rates

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

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

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

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

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

In portfolios with high guaranteed benefits, including the portfolio of policies with 4.5% guaranteed benefits, the interest rate risk in interest groups with such schemes has been countered by EURO CMS floors with a strike rate of 5%.

In portfolios with low guaranteed benefits, comprising policies with guaranteed benefits of 2.5%, 1.5% and 0.5%, the movements in interest rates are monitored and risk reducing actions are taken as needed.

Disability

Disability risk is the risk of increasing disability intensity or declines in the rates of resumption of work, in that the benefits have been guaranteed until expiry. Losses may

be incurred due to an increase in disability frequency or due to inadequate health evaluation when the policy is written.

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

Lifetime

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

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

Market

Market risk represents the risk of losses due to changes in the market value of the Group's assets, liabilities and off-balance items as a result of changes in market conditions. Market risk includes interest rate, equity, property, currency, inflation and liquidity risk.

The limits for these financial risks are fixed by Topdanmark's Board of Directors. In practice, Topdanmark Kapitalforvaltning (asset management) handles the investment, finance and risk alignment processes. Compliance with the limits set by the Board of Directors is regularly controlled. The result of this is reported to the Board of Directors.

Market risks	Risk reducing activities
<p>Interest rate risk</p> <p>Topdanmark is exposed to interest rate risk due to provisions for outstanding claims in non-life insurance and guaranteed benefits in life insurance.</p>	<p>Generally, the interest rate risk is limited and controlled by investing in interest-bearing assets in order to reduce the overall interest rate exposure of the assets and liabilities to the desired level .</p> <p>Besides the investments in interest-bearing assets, the interest rate risk on 4.5% guaranteed benefits is hedged by EURO CMS floors with a strike rate of 5%, while supplementary hedging by standard swaptions have been bought for benefits guaranteed lower interest rates.</p>
<p>Equity risk</p> <p>Topdanmark is exposed to equity risk from direct investments as well as those investments made via derivatives.</p>	<p>The equity risk is alleviated by trades in the market and by derivatives.</p>
<p>Property risk</p> <p>Topdanmark is exposed to property risk from investments in properties rented out for business or private residence.</p>	<p>The risk on the property portfolio is limited by a strategy focusing on the four largest cities in Denmark, with main emphasis on Copenhagen and Århus. Topdanmark invests in well-situated properties within the segments of housing and flexible office properties.</p>
<p>Currency risk</p> <p>Topdanmark's currency risk relates in practice only to investments.</p>	<p>The currency risk is alleviated by derivatives.</p>
<p>Inflation risk</p> <p>Future inflation is implicitly included in a number of the models Topdanmark uses to calculate its provisions.</p> <p>Workers' compensation and illness / accident insurance differ from the general principles regarding the inclusion of an allowance for inflation. The provisions in workers' compensation insurance are calculated on the basis of the expected future indexation of wages and salaries, and those in illness / accident insurance on the basis of the expected net price index.</p>	<p>An expected higher future inflation rate would generally be included in the provisions with a certain time delay, while at the same time the result would be impacted by higher future indexation of premiums.</p> <p>In order to reduce the risk of inflation within workers' compensation and illness / accident insurance Topdanmark uses index-linked bonds and derivatives hedging a significant proportion of the expected cash flows.</p>
<p>Liquidity risk</p> <p>In insurance companies the liquidity risk is very limited as premiums are paid prior to the beginning of the risk period.</p> <p>Topdanmark's liquidity risk is therefore primarily related to the parent company.</p>	<p>Topdanmark finances its activities and share buy-back programme by using its subsidiaries' surplus liquidity via inter-group accounts, which are reduced by paying dividends.</p> <p>Further financing requirements are covered by short-term money market loans, typically with a maturity of one month or less.</p>

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

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

Undiscounted expected cash flow for the Group's most significant liabilities:

(DKK m)	Book value	1 year	2-6 years	7-16 years	17-26 years	27-36 years	>36 years
2014							
Provisions for claims	13,723	3,748	6,062	3,178	1,410	573	153
Life insurance provisions	23,761	1,026	2,265	6,875	8,578	6,191	2,833
2015							
Provisions for claims	13,587	3,869	5,788	3,054	1,318	534	135
Life insurance provisions	22,557	960	2,128	6,905	8,013	5,178	2,231

Future cash flows for life insurance will deviate from those expected due to observed insurance events, surrenders etc.

The Group uses derivatives to hedge investment risks. The hedging of currency risk in particular often results in significant positive or negative changes to balance sheet values.

Topdanmark pays or receives cash security for any changes in value. The extent of these daily changes is limited such that there is no challenge to liquidity.

Generally, there are no maturity concentrations on derivative contracts.

The Group's insurance companies may raise money market loans as part of the day-to-day liquidity management. Typically, the maturity of such loans is less than a month. Both the subordinated loans raised by Topdanmark Forsikring and any outstanding money market loans will be repaid from the cash generated from operations.

Furthermore, the Group has a significant liquidity base of high-quality liquid bonds.

Credit and counterparty risk

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

Reinsurance

Within insurance the reinsurance companies' ability to pay is the most important risk factor. Topdanmark minimises this risk by spreading and primarily buying reinsurance cover from reinsurance companies with a minimum rating of A-. Accordingly, almost all of its storm cover has been placed with such reinsurance companies.

Investment

Topdanmark's investment risk is the inability of bond, loan or financial contract counterparties to meet their obligations. Most of Topdanmark's interest-bearing assets comprise Danish mortgage bonds and debt issued or guaranteed by top-rated European states. The risk of losses is considered to be very small due to the high quality of the issuers and a desired spread on both issuers and issues. To limit the risk on other bond and loan debtors, the portfolio is well diversified both geographically and with regard to type of debtor - and therefore, the exposure to the concentration of risks is insignificant.

Interest-bearing assets by rating (%)	2014	2015
AAA+AA	77	71
A	4	6
BBB	3	2
<BBB	5	9
Money market deposits	11	12

At the end of 2015, Topdanmark received cash margin payments of DKK 1,305m securing unrealised gains on derivatives (2014: 1,497m).

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

Operational risk

Operational risk includes the risk of errors and deficiencies in internal processes, human errors, system errors, breakdowns of IT systems and losses incurred due to external events.

Topdanmark regularly develops and improves IT systems, routines and procedures. The responsible business units are also responsible for the risk management of this development.

Projects are to carry out a risk assessment with a description of the risks, possible consequences and measures to limit these risks.

IT

Group IT Security, reporting to the IT manager, is responsible for information security.

Risk assessment

Risk assessments of each operational IT risk are made regularly. Group IT Security reports quarterly on risks and events to the Executive Board.

Topdanmark's risk assessment, IT security policy and IT emergency strategy (based on ISO27001), which are submitted to the Risk and Audit Committees, are revised each year by the Executive Board to be accepted by the Board of Directors.

IT emergency plan

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

Tests

Periodically, Topdanmark's critical IT systems are tested to see if they can be compromised from outside and whether the IT systems have vulnerabilities that need to be repaired.

These tests are made by an external company with special expertise in this area. Topdanmark's IT security committee discusses and prioritizes the performance and results of the tests.

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

Accessibility

It is Topdanmark's goal that the accessibility of its main systems is no less than 99.5%. In 2015 it was 99.85%.

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

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

Internal audit

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

Central Claims

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

Event register

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

Compliance risk

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

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

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

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

Compliance Function's work

The Compliance Function is intended to:

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

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

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

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

Event register

The Compliance Function administers Topdanmark's event register.

Notes to the financial statements • Group

Note 50. Accounting policies

Topdanmark Group's 2015 Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the additional Danish disclosure requirements of NASDAQ Copenhagen A/S and the Danish Financial Business Act on annual reports prepared by listed financial services companies.

With effect from 1 January 2015, Topdanmark has implemented various new and revised standards and interpretations, which have not resulted in any changes in the accounting policies.

Accordingly, there have been no changes in accounting policies from those adopted in the 2014 Annual Report.

Future accounting regulation

New executive order on financial reports

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

The details of the new accounting rules and the accounting effect are available in "Accounting policies 2016" in Management's review.

IFRS

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

The most significant new standards are: IFRS 9 "Financial instruments", IFRS 15 "Revenue from contracts with customers" and IFRS 16 "Leases". IFRS 9 and IFRS 15 will take effect on 1 January 2018, while IFRS 16 will take effect on 1 January 2019. None of these standards have been adopted by the EU. At present, there are discussions about a specific deferral of the implementation date of IFRS 9 for insurance companies until the same time as IFRS 4, phase II "Insurance contracts" takes effect, expected in 2020 or 2021.

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

IFRS 15 applies to all agreements with customers who are not covered by other standards (for example, financial contracts or insurance contracts).

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

Future changes to IFRS are not expected to materially change Topdanmark Group's accounting policies.

Accounting estimates and judgements

In the preparation of Topdanmark's financial statements, estimates and judgements have been made which affect the size of assets and liabilities and consequently the results in this and subsequent financial years.

The most significant estimates and judgements are made in the calculation of provisions for outstanding claims, life insurance provisions and investment properties.

Provisions for outstanding claims

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

The provision risk is significant, in particular in lines with a long period of claims settlement such as workers' compensation, accident, commercial and motor liability. The levels of compensation could be significantly affected by any changes in legislation, case-law or the practice in the award of damages adopted by, for example, the Danish National Board of Industrial Injuries.

The five-year summary discloses the most recent financial years' run-off profits/losses. The movement in the provisions for outstanding claims and run-off profits/losses analysed by claims year is shown in the note on provisions for outstanding claims. The note on technical result – non-life specifies run-off profits/losses for the year analysed by line of business. For further details, see Management's review.

Life insurance provisions

Measurement of the life insurance provisions is based on a number of actuarial estimates of disability, lifetime etc., which may have a significant effect on the size of the life insurance provisions.

For portfolios with high guaranteed benefits, Topdanmark has, to a significant extent, hedged changes in interest rates by derivatives. For portfolios with low guaranteed benefits, the movements in interest rates are monitored,

and risk-reducing actions are taken as needed. But shareholders' equity could be affected if the necessary return to meet the guaranteed liabilities is not achieved, on average, over the period of the policies' cover.

Investment properties

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

General

Consolidated financial statements

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

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

Consolidation

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

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

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

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

Recognition and measurement

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

of the Annual Report, and which provide evidence of conditions that existed at the balance sheet date.

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

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

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

Measurement of fair value

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

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

Level 1

The calculation at fair value is based on the listed prices of transactions in active markets. If there is an active market for listed shares, bonds, derivatives etc., the measurement is generally based on the closing price on 31 December.

Level 2

If there is no closing price, another public price is used, which is believed to be the most appropriate, in the form of indicative prices from banks/brokers. Assets of this type are, for example, hedge funds, CDOs and credit bonds. Valuation methods or other publicly available information are used to value listed securities, where the closing price does not reflect the fair value.

Valuation methods are based on publicly available market data. If there is no active market for the financial instrument, depending on the nature of the asset or liability, the calculation is based on underlying parameters such as interest and foreign exchange rates, volatility or comparison with the market prices of corresponding instruments.

Level 3

In certain cases, the valuation cannot be based on publicly available market information alone. In these cases, valuation models that could imply the use of estimates of both the future and the nature of the current market situation are used. The accounting policies for measurement of properties, which are the most significant assets of level 3, are described below under "Owner-occupied properties" and "Investment properties" respectively.

Insurance and investment contracts – classification

The Topdanmark Group writes contracts which transfer insurance risk, investment risk or both.

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensation if a specified uncertain future event adversely affects the policyholder. Insurance risk is always considered to be material in non-life insurance. In life insurance it is considered to be material when it covers the effect of disability (including the effect of premiums waived) and mortality (where the benefit exceeds the total savings of the policy).

An investment contract is one where the amount of insurance risk is not sufficient for it to be classified as an insurance contract. However, if the investment contract entitles the policyholder to receive a bonus, it is treated as an insurance contract. Payments received and made on investment contracts where the policyholder is not entitled to a bonus, have been taken directly to the balance sheet.

Currencies

As the predominant rule, DKK is the Group companies' functional currency and the presentation currency of the Annual Report.

The initial recognition of transactions in currencies other than DKK is made at the exchange rates prevailing at the date of the transactions. Debts and receivables, and other monetary items which have not been settled on 31 December, are translated at the closing exchange rates on 31 December. Translation differences are disclosed in Revaluations in the Income Statement.

Income and expenses of foreign companies which prepare their financial statements in functional currencies other than DKK are translated at average exchange rates for the year, while balance sheet items are translated at the closing exchange rates on 31 December. Any translation differences are included in other comprehensive income.

Exchange rate differences on the translation of foreign associated companies are included in other comprehensive income.

Expenses

Expenses are recognised in the Group's income statement and disclosed classified by function: claims incurred (claims handling), acquisition and administrative expenses, investment return and other expenses. The allocation of expenses, which do not directly relate to a function, is based on an assessment.

Share-based payments

Share options

The Executive Board and Senior Executives participate in a share option scheme.

The fair value, on the date the option is granted, is included in staff costs in the income statement, with the relevant credit shown as a change in equity. The fair value is calculated using the Black & Scholes model and in accordance with IFRS 2 on share-based payments.

The options are primarily settled with own shares. Any strike amount received on the exercise of the options is taken to shareholders' equity.

Options, where the holder can choose cash payment, are recorded in the balance sheet under "Creditors" and calculated using the Black & Scholes model. Changes in the fair value are included in the income statement.

Calculation of profit in life insurance

The calculation of profit for life insurance is regulated by the Danish Financial Business Act. The definition of Topdanmark's policy on the calculation of the profit for the year has been reported to the DFSA.

The result of life insurance comprises unconditional and conditional profit elements.

The unconditional profit elements comprise the return on assets allocated to shareholders' equity, acquisition cost result and the profit on policies outside of contribution.

The conditional profit elements comprise the risk return which is calculated for each contribution group. The risk return for each contribution group (cost, risk and interest rate groups) has been based on their estimated risk on shareholders' equity.

The risk return is transferred to shareholders' equity if it can be covered by a sufficient technical basis for risk allowance within each contribution group. Principally, any surplus risk return is transferred to a shadow account, which will be included as income when the group returns to being in profit.

If there is a negative technical basis for risk allowance, which exceeds the collective bonus potential and the individual bonus potential, the excess will be debited to shareholders' equity.

Segment information

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

Personal includes policies for individual households, sold by Topdanmark's own sales channels and its distribution partners.

SME and Industrial includes policies for agricultural, SME and industrial businesses, sold by Topdanmark's sales organisation and its distribution partners, as well as captive-based policies.

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

Life insurance is considered to be a separate business segment.

The recognition and measurement of the information reported by each segment follow the same accounting policies as those applied by the Group.

Topdanmark conducts insurance business only in Denmark and, therefore, no specific geographical segmental information is provided.

Ratios

The financial ratios have been calculated in accordance with the definitions of ratios issued by the Danish Finance Society in 2015, except for "profit per share" and "diluted profit per share", which have been calculated in accordance with IAS 33 Earnings per share.

Ratios for non-life insurance are in accordance with the DFSA's Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds. These calculations, which have been made before elimination of intra-group rent, are disclosed in segment information. Topdanmark has not calculated consolidated ratios for life insurance, as it does not believe that a true and fair view would be achieved by presenting ratios based on an accumulation of completely different portfolios.

Cash flow statement

The cash flow statement for the Group has been prepared in accordance with the direct method disclosing cash flow from operations, investments and financing as well as the changes in the Group's liquid funds between the beginning and the end of the financial year. Investment activities also include amounts received and

paid on the purchase and sale of investment, intangible and tangible assets. Cash flows from financing comprise changes in capital, including the purchase and sale of own shares. Furthermore, it includes the raising of loans and repayments on interest-bearing debt. Cash and cash equivalents comprise liquid funds as well as deposits with credit institutions.

Income statement

Premiums earned

Gross premiums in non-life insurance comprise those premiums receivable during the year and an estimate of premiums on insurance contracts written, either directly or indirectly, for which the period of risk has commenced before the end of the financial year. They do not include own risks. Premiums earned net of reinsurance comprise gross premiums for the year adjusted for changes in the provisions for unearned premiums and net of reinsurance. Effectively, this means the premiums are being recognised in line with the distribution of risk over the period of cover.

In life insurance, premiums net of reinsurance comprise those premiums, including single premiums, which are receivable within the year, net of reinsurance, for all insurance contracts and bonus eligible investment contracts.

Technical interest net of reinsurance in non-life insurance

The technical result on non-life insurance includes a return on the technical provisions net of reinsurance. The interest on the provisions is calculated using the relevant interest rate corresponding to the expected date of settlement. The discount expense of the regular revaluation of the present value of the provisions until the expected time of settlement is offset against the interest income. The interest and discount expense on discounted provisions, primarily provisions for outstanding claims net of reinsurance, are calculated on the same basis. Accordingly, the interest and discount expense on discounted provisions are exactly netted off each other. For non-discounted provisions, primarily provisions for unearned premiums net of reinsurance, the interest on the average value of the provisions is calculated using the relevant interest rate corresponding to the weighted average date of settlement.

Allocated investment return net of reinsurance in life insurance

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

Claims incurred and benefits paid

In non-life insurance, claims incurred net of reinsurance comprise claims paid during the year adjusted for changes in the provisions for outstanding claims and net of the reinsurers' share. Accordingly, claims incurred comprise known and expected claims relating to the year as well as any adjustments to the provisions made in previous years. Furthermore, they comprise direct and indirect expenses on claims handling. However, the proportion of the change in provisions for outstanding claims relating to changes in discounting and revaluation is included in technical interest net of reinsurance and revaluations respectively. Topdanmark has entered into derivatives partially hedging the provisions for workers' compensation and annuities in illness and accident insurance against changes in future wage and price indexation. The revaluation is included in claims incurred.

In life insurance, claims and benefits paid net of reinsurance comprise payments relating to claims, surrenders and cash bonuses.

Bonuses and rebates

Bonuses and rebates include those premium amounts that have been or will be paid back to policyholders, on the basis that the amount of the repayment is calculated with reference to the claims trend of the financial year for each insurance contract or a portfolio of insurance contracts using criteria determined prior to the beginning of the financial year, or when the insurance contracts were written.

Operating expenses

Technical operating expenses which relate, either directly or indirectly, to the acquisition and renewal of the portfolios are included in acquisition costs. New business commission is generally recorded in the income statement on the date the insurance takes effect. Administrative expenses comprise other costs incurred in the administration of the portfolios which relate to the financial year, and which have been accounted for on an accruals basis. Commission received from reinsurers has been accounted for on an accruals basis over the policies' period of cover.

Investment activities

Income from associated companies comprises a share of the post-tax results of the associated companies calculated in accordance with the Group's accounting policies. Income from investment properties comprises the operating results excluding interest charges and revaluations that have been disclosed separately in the financial statements. Interest, dividends etc. comprise all interest, dividends etc. earned in the financial year. Realised and unrealised gains and losses on investment assets and changes in the provisions for outstanding claims net of reinsurance due to changes in the interest rate structure are included in revaluations, which also

includes exchange rate adjustments, and realised gains and losses on owner-occupied properties. Administrative expenses on investment activities comprise the cost of asset management including transaction costs.

Pension return tax

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

Other income and expenses

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

Taxation

The tax charge for the year comprises the current corporation tax for the year and any changes in deferred tax. The share of the tax charge that relates to the profit for the year is included in the income statement, the share that relates to other comprehensive income items is included in other comprehensive income, and the share that relates to shareholders' equity items is taken to shareholders' equity. The current tax for the year is calculated using the tax rates and rules applicable on 31 December.

Topdanmark A/S is jointly taxed with all the Danish companies of the Group. As the management company of the joint taxation, Topdanmark A/S settles all corporation tax payments with the tax authorities.

The jointly taxed companies' joint tax contributions are settled by dividing the current Danish corporation tax between them in proportion to their taxable income. Furthermore, those companies with tax losses receive joint tax contributions from those companies which have been able to use this loss to reduce their own tax gain.

Assets

Intangible assets

Goodwill relates to the acquisition of companies prior to 2004 and is included at the book value on the change to IFRS. Goodwill is not amortised but subjected to an impairment test at the end of the financial year and written down to its recoverable amount, as required.

Acquired software licences are measured at cost and amortised on a straight-line basis over the expected useful life of a maximum of three years. Development projects which are clearly defined and definable are measured at cost at the amount of external costs incurred and written off over the expected useful life of a maximum of five years. If there is an indication of impairment, the book value is written down to its recoverable amount.

Intangible assets under construction are subjected to an impairment test at the end of the financial year and written down to their recoverable amount, as required.

Tangible assets

Operating equipment

Operating equipment is measured at cost less depreciation on a straight-line basis and net of any impairment. Depreciation on a straight-line basis is calculated on the basis of the expected useful life and the residual value, which is annually revalued. If there is an indication of impairment, the book value is written down to its recoverable amount.

IT equipment, other equipment and cars as well as improvements of rental properties are depreciated over their expected useful life of up to five years. Solar cell plants are depreciated over their expected useful life of 25 years.

Owner-occupied properties

Owner-occupied properties are those properties used for the Group's own operations. The properties are measured at a revalued amount being the fair value on the date of revaluation less accumulated depreciation. The properties are reviewed and assessed annually by the Group's own valuation experts. The buildings are depreciated on a straight-line basis, given an expected life of 50 years and an annually re-assessed residual value. Land is not depreciated. The fair value of the revaluation of owner-occupied properties is assessed on the same basis as investment properties. Any revaluation surplus is included in other comprehensive income unless the revaluation is a reversal of a previous impairment. Impairments are included in the income statement unless the impairment is a reversal of previous revaluation included in other comprehensive income.

Investment properties

The initial recognition of investment properties is made at cost, which comprises the purchase price of the properties plus any directly related initial expenditure.

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

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

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

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

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

Associated companies

Shares held in associated companies are measured at their net asset value, in accordance with the Group's accounting policies. Associated companies are companies which are not subsidiaries, although the Group has substantial influence through a significant shareholding and representation on the board of the company.

Financial assets

Financial assets are classified at the time of their initial recognition as:

- Financial assets which are measured at fair value with any value adjustment taken to the income statement or,
- Loans and receivables which are measured at amortised cost.

Financial assets at fair value with any value adjustment taken to the income statement are financial assets which either are included in a trading portfolio, are derivatives or at the time of their first recognition are included in this classification, because the assets are managed and measured on a fair value basis, or because this eliminates or significantly reduces accounting inconsistency.

All financial assets included in "other financial investments assets" and "investment assets related to unit-linked contracts" are measured at fair value with any value adjustment taken to the income statement.

Receivables that are measured at amortised cost

The initial recognition of receivables is made at fair value, and subsequent recognitions are made at amortised cost. The receivables are regularly assessed for impairment and written down to their recoverable amount, as required. Such impairments are generally made collectively on the basis of the receivable ageing analysis. When an individual receivable is considered irrevocable, the value of the impairment is transferred out of the account for collective allowances.

Reinsurers' share

Reinsurers' share of the provisions for unearned premiums represents the proportion of reinsurance premiums paid which, net of commission received and based on the spread of risk during the period of cover, relate to the period after the end of the financial year.

Reinsurers' share of the provisions for outstanding claims has been calculated as the amounts expected to be received from reinsurance companies according to the reinsurance contracts concluded. Expected future payments are discounted using a structure of interest rates. The reinsurers' share is regularly assessed for impairment and written down to its recoverable amount, as required.

Liabilities

Shareholders' equity

Revaluation reserves

Gains on the revaluation of owner-occupied properties are transferred to the revaluation reserves net of pension return tax, corporation tax and bonus. The reserve will be dissolved if the revaluation is reversed or if the property is sold.

Security fund reserves

The security funds are special funds under shareholders' equity. Prior to 1989, they were transferred to shareholders' equity for capital adequacy and were tax-deductible.

The security funds can only be used for strengthening the technical provisions or otherwise for the benefit of policyholders and only if permitted by the DFSA.

Other reserves

Other reserves comprise a reserve at net asset value relating to non-life insurance.

Subordinated loan capital

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

Provisions for insurance and investment contracts

Provisions for unearned premiums

These provisions represent the proportion of premiums collected which, based on the spread of risk during the period of cover, relates to the period after the end of the financial year. The provisions for unearned premiums cover future payments of claims not yet incurred in the remaining period of risk as well as administration costs of the insurance contracts written. Therefore, they are

calculated per line of business at the present value of these amounts, as a minimum. The sufficiency of the provisions is regularly tested on the basis of the current expectations of future cash flow.

Life insurance provisions

Life insurance provisions are measured at fair value.

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

The future payments to be received and made have been based on the assumed incidents of death, disability and resumption of work. The risk of death and disability is dependent on the age, sex and health of the policyholder and is based on the company's experience. This rate is calculated by considering the DFSA's population mortality rate, Topdanmark's own observed mortality rate and the DFSA's assessed improvement in future life expectancy.

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

Remaining Life expectancy	60 year old man	60 year old woman
Topdanmark Livsforsikring	26.7	28.9
DFSA's benchmark	25.5	27.9

Provisions for claims incurred are calculated using an in-house statistical model that is based on the relationship between the possibility of resumption of work and the period passed since the occurrence of the claim. The provisions include amounts to cover the expected expenses on the future administration of the insurance contracts written. These expenses have been calculated using an annual indexation of 2%.

The present value of the expected future payments has been calculated using an interest rate structure, which is calculated by the DFSA and published on its website. For policies subject to pension return tax each interest rate used is reduced by the tax rate of 15.3%.

The provisions include an allowance for risk corresponding to the percentage which would be demanded by an arms-length purchaser of the company's portfolio of life insurance policies to compensate for the risk of fluctuations in the expected payments. The overall allowance for risk is an estimate calculated as the interest rate used less 5%.

The liabilities are disclosed in the balance sheet as follows:

Guaranteed pension benefits are measured as the present value of current guaranteed benefits plus future administrative expenses less the present value of the agreed premiums. Guaranteed benefits also include provisions for group life policies and provisions for claims incurred but not reported (IBNR). Guaranteed benefits have been calculated without taking into account the conversion of insurance contracts into paid-up policies and surrenders.

Bonus potential on future premiums comprises the present value of the agreed future premiums less the present value of the guaranteed benefits originating from these premiums.

Bonus potential on paid-up benefits comprises the difference between, on the one hand, a policy's savings (retrospective provision) less the present value of the expected future expense result, and on the other hand, the present value of the guaranteed future benefits originating from already paid premiums.

Provisions for claims and benefits

Provisions for claims and benefits cover future payments of claims incurred and their administration.

Provisions for claims and benefits are assessed for each line of business, either on a claim-by-claim basis (individual provisions), or by using statistical methods (collective as well as incurred but not reported (IBNR) and incurred but not enough reported (IBNER) provisions). Claims exceeding a fixed amount, dependent on the line of business, are assessed individually, and provisions for smaller claims are assessed collectively. IBNR provisions cover expenses on post-notified large claims. IBNER provisions cover extra expenses on already reported claims for which the individually assessed provisions are not sufficient due to, for example, inadequate information at the time of assessment. The collective provisions are calculated using de Vylder's credibility model adjusted for each line of business. The IBNR and IBNER provisions are calculated using models developed in-house. In agricultural and commercial lines claims are assessed individually. IBNR and IBNER provisions are also included in the total provision. In personal lines, claims not exceeding DKK 100,000 are assessed collectively while larger claims and all claims on change of ownership policies are assessed individually. IBNR and IBNER provisions are also included in the total provision. In motor and accident lines, total provisions comprise the sum of the collective and individual provisions. Individual provisions are the result of an assessment where the claims handler has assessed the total claim payment to exceed DKK 1.5m, and the case is estimated to exceed the amount paid out. Large claims and claims relating to previous years are individually assessed within personal liability in motor insurance.

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

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

Provisions for regular payments for loss of earnings potential in illness and accident insurance are calculated using an inflationary structure.

Provisions for claims and benefits in workers' compensation insurance comprise provisions for annuities and other provisions for claims and benefits. The assessment of the future annuities is based on the present annuities including the expected wage and salary indexation, and a rate of mortality corresponding to G82 with monthly age write-downs. Workers' compensation claims are often paid as the capitalised value of an annuity. The capitalisation rate at the time of capitalisation is to be calculated as a moving average of the most recent five years' interest rate on leading mortgage bonds less tax. The capitalisation rate is calculated as the forward swap rates plus 0.85% p.a. and less a deduction for tax corresponding to the base tax rate.

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

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

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

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

All provisions have been measured at present value by discounting the expected future payments using DFSA's interest rate structure.

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

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

Provisions for claims and benefits in life insurance comprise insurance benefits due but not yet paid.

Provisions for bonuses and rebates

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

Collective bonus potential

The collective bonus potential is used to equalise the individual years' payments of bonus. Amounts will be provided for the collective bonus potential in years where the investment and technical results exceed the bonus promised, while amounts will be transferred from the reserve in years where the result is not sufficient to finance the bonus promised. The collective bonus potential can only be reduced by a transfer to another item under technical provisions or as a result of a negative technical basis for risk allowance relating to bonus eligible insurance contracts.

Provisions for unit-linked contracts

Provisions for unit-linked schemes are measured at fair value in accordance with the value of the assets linked to the schemes: see the fair value option in IAS 39 on elimination or significant reduction of accounting inconsistency.

Other liabilities

Provisions for pensions and similar liabilities

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

Corporation tax and deferred tax

Current tax liabilities and tax receivable, including joint tax contributions, are included in the balance sheet as calculated tax on taxable income for the year adjusted for tax on previous years' taxable income and prepaid tax on account. Deferred tax on temporary differences between the accounting, and tax value of assets and liabilities is charged in accordance with the balance sheet liability method. Deferred tax on shares in subsidiaries and associated companies is not included where the Group controls the timing of the reversal of the temporary difference, and where it is probable that the temporary difference will not be reversed within the foreseeable future. The calculation of deferred tax is based on the planned use of each asset and the settlement of each liability using the tax rates expected to be in force when the deferred tax is expected to crystallise as current tax, based on the tax rates and rules in force on 31 December.

Deferred tax on security funds comprises deferred tax on untaxed amounts transferred to the security funds under shareholders' equity. The security funds will be taxed in the proportion of 10% for every 10pp decline in technical provisions net of reinsurance from the level at 31 December 1994. A decline of 10% from the 1994 level is considered improbable as long as Topdanmark Forsikring, in which the transfers were made, continues its current operations. Therefore, the security funds will only be taxed if the insurance portfolio is transferred or the company ceases to conduct insurance business.

Deposits received from reinsurers

Deposits received from reinsurers represent amounts deposited to cover reinsurers' liabilities to the Company.

Creditors

Amounts due to credit institutions and derivatives are measured at fair value. The fair value of amounts due to credit institutions usually corresponds to their nominal value. The fair value of derivatives is calculated on the same basis as financial assets.

Other loans, including employee bonds, are measured at their amortised cost.

Other

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

Income statement • Parent company

(DKKm)	Note	2014	2015
Income from affiliated companies	1	1,599	1,170
Revaluations	2	2	(4)
Interest charges		(12)	(9)
Total investment return		1,589	1,157
Other expenses	3	(48)	(35)
PRE-TAX PROFIT		1,541	1,121
Taxation	4	17	11
PROFIT FOR THE YEAR		1,558	1,132
Proposed appropriation of profit for the year:			
Transfer to net revaluation reserve at net asset value		1,599	1,170
Transfer to profit carried forward		(41)	(38)
		1,558	1,132

Statement of comprehensive income • Parent company

Profit for the year	1,558	1,132
Other comprehensive income in affiliated companies	(10)	1
Other comprehensive income	(10)	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,548	1,133

Balance sheet • Parent company

(DKK m)	Note	2014	2015
Assets			
Operating equipment	5	3	3
TOTAL TANGIBLE ASSETS		3	3
Shares in affiliated companies	6	6,034	5,144
Total investment in affiliated companies		6,034	5,144
TOTAL INVESTMENT ASSETS		6,034	5,144
Amounts due from affiliated companies		102	497
Other debtors		0	4
TOTAL DEBTORS		102	501
Current tax assets		0	25
Deferred tax assets		1	1
Liquid funds		2	2
TOTAL OTHER ASSETS		4	28
TOTAL ASSETS		6,143	5,676
Shareholders' equity and liabilities			
Share capital	7	115	105
Other reserves		2,285	1,395
Total reserves		2,285	1,395
Profit carried forward		3,042	3,479
TOTAL SHAREHOLDERS' EQUITY		5,442	4,979
SUBORDINATED LOAN CAPITAL	8	407	409
Bond loans		29	0
Amounts due to affiliated companies		217	264
Current tax liabilities		30	0
Derivatives		8	0
Other creditors		11	24
TOTAL CREDITORS		294	289
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6,143	5,676
Related parties	9		
Core capital and capital base	10		
Own shares	11		
Contingent liabilities	12		
Other note disclosures	13		
Accounting policies	14		

Statement of changes in equity • Parent company

(DKK m)

	Share capital	Other reserves	Profit carried forward	Total
2014				
Shareholders' equity at 31 December prior year	125	2,574	2,792	5,490
Profit / (loss) for the year		1,599	(41)	1,558
Other comprehensive income in affiliated companies		(10)	0	(10)
Total comprehensive income for the year		1,590	(41)	1,548
Dividends received from subsidiaries		(1,887)	1,887	0
Other movements in capital of subsidiaries		8	0	8
Cancellation of own shares	(10)		10	0
Share buy-back			(1,716)	(1,716)
Sale of own shares			38	38
Reclassification of share options			(30)	(30)
Issue of share options			10	10
Exercise of share options			93	93
Other transactions	(10)	(1,879)	292	(1,597)
Shareholders' equity at 31 December 2014	115	2,285	3,042	5,442
2015				
Shareholders' equity at 31 December prior year	115	2,285	3,042	5,442
Profit / (loss) for the year		1,170	(38)	1,132
Other comprehensive income in affiliated companies		1	0	1
Total comprehensive income for the year		1,171	(38)	1,133
Dividends received from subsidiaries		(2,057)	2,057	0
Other movements in capital of subsidiaries		(4)	0	(4)
Cancellation of own shares	(10)		10	0
Share buy-back			(1,667)	(1,667)
Sale of own shares			16	16
Issue of share options			10	10
Exercise of share options			50	50
Other transactions	(10)	(2,060)	475	(1,596)
Shareholders' equity at 31 December 2015	105	1,395	3,479	4,979

Notes to the financial statements • Parent company

(DKKm)	2014	2015
Note 1. Income from affiliated companies		
Topdanmark Forsikring A/S	1,552	1,110
Topdanmark Invest A/S	(10)	(3)
Topdanmark Kapitalforvaltning A/S	57	63
Income from affiliated companies	1,599	1,170
Note 2. Revaluations		
Derivatives	1	(3)
Subordinated loan capital	1	(1)
Revaluations	2	(4)
Note 3. Other expenses		
Holding expenses	48	35
Other expenses	48	35
Note 4. Taxation		
Current tax	14	10
Prior year adjustment	3	0
Taxation (income)	17	11
Pre-tax profit excl. income from affiliated companies	(58)	(48)
Calculated tax on profit for the year 23.5% (2014: 24.5%)	14	11
Adjusted for the tax effect of:		
Non-deductible expenses / income not liable to tax	0	(1)
Prior year adjustment	3	0
	17	11
Effective rate of taxation	28.8	21.9
Note 5. Operating equipment		
Cost	3	3
Impairment and amortisation	0	0
Operating equipment	3	3
Note 6. Shares in affiliated companies		
Topdanmark Forsikring A/S	5,794	4,901
Topdanmark Invest A/S (investment)	170	167
Topdanmark Kapitalforvaltning A/S	69	76
Shares in affiliated companies	6,034	5,144
The affiliated companies are domiciled in Ballerup.		
Note 7. Share capital		
DKK		
Share capital at 1 January	125,000,000	115,000,000
Reduction in capital	(10,000,000)	(10,000,000)
Share capital	115,000,000	105,000,000
Each of Topdanmark's 105,000,000 (2014: 115,000,000) shares has a nominal value of DKK 1.		
No share enjoys any special rights. The shares are freely tradeable. Each share has one vote.		

Notes to the financial statements • Parent company

(DKKm)

2014

2015

Note 8. Subordinated loan capital

In 2007 Topdanmark A/S issued EUR 55m of hybrid core capital.

This bullet loan has no final maturity date but if permitted by the DFSA, the debtor can give notice of termination as from 15 September 2017 at par. The loan carries a floating interest rate determined as EURIBOR 3 months + 1.90%. From 15 September 2017 increased to EURIBOR 3 months + 2.90%.

Share of loan included in capital base	407	409
Interest charges	9	8

Note 9. Related parties

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

Related parties with significant influence comprise If P&C Insurance Holding Ltd (publ), the Board of Directors, the Executive Board and their families.

Remuneration of the Board of Directors

Directors' fees were DKK 5,075,000 (2014: DKK 4,712,000) of which DKK 263,000 (2014: 244,000) related to Topdanmark Forsikring A/S.

Fee (DKK '000):

Søren Thorup Sørensen	975	1,378
Torbjörn Magnusson	217	678
Ann-Jeanette Bakbøl	-	233
Tina Møller Carlsson	-	233
Anders Colding Friis	325	350
Mette Jensen	-	233
Birgitte Nielsen	433	525
Annette Sadolin	488	525
Bjarne Graven Larsen	-	233
Per Mathiesen	325	117
Michael Pram Rasmussen	1,192	335
Desiree Schultz	325	117
Aage Nedergaard Smidt	203	117
Charlotte Hougaard	122	-
Jens Maaløe	108	-
Total fee paid to nine Board members	4,712	5,075

The Board of Directors receive only a fixed remuneration.

Remuneration of the Executive Board

The Company has paid no remuneration to the Executive Board but an administration agreement provides that it pays a share of the overall remuneration paid to the Executive Board

Salaries etc.	19	19
Share options	2	2
Total remuneration to three members of the Executive Board	20	21
Christian Sagild	8.8	8.9
Kim Bruhn-Petersen	5.8	5.9
Lars Thykier	5.7	5.9
	20.3	20.7

10% of the fixed salary etc. paid to the Executive Board is paid as share options.

In addition, the Executive Board has successively earned severance pay, representing 18 months' pay.

The compensation will be paid on resignation.

The Executive Board receives only a fixed remuneration.

The Company has no unhedged pension commitments.

Significant risk taker

Besides the Executive Board one employee of the Group has significant influence on its risk profile.

In accordance with an exemption clause this remuneration is not disclosed.

Notes to the financial statements • Parent company

(DKKm) 2014 2015

Note 9. Related parties - continued

Shares, bonds and subordinated notes held by the Board of Directors and Executive Board

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

Board of Directors		
Number of shares	25,970	14,319
Bonds, nominal value DKK '000	82	0
Subordinated notes (subordinated loan capital) Topdanmark Forsikring, nominal value DKK '000	6,050	4,050
Executive Board		
Number of shares	83,430	49,930
Bonds, nominal value DKK '000	690	0

IF P&C Insurance Holding Ltd (publ)

The company owns 31,476,920 shares in Topdanmark A/S and subordinated notes (hybrid core capital) in Topdanmark A/S, nominal value EUR 33,500,000.

Share options

Topdanmark's share option scheme is for its Executive Board and senior executives. The strike price has been fixed at 110% of the market price on the last trading date in the prior financial year (average of all trades).

The options can be exercised 3-5 years subsequent to the granting.

The scheme is settled by shares (equity instruments).

The Group's overall option scheme is disclosed in the Group note on staff costs.

Affiliated companies

Expenses charged	36	27
Dividends received	1,887	2,057

Expenses on investment business are settled on market conditions.

Other expenses are charged to cover costs incurred.

Average effective interest rate on balances is 0.02% (2014: 0.05%).

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

Balances are disclosed in the balance sheet.

Note 10. Core capital and capital base

Shareholders' equity	5,442	4,979
Deferred tax assets	(2)	(2)
Deduction related to subsidiaries and associated companies	(388)	(155)
Capital adequacy requirements for insurance companies	(2,507)	(3,401)
Core capital	2,545	1,422
Hybrid core capital	407	409
Capital base	2,952	1,830

Note 11. Own shares

	Number of shares '000	Nominal value DKKm	Percentage of share capital	Bought /sold DKKm
Parent company				
Held at 1 January 2014	12,368	12	9.9	
Bought in 2014	10,393	10	9.0	1,716
Sold	(1,384)	(1)	1.2	(131)
Written down	(10,000)	(10)	-	
Held at 31 December 2014	11,377	11	9.9	
Bought in 2015	8,551	9	8.1	1,667
Sold	(600)	(1)	0.6	(66)
Written down	(10,000)	(10)	-	
Held at 31 December 2015	9,328	9	8.9	
Number of shares held to cover the granting of options: 1,701,000 (2014: 1,938,000)				

Notes to the financial statements • Parent company

(DKK m)

Note 12. Contingent liabilities

The company is jointly liable for corporation tax chargeable to the jointly taxed companies of the Topdanmark Group.

Note 13. Other disclosures

The five-year summary, in accordance with Section 91(a) of the Danish Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds, is included in financial highlights on page 3. Risk disclosures in accordance with Section 91(b) are included in "Management's review" for the Group in "Risk management" and in Note 49 of the consolidated financial statements.

There have been no events in the period from 31 December 2015 until the presentation of the financial statements which could change the assessment of the annual report.

Note 14. Accounting policies

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

There have been no changes in accounting policies from those adopted in the 2014 Annual Report.

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

The changes are not expected to materially affect the results and shareholders' equity.

Differences from the Group's accounting policies

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

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

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

Other

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

Disclaimer

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

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

The above description of risk factors is not exhaustive. Investors and others, who may base decisions relating to Topdanmark on statements relating to the future, should give their own careful consideration to these and other factors of uncertainty.

Topdanmark's statements relating to the future are solely based on information known at the time of the preparation of this annual report.

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

Statement by Management on the Annual Report

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Topdanmark A/S for 2015.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU, and the annual financial statements for the parent company are presented in accordance with the Danish Financial Business Act. Further, the Annual Report is presented in accordance with additional Danish disclosure requirements for listed financial services companies.

In our opinion, the consolidated financial statements and annual financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2015 as well as of the Group's and the parent company's activities and the Group's cash flow for the financial year 1 January to 31 December 2015.

We believe that the management review contains a fair review of the development of the Group's and parent company's activities and financial position, together with a description of the most material risks and uncertainties by which the Group and the parent company can be affected.

We recommend the Annual Report for adoption at the Annual General Meeting.

Ballerup, 2 March 2016

Executive Board:

Christian Sagild
(CEO)

Brian Rothemejer Jacobsen

Lars Thykier

Marianne Wier

Board of Directors:

Søren Thorup Sørensen
(Chairman)

Torbjörn Magnusson
(Deputy Chairman)

Ann-Jeanette Bakbøl

Tina Møller Carlsson

Anders Colding Friis

Mette Jensen

Birgitte Nielsen

Annette Sadolin

Statements by the auditors

Internal audit's reports

Report on the consolidated financial statements and annual financial statements

We have audited the consolidated financial statements and annual financial statements of Topdanmark A/S for the financial year 1 January to 31 December 2015, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the parent company, and including cash flow statement for the Group. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial services companies. The annual financial statements have been prepared in accordance with the Danish Financial Business Act.

Management is responsible for the consolidated financial statements and annual financial statements. Our responsibility is to express an opinion on the consolidated financial statements and annual financial statements based on our audit.

Audit for the year

We conducted our audit on the basis of the Danish Financial Supervisory Authority's regulation on the preparation of the audit in financial services companies etc. and financial services groups, and in accordance with International Standards on Auditing. This requires that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and annual financial statements are free from material misstatement. We have participated in the audit of the material and risky areas.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and annual financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and annual financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position at 31 December 2015, and of the results of its activities and cash flows for the financial year 1 January to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial services companies.

Further, in our opinion, the annual financial statements give a true and fair view of the parent company's assets, liabilities and financial position at 31 December 2015, and of the results of its activities for the financial year 1 January to 31 December 2015 in accordance with the Danish Financial Business Act.

Statement on the management review

Pursuant to the Danish Financial Business Act, we have read the management review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and annual financial statements.

On this basis, it is our opinion that the information provided in the management review is consistent with the consolidated financial statements and annual financial statements.

Ballerup, 2 March 2016

Lars T. Skovsende
Head of Internal Audit

Independent auditor's reports

To the shareholders of Topdanmark A/S

Report on the consolidated financial statements and annual financial statements

We have audited the consolidated financial statements and annual financial statements of Topdanmark A/S for the financial year 1 January to 31 December 2015, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the parent company, and including cash flow statement for the Group. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial services companies. The annual financial statements have been prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the consolidated financial statements and annual financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial services companies as well as the preparation of annual financial statements that give a true and fair view in accordance with the Danish Financial Business Act. Management is also responsible for such internal control as it determines is necessary to enable the preparation of consolidated financial statements and annual financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and annual financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position at 31 December 2015, and of the results of its activities and cash flows for the financial year 1 January to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial services companies.

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On this basis, it is our opinion that the information provided in the management review is consistent with the consolidated financial statements and annual financial statements.

Copenhagen, 2 March 2016

Deloitte

Statsautoriseret Revisionspartnerselskab
Reg. No. 33963556

Anders O. Gjelstrup
State Authorised Public Accountant

Jacques Peronard
State Authorised Public Accountant

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