

# TOPDANMARK ANNOUNCEMENT OF 2015 ANNUAL RESULTS

11 February 2016 Announcement No. 10/2016

## 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 800-900, 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 have been changed on the basis of the new Danish accounting order. 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 Rotheimer Jacobsen will join the Executive Board, see: company announcement No. 11/2016 of 11 February 2016.

## Webcast

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

## Conference call

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

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

UK dial-in number: +44 (0)20 7162 0025

US dial-in number: +1 334 323 6201

10-15 minutes before the conference quoting reference 957299 and ask the operator to connect you to the Topdanmark conference call – or listen to the live transmission of the call.

## Please direct any queries to:

Christian Sagild  
Chief Executive Officer  
Direct tel.: +45 4474 4450

Lars Thykier  
Chief Financial Officer  
Direct tel.: +45 4474 3714

Steffen Heegaard  
Group Communications and IR Director  
Direct tel.: +45 4474 4017, mobile: +45 4025 3524

# Contents

## **Management's review**

- 1 Key features
- 3 Financial highlights
- 4 Results for 2015
- 4 Results for Q4 2015
- 5 Non-life insurance
- 9 Life insurance
- 10 Investment activities
- 11 Parent company etc.
- 11 Taxation
- 11 Solvency calculation and capital requirements
- 12 Profit forecast model
- 14 Share buy-back
- 14 Financial calendar
- 14 Disclaimer

## **15 Accounting policies**

## **15 Accounting policies 2016**

## **Financial statements for 2015 – Group**

- 17 Income statement
- 18 Statement of comprehensive income
- 19 Assets
- 20 Shareholders' equity and liabilities
- 21 Cash flow statement
- 22 Statement of changes in equity
- 23 Segment information
- 24 Notes to the financial statements

## **Financial statements for 2015 – Parent company**

- 25 Income statement
- 25 Statement of comprehensive income
- 25 Balance sheet

Topdanmark A/S  
Borupvang 4  
DK-2750 Ballerup  
Tel +45 44 68 33 11  
Reg.No. 78040017

E-mail: [topdanmark@topdanmark.dk](mailto:topdanmark@topdanmark.dk)  
Internet: [www.topdanmark.com](http://www.topdanmark.com)

# Financial highlights

(DKKm)	2011	2012	2013	2014	2015	Q4 2014	Q4 2015
<b>Premiums earned:</b>							
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
	<b>11,910</b>	<b>11,818</b>	<b>12,400</b>	<b>13,563</b>	<b>15,275</b>	<b>3,390</b>	<b>3,993</b>
<b>Results:</b>							
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)
<b>Profit</b>	<b>1,023</b>	<b>1,823</b>	<b>1,468</b>	<b>1,558</b>	<b>1,132</b>	<b>304</b>	<b>278</b>
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
<b>Shareholders' equity of parent company end of period</b>	<b>4,915</b>	<b>5,716</b>	<b>5,490</b>	<b>5,442</b>	<b>4,979</b>	<b>5,442</b>	<b>4,979</b>
Deferred tax on security funds	(348)	(348)	(306)	(306)	(306)	(306)	(306)
<b>Shareholders' equity of Group end of period</b>	<b>4,567</b>	<b>5,368</b>	<b>5,184</b>	<b>5,135</b>	<b>4,673</b>	<b>5,135</b>	<b>4,673</b>
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
<b>Financial ratios (parent company)</b>							
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
<b>Ratios non-life insurance (%)</b>							
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		
(DKKm)	Results 2014	as in Q1-Q3 2015 interim report		Results 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)
<b>Profit for the year</b>	<b>1,558</b>	<b>1,050</b>	<b>- 1,150</b>	<b>1,132</b>

## 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 (DKKm)	Q4 2014	Q4 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)
<b>Profit</b>	<b>304</b>	<b>278</b>

## Non-life insurance

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.

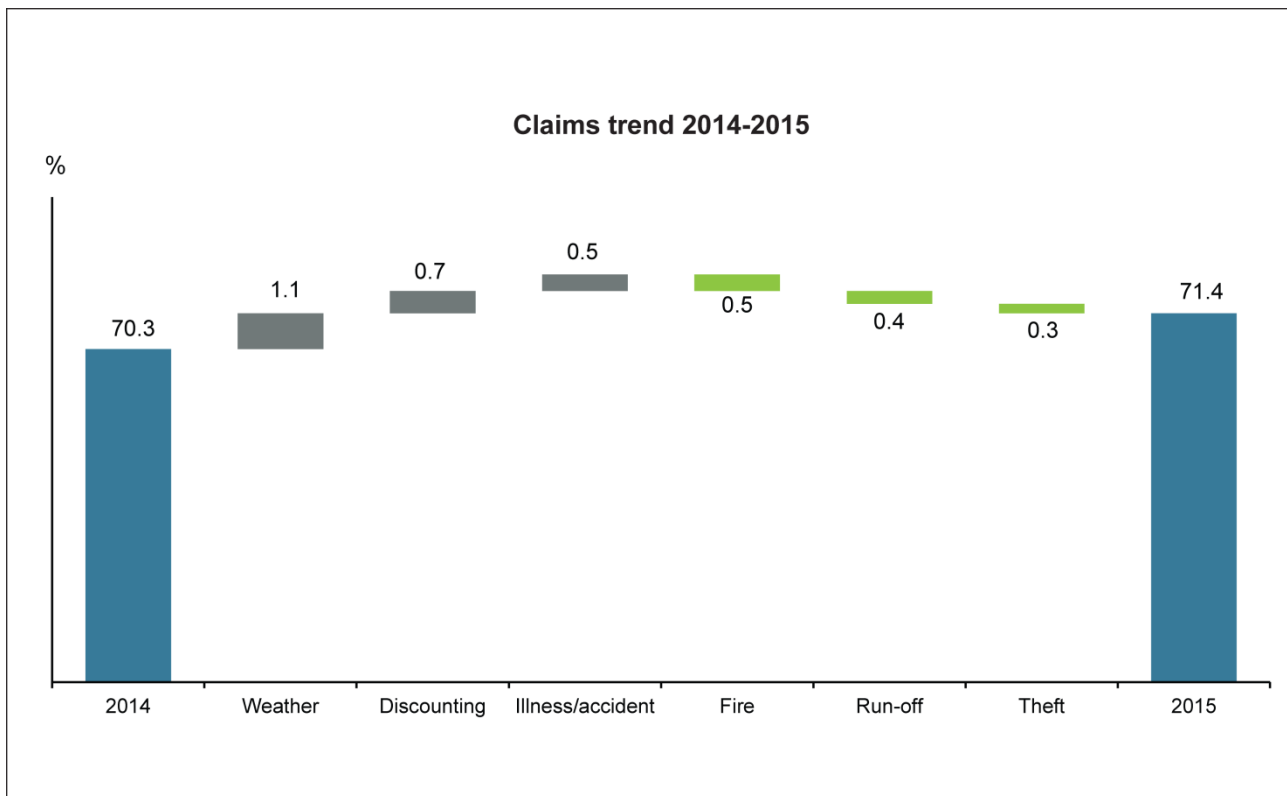
The interest rate curve used to discount the provisions for outstanding claims was lower in 2015 than in 2014, which impacted the claims trend adversely by 0.7pp as compared to 2014.

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.

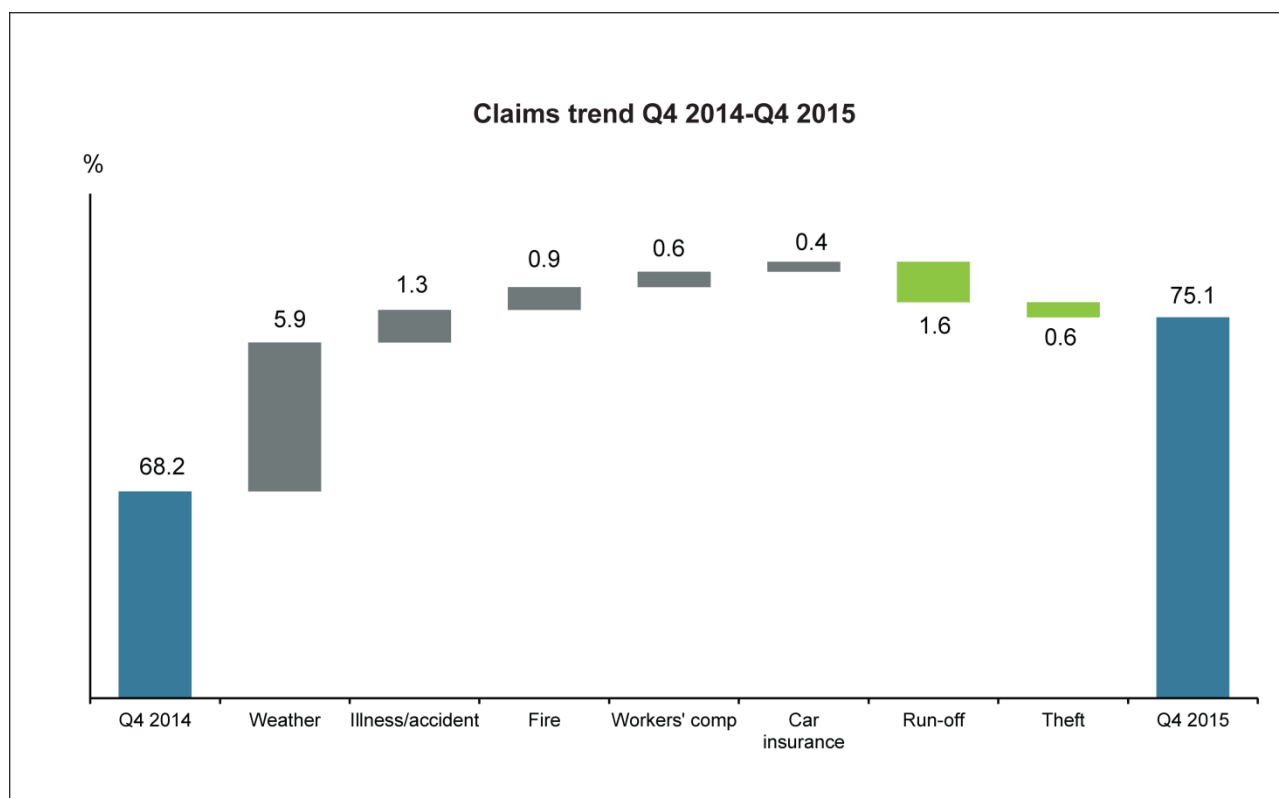
The claims trend was 75.1% in Q4 2015 (2014: 68.2%). In Q4 2015, the claims trend was affected by weather-related claims generating gross expenses of DKK 162m. After reimbursement from the reinsurance companies, weather-related claims were DKK 140m. Weather-related

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%).



<b>Financial highlights – Non-life insurance</b>		<b>Q4</b>		<b>Q4</b>	
(DKKm)		<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
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
<b>Profit on non-life insurance</b>		<b>386</b>	<b>264</b>	<b>1,803</b>	<b>1,276</b>
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	Q4	2014	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)
<b>Technical result</b>	<b>207</b>	<b>106</b>	<b>778</b>	<b>663</b>
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	Q4	2014	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)
<b>Technical result</b>	<b>170</b>	<b>85</b>	<b>510</b>	<b>476</b>
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

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](http://www.topdanmark.com) → Investor → Business → Life insurance → [Policy for the calculation of profit in life insurance](#).

Result of life insurance (DKKm)	Q4	Q4	2014	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
<b>Profit on life insurance</b>	<b>2</b>	<b>85</b>	<b>200</b>	<b>174</b>
<b>Estimated value of shadow account end of period</b>			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 (DKK m)	Q4		Q4	
	2014	2015	2014	2015
With-profits schemes	233	210	848	753
Unit-linked schemes	283	363	939	1,226
Group life	38	75	404	533
<b>Regular premiums</b>	<b>554</b>	<b>648</b>	<b>2,191</b>	<b>2,513</b>
With-profits schemes	(30)	31	40	165
Unit-linked schemes	563	1,070	2,216	3,642
<b>Single premiums</b>	<b>533</b>	<b>1,101</b>	<b>2,257</b>	<b>3,807</b>
<b>Gross premiums</b>	<b>1,087</b>	<b>1,749</b>	<b>4,448</b>	<b>6,320</b>

## 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											
	2014		2015		Return Q4 2014		Return Q4 2015		Return 2014		Return 2015	
	(DKKbn)		(DKKbn)		(DKK m)		(DKK m)		(DKK m)		(DKK m)	
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			
<b>Total investment return</b>			<b>60</b>		<b>122</b>		<b>711</b>		<b>274</b>			

### 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%).

## 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 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 accounting order 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](http://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](http://www.topdanmark.com) → Investor → [Capital model](#).

## Topdanmark's Solvency II project

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 goes according to plan.

## 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](http://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)
<b>Profit for the year</b>	<b>1,132</b>	<b>800</b>	<b>-</b>	<b>900</b>

## 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.

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 AGM 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.

## Financial Calendar

Deadline for submitting items for AGM agenda	24 Feb 2016
2015 Annual Report	2 Mar 2016
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

## Disclaimer

This announcement 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 announcement. 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](http://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 announcement.

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

## Accounting policies

The announcement of the 2015 annual results has been prepared in accordance with IAS 34 on interim reports for listed companies. Furthermore, the announcement has been prepared in accordance with additional Danish disclosure requirements on interim reports for listed financial services companies.

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, where there is a complete description of all the accounting policies.

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

## Accounting policies 2016

With effect from 2016, the accounting order for insurance companies and lateral 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 accounting order.

## 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.

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
<b>Non-life insurance</b>				
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
<b>Non-life insurance</b>	<b>16.5</b>	<b>16.4</b>	<b>16.2</b>	<b>16.1</b>
<b>Life insurance</b>				
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
<b>Life insurance</b>			<b>40.5</b>	<b>40.5</b>
<b>Insurance provisions</b>			<b>56.8</b>	<b>56.7</b>

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



## Income statement • Group

(DKK)m	Note	Q4 2014	Q4 2015	2014	2015
<b>NON-LIFE INSURANCE</b>					
Gross premiums written		1,608	1,574	9,121	8,883
Reinsurance ceded		(65)	(63)	(661)	(671)
Change in the provisions for unearned premiums, gross		703	688	47	134
Change in reinsurers' share of the provisions for unearned premiums		(100)	(97)	2	5
<b>Premiums earned, net of reinsurance</b>		<b>2,146</b>	<b>2,103</b>	<b>8,509</b>	<b>8,351</b>
<b>Technical interest, net of reinsurance</b>	1	<b>1</b>	<b>0</b>	<b>8</b>	<b>(2)</b>
Gross claims paid		(1,805)	(1,614)	(7,104)	(6,254)
Reinsurance cover received		266	95	1,185	476
Change in the provisions for claims, gross		314	(26)	796	45
Change in reinsurers' share of the provisions for claims		(196)	0	(697)	(68)
<b>Claims incurred, net of reinsurance</b>	2	<b>(1,421)</b>	<b>(1,544)</b>	<b>(5,819)</b>	<b>(5,801)</b>
<b>Bonuses and rebates</b>		<b>(7)</b>	<b>(18)</b>	<b>(52)</b>	<b>(62)</b>
Acquisition costs		(226)	(242)	(914)	(920)
Administrative expenses		(124)	(124)	(493)	(484)
Reinsurance commission and share of profits		18	21	82	86
<b>Total operating expenses, net of reinsurance</b>		<b>(333)</b>	<b>(345)</b>	<b>(1,325)</b>	<b>(1,318)</b>
<b>TECHNICAL PROFIT ON NON-LIFE INSURANCE</b>		<b>386</b>	<b>196</b>	<b>1,321</b>	<b>1,169</b>
<b>LIFE INSURANCE</b>					
Gross premiums written	3	1,087	1,749	4,448	6,320
Reinsurance ceded		(2)	(3)	(7)	(10)
<b>Premiums, net of reinsurance</b>		<b>1,085</b>	<b>1,746</b>	<b>4,441</b>	<b>6,309</b>
<b>Allocated investment return, net of reinsurance</b>		<b>407</b>	<b>673</b>	<b>2,691</b>	<b>1,029</b>
Claims and benefits paid		(1,378)	(826)	(4,200)	(3,240)
Reinsurance cover received		3	3	9	7
Change in the provisions for claims and benefits		3	22	12	20
<b>Claims and benefits paid, net of reinsurance</b>		<b>(1,372)</b>	<b>(801)</b>	<b>(4,180)</b>	<b>(3,214)</b>
Change in life insurance provisions		525	217	831	810
Change in reinsurers' share		(0)	(3)	(1)	(1)
<b>Change in the life insurance provisions, net of reinsurance</b>		<b>525</b>	<b>214</b>	<b>830</b>	<b>809</b>
<b>Bonus</b>		<b>112</b>	<b>(47)</b>	<b>(314)</b>	<b>(39)</b>
<b>Change in provisions for unit-linked contracts</b>		<b>(681)</b>	<b>(1,654)</b>	<b>(3,079)</b>	<b>(4,471)</b>
Acquisition costs		(35)	(39)	(130)	(153)
Administrative expenses		(60)	(66)	(227)	(253)
Reinsurance commission and share of profits		0	(0)	0	1
<b>Total operating expenses, net of reinsurance</b>		<b>(95)</b>	<b>(106)</b>	<b>(356)</b>	<b>(405)</b>
<b>TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE</b>		<b>(19)</b>	<b>24</b>	<b>32</b>	<b>19</b>

## Income statement • Group

(DKKm)	Q4 2014	Q4 2015	2014	2015
<b>NON-TECHNICAL ACTIVITIES</b>				
Technical profit on non-life insurance	386	196	1,321	1,169
Technical profit / (loss) on life insurance	(19)	24	32	19
Income from associated companies	89	19	193	93
Income from investment properties	24	12	143	94
Interest income and dividends etc.	370	343	1,786	1,938
Revaluations	119	620	2,055	(382)
Interest charges	(17)	(14)	(69)	(61)
Expenses on investment business	(13)	(21)	(56)	(66)
<b>Total investment return</b>	<b>572</b>	<b>961</b>	<b>4,052</b>	<b>1,616</b>
Technical interest transferred to non-life insurance business	(30)	(30)	(155)	(106)
Pension return tax	(90)	(106)	(509)	(165)
Investment return transferred to life insurance business	(407)	(673)	(2,691)	(1,029)
Other income	4	5	17	20
Other expenses	(11)	(8)	(57)	(42)
<b>PRE-TAX PROFIT</b>	<b>404</b>	<b>368</b>	<b>2,010</b>	<b>1,481</b>
Taxation	(100)	(90)	(452)	(349)
<b>PROFIT FOR THE YEAR</b>	<b>304</b>	<b>278</b>	<b>1,558</b>	<b>1,132</b>
EPS (DKK)	2.9	2.9	14.4	11.3
EPS, diluted (DKK)	2.9	2.9	14.3	11.3

## Statement of comprehensive income • Group

Profit for the year	304	278	1,558	1,132
Items which cannot subsequently be reclassified as profit or loss:				
Revaluation of owner-occupied properties	0	0	0	1
Reversed revaluation of owner-occupied properties	0	0	(12)	0
Taxation	0	0	3	0
Other comprehensive income	0	0	(10)	1
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>305</b>	<b>279</b>	<b>1,548</b>	<b>1,133</b>

## Assets • Group

(DKK m)	2014	2015
<b>INTANGIBLE ASSETS</b>	610	689
Machinery and equipment	115	127
Owner-occupied properties	857	857
<b>TOTAL TANGIBLE ASSETS</b>	972	984
Investment properties	3,829	3,868
Shares in associated companies	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
<b>TOTAL INVESTMENT ASSETS</b>	49,943	47,344
<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED CONTRACTS</b>	10,117	15,645
Reinsurers' share of provisions for unearned premiums	89	94
Reinsurers' share of life insurance provisions	33	32
Reinsurers' share of the provisions for claims and benefits	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
<b>TOTAL DEBTORS</b>	1,879	1,730
Assets held temporarily	3	0
Current tax assets	0	25
Deferred tax assets	19	14
Liquid funds	323	640
Other	77	120
<b>TOTAL OTHER ASSETS</b>	422	799
Accrued interest and rent	372	284
Other prepayments and accrued income	201	193
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	573	477
<b>TOTAL ASSETS</b>	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
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>5,135</b>	<b>4,673</b>
<b>SUBORDINATED LOAN CAPITAL</b>		<b>1,156</b>	<b>2,154</b>
Provisions for unearned premiums		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		23,761	22,557
Provisions for claims and benefits		13,723	13,587
Collective bonus potential		1,677	1,697
Provisions for bonuses and rebates		124	137
Provisions for unit-linked contracts		10,851	16,216
<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>		<b>52,860</b>	<b>56,785</b>
Pensions and similar commitments		29	28
Deferred tax liabilities		74	73
Deferred tax on security funds		306	306
<b>TOTAL LIABILITIES PROVIDED</b>		<b>409</b>	<b>407</b>
<b>DEPOSITS RECEIVED FROM REINSURERS</b>		<b>154</b>	<b>62</b>
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
<b>TOTAL CREDITORS</b>		<b>4,690</b>	<b>3,443</b>
<b>ACCRUALS AND DEFERRED INCOME</b>		<b>111</b>	<b>146</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>64,516</b>	<b>67,670</b>
Financial assets and liabilities	4		
Contingent liabilities	5		

## Cash flow statement • Group

(DKK m)	2014	2015
<b>Cash flow from operations</b>		
Gross premiums written	9,069	8,827
Claims paid	(7,053)	(6,182)
Expenses	(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	(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)
<b>Total cash flow from operations</b>	<b>2,577</b>	<b>5,396</b>
<b>Investments</b>		
Intangible assets, machinery and equipment	(108)	(200)
Properties	103	48
Shares in associated companies	945	245
Shares	1,200	1,458
Unit trust shares	(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
<b>Total investments</b>	<b>379</b>	<b>(2,424)</b>
<b>Financing</b>		
Shares bought back	(1,716)	(1,652)
Share-based payments	71	50
Sale of own shares	38	16
Subordinated loan capital	0	995
Bond loans	(30)	(29)
Amounts due to credit institutions	(198)	(615)
<b>Total financing</b>	<b>(1,834)</b>	<b>(1,235)</b>
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	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Total
<b>2014</b>						
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)
<b>Shareholders' equity at 31 December 2014</b>	<b>115</b>	<b>10</b>	<b>1,146</b>	<b>39</b>	<b>3,825</b>	<b>5,135</b>
<b>2015</b>						
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)
<b>Shareholders' equity at 31 December 2015</b>	<b>105</b>	<b>11</b>	<b>1,146</b>	<b>47</b>	<b>3,364</b>	<b>4,673</b>

## Segment information • Group

### Income statement

(DKK m)	Per-sonal	SME and Industrial	Eliminated	Non-life	Life	Parent etc.	Eliminated	Group
<b>2014</b>								
<b>Non-life insurance</b>								
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
<b>Life insurance</b>								
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)
<b>Investment return</b>				478	101	54	63	697
Other items				36	72	(48)	(100)	(40)
<b>Pre-tax profit</b>				1,803	200	7	0	2,010
Taxation								(452)
<b>Profit</b>								1,558
<b>2015</b>								
<b>Non-life insurance</b>								
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
<b>Life insurance</b>								
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)
<b>Investment return</b>				104	67	66	78	315
Other items				39	94	(35)	(120)	(22)
<b>Pre-tax profit</b>				1,276	174	31	0	1,481
Taxation								(349)
<b>Profit</b>								1,132

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

## Notes to the financial statements • Group

(DKKm)	2014	2015
<b>Note 1. Technical interest, net of reinsurance – Non-life insurance</b>		
Calculated interest	155	106
Discounting (amortisation) of technical provisions and reinsurers' share	(147)	(108)
<b>Technical interest, net of reinsurance</b>	<b>8</b>	<b>(2)</b>

### Note 2. 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

### Note 3. Gross premiums written – Life insurance

Individual policies	330	330
Policies w hich are part of a tenure	1,456	1,650
Group life	404	533
<b>Regular premiums</b>	<b>2,191</b>	<b>2,513</b>
Individual policies	535	1,047
Policies w hich are part of a tenure	1,721	2,760
<b>Single premiums</b>	<b>2,257</b>	<b>3,807</b>
<b>Gross premiums</b>	<b>4,448</b>	<b>6,320</b>

### Note 4. Financial assets and liabilities

The Group's holding of financial assets, w hich are recorded at fair value using valuation models based on non-observable inputs w as DKK 523m. Besides the project financing in Carlsberg Byen (DKK 269m), the item comprises primarily bonds of DKK 238m, the regular return on w hich 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.

Bonds measured by reference to non-observable inputs - Level 3:

Portfolio at 1 January	71	172
Purchases	101	97
Transferred from level 2	0	254
Portfolio at 31 December	172	523

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

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

### Note 5. Contingent liabilities

Contract liabilities	310	121
Adjustments to VAT liabilities	28	39
Other liabilities	11	13
Capital commitments 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 w here they are jointly liable for the insurance liabilities.



## Income statement • Parent company

(DKK)m	Q4 2014	Q4 2015	2014	2015
Income from affiliated companies	313	286	1,599	1,170
Revaluations	1	(0)	2	(4)
Interest charges	(3)	(2)	(12)	(9)
<b>Total investment return</b>	311	284	1,589	1,157
Other expenses	(10)	(8)	(48)	(35)
<b>PRE-TAX PROFIT</b>	301	276	1,541	1,121
Taxation	3	2	17	11
<b>PROFIT FOR THE YEAR</b>	304	278	1,558	1,132

## Statement of comprehensive income • Parent company

Profit for the year	304	278	1,558	1,132
Other comprehensive income from affiliated companies	0	0	(10)	1
Other comprehensive income	0	0	(10)	1
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	305	279	1,548	1,133

## Balance sheet • Parent company

(DKK)m	2014	2015
<b>Assets</b>		
Machinery and equipment	3	3
<b>TOTAL TANGIBLE ASSETS</b>	3	3
Shares in affiliated companies	6,034	5,144
Total investment in affiliated companies	6,034	5,144
<b>TOTAL INVESTMENT ASSETS</b>	6,034	5,144
Amounts due from affiliated companies	102	497
Other debtors	0	4
<b>TOTAL DEBTORS</b>	102	501
Current tax assets	0	25
Deferred tax assets	1	1
Liquid funds	2	2
<b>TOTAL OTHER ASSETS</b>	4	28
<b>TOTAL ASSETS</b>	6,143	5,676
<b>Shareholders' equity and liabilities</b>		
Share capital	115	105
Other reserves	2,285	1,395
Total reserves	2,285	1,395
Profit carried forward	3,042	3,479
<b>TOTAL SHAREHOLDERS' EQUITY</b>	5,442	4,979
<b>SUBORDINATED LOAN CAPITAL</b>	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
<b>TOTAL CREDITORS</b>	294	289
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	6,143	5,676