

TOPDANMARK ANNOUNCEMENT OF 2014 ANNUAL RESULTS

19 February 2015 Announcement No. 04/2015

Key features

2014

- Post-tax profit of DKK 1,558m (2013: DKK 1,468m)
- This profit is higher than the profit forecast of DKK 1,350-1,450m assumed for 2014 in the Q1-Q3 2014 interim report
- EPS were DKK 14.4 (2013: DKK 12.5)
- Combined ratio: 86.0% (2013: 91.5%)
- Combined ratio excluding run-off: 89.8% (2013: 95.0%)
- Premium growth was 2.6% in non-life insurance and 26.7% in life insurance
- Profit on life insurance declined to DKK 200m (2013: DKK 442m). The 2013 profit was impacted by the recognition as income from the shadow account
- Investment return declined to DKK 711m (2013: DKK 866m)
- Share buy-back of DKK 1,716m, representing a buy-back yield of 9.6%.

Q4 2014

- Post-tax profit: DKK 304m (Q4 2013: DKK 251m)
- EPS: DKK 2.9 (Q4 2013: DKK 2.2)
- Combined ratio: 83.6% (Q4 2013: 100.4%)
- Combined ratio excluding run-off profits: 87.5% (Q4 2013: 104.9%)
- Premium growth: Non-life insurance 1.8%, life insurance 12.6%
- Profit on life insurance: DKK 2m (Q4 2013: DKK 102m)
- Investment return: DKK 60m (Q4 2013: DKK 283m).

Profit forecast model for 2015

- The assumed combined ratio for 2015 has improved from around 91% to 90-91%, excluding run-off, in the light of an improved claims trend
- Assumed premium growth has been changed from 1-2% to around 0% particularly due to an increased focus on profitability promoting initiatives for less profitable customers in the SME and industrial areas, which generated a greater than expected loss of customers at the end of 2014
- Profit forecast model: DKK 900-1,000m, excluding run-off, representing EPS of DKK 9.5.

Share buy-back

- Share buy-back programme of DKK 1.8bn for 2015, representing a buy-back yield of 7.8%.

Søren Thorup Sørensen new Chairman of Board of Directors

- Michael Pram Rasmussen, Chairman of Topdanmark's Board of Directors has chosen not to stand for re-election at the AGM on 15 April 2015. Søren Thorup Sørensen, present Deputy Chairman, is expected to take over the role as Chairman, while Torbjörn Magnusson is expected to be appointed as Deputy Chairman.

Annual Report

The 2014 Annual Report will be published on 4 March 2015.

Webcast

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

Conference call

A conference call will be held today at 15:30 (CET) when Christian Sagild, CEO and Lars Thykier, CFO will be available for questions based on the announcement of the annual results 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 (020) 7162 0025

US dial-in number: +1 334 323 6201

10-15 minutes before the conference quoting reference 951136 and ask the operator to connect you to the Topdanmark conference call – or listen to the live transmission of the call.

Please direct any queries to:

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Financial highlights

(DKKm)	2010	2011	2012	2013	2014	Q4 2013	Q4 2014
Premiums earned:							
Non-life insurance	8,548	8,668	8,759	8,889	9,116	2,263	2,304
Life insurance	3,341	3,242	3,059	3,511	4,448	965	1,087
	11,889	11,910	11,818	12,400	13,563	3,228	3,390
Results:							
Non-life insurance	1,092	1,086	2,103	1,361	1,803	162	386
Life insurance	384	187	210	442	200	102	2
Parent company etc.	31	76	22	73	7	54	16
Pre-tax profit	1,506	1,349	2,335	1,875	2,010	318	404
Tax	(338)	(326)	(512)	(407)	(452)	(67)	(100)
Profit	1,168	1,023	1,823	1,468	1,558	251	304
Run-off profits, net of reinsurance	204	148	201	306	351	101	90
Shareholders' equity of parent company at 1 January	4,465	4,900	4,915	5,716	5,490	5,543	5,516
Profit	1,168	1,023	1,823	1,468	1,558	251	304
Share buy-back	(892)	(1,159)	(1,200)	(1,836)	(1,716)	(331)	(407)
Share-based payments	159	150	177	142	110	28	26
Other movements in shareholders' equity	1	1	2	0	(1)	(1)	2
Shareholders' equity of parent company end of period	4,900	4,915	5,716	5,490	5,442	5,490	5,442
Deferred tax on security funds	(348)	(348)	(348)	(306)	(306)	(306)	(306)
Shareholders' equity of Group end of period	4,553	4,567	5,368	5,184	5,135	5,184	5,135
Capital base, parent company*)	5,305	5,319	6,122	5,897	5,848	5,897	5,848
Total assets, parent company	5,712	6,408	6,895	6,485	6,143	6,485	6,143
Total assets, Group	57,542	61,013	59,435	61,092	64,516	61,092	64,516
Provisions for insurance and investment contracts:							
Non-life insurance	15,139	16,228	16,251	16,721	16,485	16,721	16,485
Life insurance	31,166	30,618	32,553	33,640	36,375	33,640	36,375
Financial ratios (parent company)							
Post-tax profit as a % of shareholders' equity	24.1	21.1	33.9	26.0	28.1	4.5	5.5
Post-tax EPS (DKK)	7.7	7.4	14.2	12.5	14.4	2.2	2.9
Post-tax EPS, diluted (DKK)	7.7	7.4	14.1	12.3	14.3	2.2	2.9
Net asset value per share, diluted (DKK)	33.8	36.8	45.8	48.3	52.2	48.3	52.2
Share buy-back per share, diluted (DKK)	5.9	8.4	9.3	15.4	15.8	2.9	3.9
Listed share price end of period	73.8	89.5	121.3	142.8	200.2	142.8	200.2
Average number of shares ('000)	151,307	137,409	128,276	117,904	107,908	113,695	104,273
Average number of shares, diluted ('000)	151,587	138,023	129,367	119,131	108,805	114,758	105,102
Number of shares end of period ('000)	144,724	133,319	123,940	112,632	103,623	112,632	103,623
Ratios non-life insurance (%)							
Gross loss ratio	75.5	78.2	70.0	80.4	69.3	114.1	64.9
Net reinsurance ratio	2.4	(3.6)	2.2	(5.0)	1.0	(29.7)	3.3
Claims trend	77.9	74.6	72.2	75.4	70.3	84.3	68.2
Gross expense ratio	15.4	15.7	15.8	16.2	15.7	16.0	15.4
Combined ratio	93.3	90.3	88.0	91.5	86.0	100.4	83.6
Operating ratio	92.7	89.6	87.8	91.4	85.9	100.3	83.6
Combined ratio excl. run-off profits	95.7	92.0	90.3	95.0	89.8	104.9	87.5

*) Shareholders' equity and loan capital

Results for 2014

Topdanmark's post-tax profit was DKK 1,558m (2013: DKK 1,468m) – a 6.1% increase. EPS increased 15.2% to DKK 14.4.

Pre-tax profit increased by DKK 135m to DKK 2,010m.

The technical result improved DKK 524m to DKK 1,289m. The improved claims trend benefited from, among other factors, weather-related claims being DKK 262m lower than in 2013. While Q4 2013 was affected by two large storms, there were no major weather events in 2014. Additionally, the claims trend improved for, among other lines, theft and fire. Also, run-off profits improved.

The investment return declined DKK 81m to DKK 514m. In 2014 the investment return was significantly higher than the normal level but lower than the level of 2013, which benefited from an extraordinarily high return on equities, credit bonds and CDOs.

Profit on life insurance declined DKK 242m to DKK 200m, primarily due to the recognition as income of DKK 171m from the shadow account in 2013. In 2014, however, DKK 5m was transferred to the shadow account: see "[Life insurance](#)".

Profit in the parent company etc. declined DKK 66m to DKK 7m mainly due to a lower operating result of Topdanmark Kapitalforvaltning (asset management company) and write-downs of properties in Topdanmark Invest.

The profit of DKK 1,558m was better than the DKK 1,350-1,450m assumed in the most recent profit forecast model for 2014 published in the interim report for Q1-Q3 2014. Besides run-off profits in Q4, the improvement was due to a lower than assumed level of weather-related claims and an improved claims trend for, among other lines, theft, fire and travel insurance.

Results and profit forecast model		Forecast 2014		
(DKKm)	Results 2013	as in Q1-Q3 interim report		Results 2014
Non-life insurance				
- Technical result	765	1,060	- 1,110	1,289
- Investment return after transfer to technical result etc.	595	470	- 520	514
Profit on non-life insurance	1,361	1,530	- 1,630	1,803
Life insurance	442	190	- 220	200
Parent company etc.	73	10	- 20	7
Pre-tax profit	1,875	1,730	- 1,870	2,010
Taxation	(407)	(380)	- (420)	(452)
Profit for the year	1,468	1,350	- 1,450	1,558

Results for Q4 2014

Post-tax profit increased to DKK 304m in Q4 2014 (Q4 2013: DKK 251m).

Pre-tax profit for Q4 2014 increased to DKK 404m (Q4 2013: DKK 318m).

The technical result increased DKK 385m. There were two large storms in Q4 2013, and the improvement in the technical result for Q4 2014 was mainly due to weather-related claims being DKK 323m lower than in 2013. Additionally, the claims trend improved for, among other lines, theft, fire and travel insurance.

The investment return declined DKK 161m to DKK 8m. In Q4 2014 the investment return was affected by an

increase in credit spreads, which impacts the return on, for example, credit bonds and CDOs. Furthermore, the return on equities was lower.

Profit on life insurance declined DKK 100m to DKK 2m due to the combination of a lower investment return, a lower risk return, a transfer to the shadow account and a lower cost result.

Profit in the parent company declined DKK 38m to DKK 16m due to, among other factors, a lower operating result from Topdanmark Kapitalforvaltning and a write-down of property in Topdanmark Invest.

Trend in profit (DKKm)	Q4 2013	Q4 2014
Non-life insurance		
- Technical result	(7)	378
- Investment return after transfer to technical result etc.	169	8
Profit on non-life insurance	162	386
Life insurance	102	2
Parent company etc.	54	16
Pre-tax profit	318	404
Tax	(67)	(100)
Profit	251	304

Non-life insurance Premiums earned

Premiums earned increased 2.6% to DKK 9,116m in 2014, which was in line with the assumed premium growth of 2-3%. The personal segment accounted for 2.9% of the growth and the SME and industrial segment for 2.3%.

During 2014 competition in the Danish market for non-life insurance policies intensified, driven by the existing players in the market. However, Topdanmark continues to hold a strong competitive position due to, among other factors, high customer loyalty.

In 2014 Topdanmark continued its efforts to improve the quality of the customer portfolio. Customer relationships with a profitability which does not meet Topdanmark's return requirements are offered help to improve their claims trends; alternatively individual price increases are effected. This resulted in a loss of some major unprofitable customer relationships in 2014, particularly among industrial customers.

Claims trend

The claims trend improved to 70.3% in 2014 (2013: 75.4%).

Gross weather-related claims were DKK 139m, net of reinsurance, in 2014. After reimbursement from the

reinsurance companies, weather-related claims were DKK 88m. 2013 was affected by the 3rd and 4th largest storms in recent times, which was one of the reasons why weather-related claims, net of reinsurance, were DKK 350m in 2013. Weather-related claims had a 2.9pp positive impact on the claims trend in 2014 as compared to 2013. Topdanmark assumes DKK 170m, net of reinsurance, as a normal level of weather-related claims. Accordingly, in 2014 the level of weather-related claims was DKK 82m lower than the normal level, representing a 0.9pp effect on the claims trend.

From 2007 up to and including 2013, the claims trend increased due to the trend in claim payments on thefts. However, in 2014 theft claims declined, representing a 0.8pp improvement of the claims trend as compared to 2013. This improvement was due to both a declining claims frequency and a decline in average claims, most significant in the personal segment.

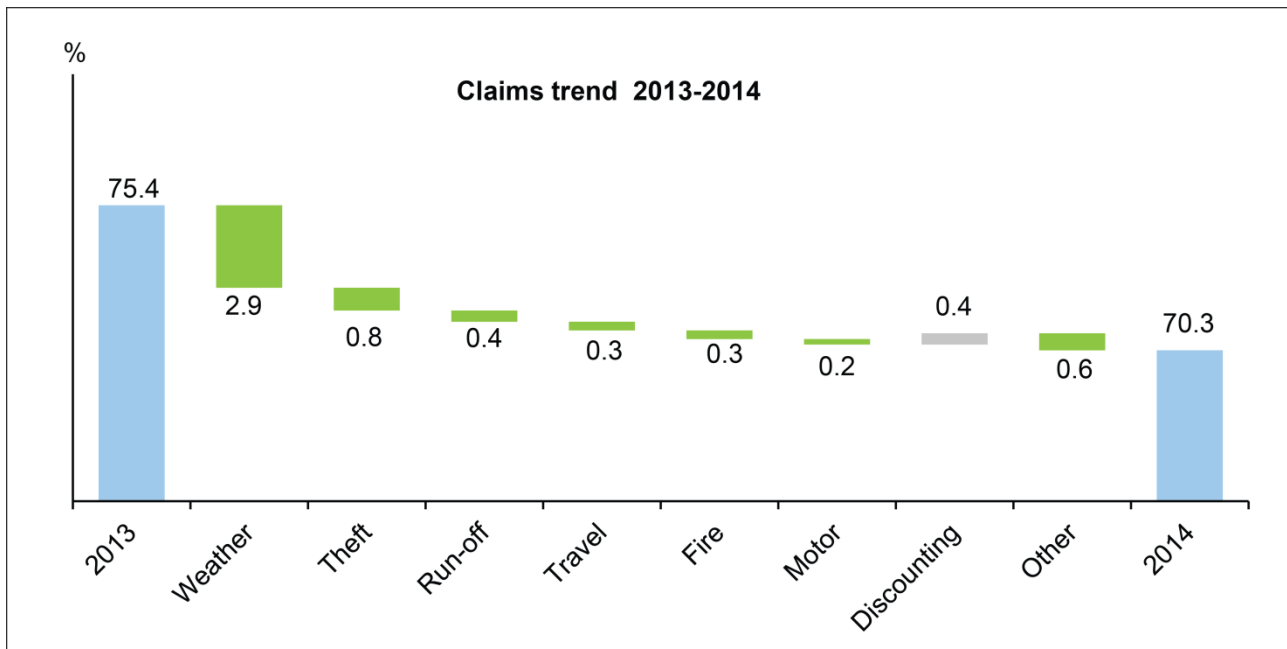
Run-off profits, net of reinsurance, were DKK 351m (2013: DKK 306m), representing a 0.4pp improvement of the claims trend. Illness / accident, workers' compensation, motor liability, commercial liability and house insurance generated run-off profits.

Travel insurance claims declined, representing a 0.3pp improvement of the claims trend. In 2013 the claims level was extraordinarily high, while in 2014 it was back at a more normal level.

The level of fire claims declined to DKK 28m, representing a 0.3pp improvement of the claims trend. This improvement was mostly due to an improved claims trend for the personal segment.

Claims on motor insurance policies declined DKK 15m, representing a 0.2pp improvement of the claims trend. The improvement was due to both a lower claims frequency and lower average claims.

The interest rate curve used to discount the provisions for outstanding claims was lower in 2014 than in 2013 with a 0.4pp adverse effect on the claims trend.



Expense ratio

The expense ratio declined to 15.7% (2013: 16.2%) due to lower commission payments than in 2013 following generally lower sales of new business. In addition, there was the effect of the ongoing initiatives to improve efficiency such as digitalisation and outsourcing of IT mainframe system.

Combined ratio

Overall expenses on claims, reinsurance, sales and administration as a percentage of premiums earned (combined ratio) improved to 86.0% in 2014 (2013: 91.5%). Excluding run-off profits it improved to 89.8% (2013: 95.0%).

Developments in Q4

Premiums earned

Premiums earned increased 1.8% to DKK 2,304m, evenly split between the personal segment and the SME and industrial segment.

Claims trend

The claims trend improved to 68.2% (Q4 2013: 84.3%).

In Q4 2013 the claims trend was affected by the two storms causing weather-related claims, net of reinsurance, of DKK 330m. The rainstorm in Northern Jutland in Q4 2014 caused claims of DKK 7m net of reinsurance. Consequently, weather-related claims were DKK 323m lower in Q4 2014, representing a 14.0pp improvement of the claims trend.

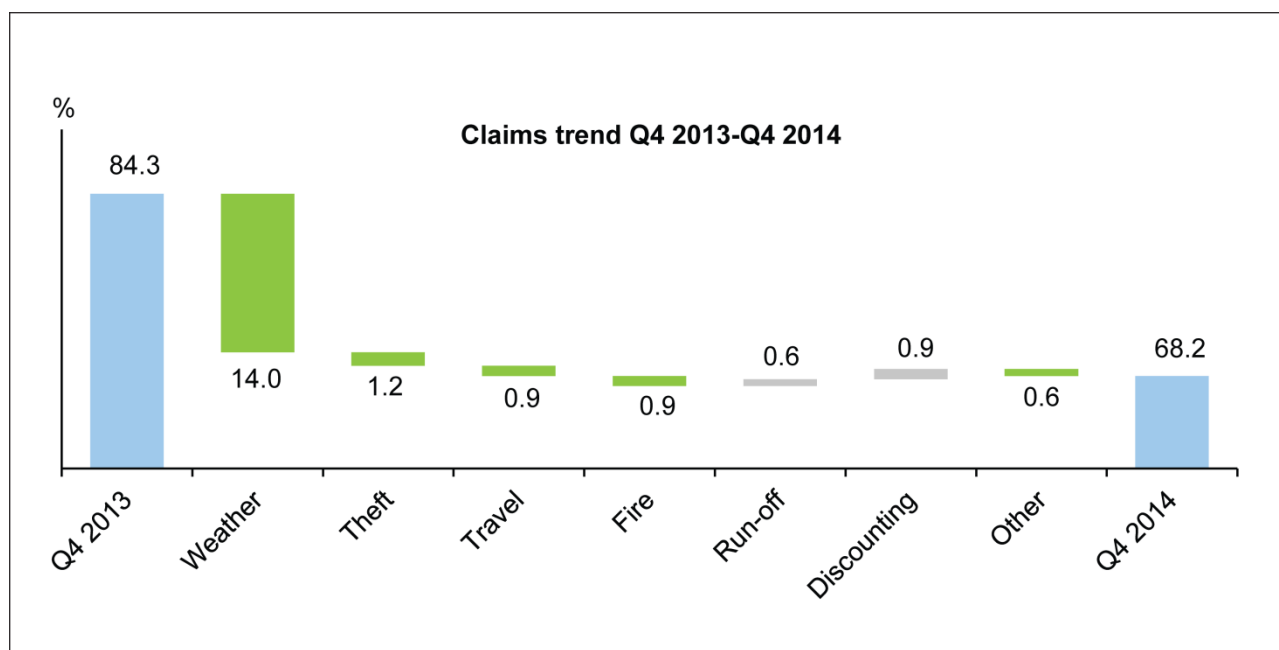
Furthermore, the claims trend benefited from a lower level of theft claims (1.2pp), fire claims (0.9pp) and travel insurance claims (0.9pp). On the other hand, the claims trend was adversely affected by the lower interest rates (0.9pp) and a lower level of run-off profits (0.6pp).

Expense ratio

The expense ratio improved to 15.4% (Q4 2013: 16.0%).

Combined ratio

The overall combined ratio was 83.6% in Q4 2014 (Q4 2013: 100.4%). Excluding run-off profits it was 87.5% in Q4 2014 (Q4 2013: 104.9%).



Financial highlights – Non-life insurance (DKKm)	Q4 2013	Q4 2014	2013	2014
Gross premiums earned	2,263	2,304	8,889	9,116
Technical interest	2	1	14	8
Claims incurred	(2,581)	(1,494)	(7,145)	(6,320)
Expenses	(363)	(356)	(1,438)	(1,427)
Net reinsurance	672	(77)	445	(88)
Technical result	(7)	378	765	1,289
Investment return after transfer to technical result	165	(4)	575	478
Other items	3	12	20	36
Profit on non-life insurance	162	386	1,361	1,803
Run-off profits, net of reinsurance	101	90	306	351
Gross loss ratio (%)	114.1	64.9	80.4	69.3
Net reinsurance ratio (%)	(29.7)	3.3	(5.0)	1.0
Claims trend (%)	84.3	68.2	75.4	70.3
Gross expense ratio (%)	16.0	15.4	16.2	15.7
Combined ratio (%)	100.4	83.6	91.5	86.0
Operating ratio (%)	100.3	83.6	91.4	85.9
Combined ratio excl. run-off profits (%)	104.9	87.5	95.0	89.8

Segment reporting

Personal

The personal segment offers policies for individual households in Denmark.

Premiums earned increased 2.9% to DKK 5,021m. The increase was primarily due to house, contents and travel insurance policies (2.2%), while motor insurance contributed 0.4% to the overall growth in the personal segment. Seen in isolation, the growth in motor insurance was 1.1%, adversely impacted by a 1.3% decline in average premium. In Q4 premiums earned increased 1.7% to DKK 1,263m. As announced in the Q1-Q3 2014 interim report, competition intensified during 2014.

The technical result increased DKK 231m to DKK 778m.

The claims trend improved 3.9pp to 68.2%. The claims trend benefited from fewer weather-related claims, representing 1.7pp. Additionally, the claims trend improved for theft and fire insurance, which had a 1.5pp positive impact on the claims trend. Finally, run-off profits were DKK 16m higher than in 2013, representing a 0.3pp improvement of the claims trend.

The expense ratio was 16.4% (2013: 16.9%), primarily the result of lower selling expenses and improved efficiency due to, among other factors, digitalisation.

The combined ratio improved to 84.6% in 2014 (2013: 88.9%). Excluding run-off profits it improved to 88.7% (2013: 92.9%).

Personal (DKK m)	Q4		Q4	
	2013	2014	2013	2014
Gross premiums earned	1,242	1,263	4,881	5,021
Technical interest	1	1	7	4
Claims incurred	(1,086)	(852)	(3,638)	(3,428)
Expenses	(208)	(205)	(823)	(822)
Net reinsurance	179	(1)	120	3
Technical result	128	207	547	778
Run-off profits, net of reinsurance	92	38	192	208
Gross loss ratio (%)	87.5	67.4	74.5	68.3
Net reinsurance ratio (%)	(14.4)	0.0	(2.5)	(0.1)
Claims trend (%)	73.1	67.4	72.1	68.2
Gross expense ratio (%)	16.7	16.2	16.9	16.4
Combined ratio (%)	89.8	83.7	88.9	84.6
Operating ratio (%)	89.7	83.6	88.8	84.5
Combined ratio excl. run-off profits (%)	97.2	86.7	92.9	88.7

SME and Industrial

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

Premiums earned improved 2.3% to DKK 4,116 m in 2014. This growth was mainly generated in the SME and agricultural areas, while premiums earned declined in the industrial area. In Q4 premiums earned increased 1.7% to DKK 1,045 m.

The technical result increased DKK 293 m to DKK 510 m in 2014.

The claims trend improved 6.5pp to 72.9%. The claims trend benefited from fewer weather-related claims, representing 4.3pp, and an improved trend for fire and theft, which reduced the claims trend by 1.1pp and 0.7pp respectively. Run-off profits had a 0.7pp positive impact on the claims trend.

The expense ratio declined 0.6pp to 14.8%.

The combined ratio improved to 87.7% in 2014 (2013: 94.8%). Excluding run-off profits it improved to 91.2% (2013: 97.6%).

SME and Industrial (DKK m)	Q4		Q4	
	2013	2014	2013	2014
Gross premiums earned	1,027	1,045	4,025	4,116
Technical interest	1	0	7	4
Claims incurred	(1,498)	(647)	(3,522)	(2,911)
Expenses	(156)	(152)	(618)	(608)
Net reinsurance	492	(77)	325	(91)
Technical result	(134)	170	217	510
Run-off profits, net of reinsurance	10	51	114	143
Gross loss ratio (%)	145.8	61.9	87.5	70.7
Net reinsurance ratio (%)	(47.9)	7.3	(8.1)	2.2
Claims trend (%)	97.9	69.2	79.4	72.9
Gross expense ratio (%)	15.2	14.5	15.4	14.8
Combined ratio (%)	113.1	83.7	94.8	87.7
Operating ratio (%)	113.0	83.7	94.6	87.6
Combined ratio excl. run-off profits (%)	114.0	88.7	97.6	91.2

Life insurance

The result from life insurance was a profit of DKK 200m in 2014 (2013: DKK 442m). The 2013 profit reflected the recognition as income of DKK 171m from the shadow account, while in 2014 DKK 5m was transferred to the shadow account. The shadow account of the interest rate groups was redeemed in 2013.

Profit on life insurance activities comprises the profit on life insurance plus the investment return of Liv Holding (Life Holding). These profits were calculated in accordance with the stated policy 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](#).

The risk return charged on with-profits pension schemes declined from DKK 164m to DKK 145m due to customers moving away from with-profits to unit-linked schemes.

“Other” comprises primarily the technical result of portfolios which are not subject to contribution – i.e. group life schemes, annuities without bonus entitlement, unit-linked pension schemes and losses incurred by those contribution groups which do not make transfers to a shadow account. The result of “Other” was a DKK 41m

loss (2013: DKK 7m profit). The decline was mostly due to an increase in actual costs while the cost fee charged to customers declined.

In 2014 Topdanmark Livsforsikring (life insurance company) started the implementation of a new administration system. External costs are capitalised, while internal resource consumption has an adverse impact on operations as higher costs. Furthermore, selling expenses were higher in 2014 than in 2013.

At 31 December 2014, the shadow account was DKK 26m, which will be available for recognition as income over time.

Trend in premiums

Gross premiums increased 26.7% to DKK 4,448m in 2014, of which premiums on unit-linked pension schemes were DKK 3,154m, an increase of 67.7% from 2013. Unit-linked pension schemes represented 85.6% of new pension schemes written in 2014 (2013: 70.1%).

Regular premiums increased 2.6% to DKK 2,191m, while single premiums increased 63.9% to DKK 2,257m in 2014.

Result of life insurance (DKKm)	Q4	Q4		
	2013	2014	2013	2014
Investment return	29	5	100	101
Risk return	46	35	164	145
Transferred, shadow account	22	(9)	171	(5)
Other	5	(29)	7	(41)
Profit on life insurance	102	2	442	200
Maximum shadow account end of period			72	26
Estimated value of shadow account end of period			10	26

Developments in Q4 2014

The result of life insurance declined to DKK 2m in Q4 2014 (Q4 2013: DKK 102m) primarily due to a lower investment return and a larger cost deficit. Furthermore, the result in Q4 2013 benefited from a profit on current annuities due to adaptation of mortality parameters and recognition of income from the shadow account.

Overall premiums were DKK 1,087m in Q4 2014 representing a 12.6% increase from Q4 2013 mainly due to a 22.6% increase in single premiums to DKK 533m. Regular premiums increased 4.3 % to DKK 554m.

Sources of gross premiums (DKKm)	Q4	Q4	2013	2014
	2013	2014	2013	2014
With-profits schemes	282	233	1,015	848
Unit-linked schemes	211	283	715	939
Group life	38	38	404	404
Regular premiums	531	554	2,134	2,191
With-profits schemes	70	(30)	211	40
Unit-linked schemes	365	563	1,166	2,216
Single premiums	434	533	1,377	2,257
Gross premiums	965	1,087	3,511	4,448

Investment activities Topdanmark Group excl. life insurance

The investment return in the Topdanmark Group excluding life insurance was DKK 711m in 2014 including the revaluation of provisions and income from associated companies, but before the transfer to the technical result (2013: DKK 866m).

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 2014 on the most significant classes of assets is disclosed in the following table:

Investment return	Portfolio 31 Dec		Return Q4 2013		Return Q4 2014		Return 2013		Return 2014	
	2013	2014	Return	%	Return	%	Return	%	Return	%
	(DKKbn)		(DKKm)		(DKKm)		(DKKm)		(DKKm)	
Danish equities	0.5	0.4	34	7.7	(16)	(2.6)	120	33.2	84	18.0
Foreign equities	0.8	0.7	53	6.2	14	1.7	137	17.1	64	7.3
Government and mortgage bonds	11.0	10.5	59	0.5	23	0.3	176	1.6	239	2.3
Credit bonds	0.5	0.4	1	0.2	2	0.5	38	6.8	21	5.0
CDOs	0.9	0.7	53	6.5	(11)	(1.3)	205	28.4	89	12.7
Properties	1.4	1.4	15	1.1	5	0.4	75	5.4	39	2.9
Assets related to I/A	2.0	2.1	29	1.4	34	1.6	98	4.8	193	9.4
Money market etc.	2.5	3.2	(16)	(0.5)	(14)	(0.4)	(35)	(1.1)	(30)	(0.9)
Subordinated loan capital	(1.2)	(1.2)	(18)	(1.6)	(16)	(5.3)	(61)	(5.3)	(61)	(5.3)
Interest-bearing debt	(0.7)	(0.4)	1	0.1	(0)	(0.7)	(5)	(0.8)	(2)	(0.7)
	17.6	17.8	212	1.2	22	0.1	748	4.1	636	3.4
Asset management			71		38		118		76	
Total investment return			283		60		866		711	

Transferred return technical provisions

Discounting	(47)	(29)	(168)	(147)
Technical interest	(2)	(1)	(14)	(8)

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 556m, which was higher than the expected return given Topdanmark's current risk profile. This higher return should be viewed primarily in the light of the return achieved on government and mortgage bonds including a revaluation of provisions and discounting, the return on Danish equities and the return on CDOs.

The post-tax equity exposure was DKK 653m (pre-tax: DKK 865m) 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 the end of 2014) 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, which are considered to be particularly safe assets according to the Danish Financial Business Act.

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. Covered bonds are mortgage bonds where the size of the loan may not exceed 70% of the value of the security. If the value of the security declines so much that the requirement is not fulfilled, the issuer will provide further security.

Credit bonds with a rating lower than BBB (DKK 120m) 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 296m) 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), rental residential property (DKK 367m) and rental office property (DKK 68m). Except for a single property under reconstruction for other use, 99% of the property portfolio is currently let. 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.

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

Profit of DKK 73m in 2013 declined to DKK 7m in 2014. The operating result of the asset management company declined by DKK 42m, following an increase in the marketing contribution to the insurance companies. In the Topdanmark Invest companies the continued winding-up of properties generated a loss in 2014, in contrast to a profit in 2013. The difference was DKK 21m.

Taxation

The tax charge was DKK 452m of the pre-tax profit of DKK 2,010m, corresponding to an effective tax rate of 22.5% (2013: 21.7%). The deviation from the nominal tax rate of 24.5% was particularly due to Topdanmark's utilisation of an uncapitalised equity loss carried forward. At the end of Q3 2014 the uncapitalised equity loss carried forward had been fully utilised.

Solvency calculation and capital requirements

An important goal of Solvency II is to promote good risk management based on market values and actual risk calculations. Solvency II will include a standard model for calculation of solvency requirements, which will be common to all insurance companies in the EU. Although the model will provide 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 risk model (internal model) for the solvency calculation. However, the DFSA must approve the model that is used for the calculation of Solvency II capital requirements. Today Topdanmark uses a risk model it has developed in-house to calculate the non-life risk. The inclusion of non-life risks in Topdanmark's calculation of the individual solvency requirement has been based on this model.

Topdanmark is in constant dialogue with the DFSA on the model. The application for Solvency II approval will be submitted to the DFSA in 2015 with expected approval of the model before Solvency II takes effect from 1 January 2016.

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 new rules seem to indicate some easing of the capital requirement as compared to previous expectations. However, in 2015 a solvency capital cover of DKK 4,700m, as a minimum, will be maintained from the solvency capital elements: shareholders' equity reduced by intangible assets (DKK 3,800m), hybrid capital (DKK 400m) and subordinated loan capital (approx. DKK 500m), cf. www.topdanmark.com → Investor → [Capital model](#). At the end of 2014, the calculated solvency capital was DKK 5,738m.

Topdanmark Forsikring has already issued further subordinated loan capital of DKK 250m. This amount is expected to be included in the cover of the necessary capital with effect from 2016.

The necessary capital of DKK 4,700m, as stated above, has been based on an expected approval of Topdanmark's internal model for non-life insurance risk. If it is not approved, the Solvency II requirement will increase by around DKK 800m. This is not expected to affect the necessary capital, because in this case the capital increase in the solvency requirement will be reduced, because the said DKK 250m of subordinated loan capital could be included, and because supplementarily the investment risk could be adjusted.

Solvency II will take effect at the beginning of 2016. Subsequently, it will be possible to include subordinated loan capital in the solvency cover by up to 50% of the solvency requirement. Topdanmark expects to present its expected future capital structure when the Q1 2015 interim report is published on 20 May 2015.

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 Q1-Q3 2014 interim report Topdanmark assumed, for 2015, premium growth of 1-2% and a combined ratio of around 91%, excluding run-off profits / losses.

This was based on the following assumptions:

- A normal year for weather-related claims of DKK 170m, broken 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 7 November 2014.

Since the Q1-Q3 2014 interim report was published, the following assumptions have changed for the combined ratio:

- Storm Egon on 11 January 2015 assumed to cause claims of DKK 40m net of reinsurance. The assumed weather-related claims continue to be DKK 50m in the remainder of Q1 2015. Therefore, the assumed combined ratio for the full year 2015 has deteriorated 0.4pp
- Interest rates have declined, representing a 0.4pp deterioration of the combined ratio
- Generally, greater than assumed improvement in the claims trend due to, among other factors, the decline in the number of thefts and fewer accidents caused by slippery roads due to the mild winter. This has an overall positive effect of around 1pp on the assumed combined ratio for 2015. In addition, there is the effect of a relatively large portfolio of unprofitable customers having left Topdanmark at the turn of the year.

Therefore the assumed combined ratio for 2015 has been improved from around 91% to 90-91%, excluding run-off profits / losses. The expense ratio is assumed to be in line with 2014.

The assumed premium growth has been changed from 1-2% to around 0% particularly due to an increased focus on profitability promoting initiatives for less profitable customers in the SME and industrial areas, which generated a greater than expected loss of customers at the end of 2014. The smaller portfolio of customers at the beginning of 2015 will have an adverse effect of around 1pp on the assumed premium growth for 2015. In addition, to improve the quality of new sales the certified insurance sales people in the personal segment will, to a larger extent, have to make individual risk assessment. This is expected to cause a certain loss of momentum for this sales channel. Competition, particularly in the personal segment, intensified at the end of 2014 and the beginning of 2015. During 2015 Topdanmark will invest further in sales promotion initiatives.

Overall, the assumed pre-tax profit on non-life insurance is DKK 1,030-1,110m.

Life insurance

Assumed growth in regular premiums is 0-5% for 2015. At this time of the year it is not appropriate to assume a level of growth in single premiums.

In the profit forecast model for 2015 it is assumed that investment return will be sufficiently high to include a risk return of DKK 125-135m in income (2014: DKK 145m).

The substantial decline in the assumed profit, as compared to previous years, should be viewed alongside the very low level of interest rates and Management's lower expectations for the future investment return in general. This reduces the assumed investment return on shareholders' equity from DKK 101m in 2014 to around DKK 60m in 2015. Additionally, the risk return charged on with-profits schemes will decline due to movements away from with-profits to unit-linked schemes. At the same time the cost deficit will continue to be large as quite low fees are charged on unit-linked schemes, while actual costs will increase from 2014 to 2015, as sales are expected to be good and at the same time the implementation of the new administration system will have an adverse impact on the resources of the organisation in future years.

Overall, the assumed pre-tax profit on life insurance is DKK 120-150m.

The result is highly sensitive to fluctuations particularly in the investment return. The risk allowance and shadow

account are not finally calculated until the preparation of the 2015 Annual Report.

The DFSA has announced that the concept of shadow account will be changed. Previously, the change was expected to take effect on 1 January 2015. Now the DFSA expects it to be on 1 January 2016.

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 23.5%, the tax charge is expected to be DKK 280-300m.

Total Group profit

Topdanmark's overall post-tax profit forecast model for 2015 is assumed to be DKK 900-1,000m, representing EPS of DKK 9.5. The assumed profit for 2015 is exclusive of run-off profits / losses.

This profit forecast model is based on assumption of an annual 7.0% return on equities and unchanged foreign exchange rates from the level on 5 February 2015. 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 1.73% (risk-free interest rate plus 2.0pp).

Profit forecast 2015 (DKKm)	Results 2014	Forecast 2015 5 February 2015	
Non-life insurance			
- Technical result	1,289	850	- 900
- Investment return after transfer to technical result etc.	514	180	- 210
Profit on non-life insurance	1,803	1,030	- 1,110
Life insurance	200	120	- 150
Parent company etc.	7	30	- 40
Pre-tax profit	2,010	1,180	- 1,300
Taxation	(452)	(280)	- (300)
Profit for the year	1,558	900	- 1,000

Share buy-back

In the Q1-Q3 interim report for 2014 it was announced that the share buy-back programme for 2014 had been increased by DKK 50m to DKK 2.1bn.

The actual buy-back for 2014 was DKK 1,716m, representing a buy-back yield of 9.6%. The remaining

buy-back of DKK 384m will be transferred to 2015 programme.

The reduction in shareholders' equity of DKK 1,716m was partly offset by DKK 110m strengthening of shareholders' equity by issue and exercise of share options etc.

In 2015 the intention is to buy back own shares of a total of DKK 1.8bn including the buy-back of DKK 384m transferred from 2014. The buy-back of DKK 1.8bn includes also the replacement of shareholders' equity of DKK 250m by DKK 250m of subordinated loan capital (tier 2 capital) during 2015, see: "[Solvency calculation and capital requirements](#)".

The buy-back of DKK 1.8bn assumes a profit in line with the profit forecast model of DKK 900-1,000m for 2015.

The share buy-back programme represents a buy-back yield of 7.8% (calculated on the basis of the price of Topdanmark's shares on 5 February 2015).

To date in 2015 Topdanmark has bought back own shares of DKK 153m (742,000 shares), which leaves a balance of DKK 1,647m of the 2015 programme. If Topdanmark buys back own shares for less than DKK 1.8bn in 2015, the balance will be transferred to the buy-back programme for 2016.

On 5 February 2015 Topdanmark's share capital comprised 115,000,000 shares, of which Topdanmark held 12,119,000 own shares. If before the AGM on 15 April 2015, contrary to expectation, no further shares are bought back, the number of voting shares will be 102,881,000 shares.

Since 1998 when Topdanmark started buying back own shares, it has been decided to cancel DKK 13.3bn of own shares representing a 72.1% write-down of the share capital, with an average price of DKK 44 per share that has been written down.

In the years 2000-2014 the annual average buy-back yield has been 9.5%.

Topdanmark's buy-back programme is managed by Topdanmark Kapitalforvaltning. It is believed that Topdanmark Kapitalforvaltning is able to carry out the buy-back programme at lower prices than by using a safe harbour solution.

Topdanmark does not buy back own shares in those periods where the Company would be considered an insider and during the three weeks immediately preceding the announcement of interim and annual reports. Furthermore, it does not buy back own shares during the period of five banking days after the announcement of a quarterly report as this is the period in which the executives may exercise their share options. Below is a table of the periods when Topdanmark is allowed to buy back own shares.

Share buy-back allowable		
27 Feb 2015	–	28 Apr 2015
29 May 2015	–	28 Jul 2015
27 Aug 2015	–	23 Oct 2015
24 Nov 2015	–	20 Feb 2016

Share buy-back not allowable		
29 Jan 2015	–	26 Feb 2015
29 Apr 2015	–	28 May 2015
29 Jul 2015	–	26 Aug 2015
26 Oct 2015	–	23 Nov 2015
21 Feb 2016	–	9 Mar 2016

Annual General Meeting

Michael Pram Rasmussen, Chairman of Topdanmark's Board of Directors since 2006, has chosen not to stand for re-election at the AGM on 15 April 2015. Michael Pram Rasmussen will resign at the next ordinary Board meeting on 4 March 2015, when Søren Thorup Sørensen, Topdanmark's present Deputy Chairman, is expected to take over the role as Chairman. At the same time Torbjörn Magnusson is expected to be appointed as Deputy Chairman. From 4 March until the AGM, Michael Pram Rasmussen will be an ordinary member of the Board of Directors.

At the AGM on 15 April 2015, the Board of Directors will propose that Bjarne Graven Larsen is elected as a new member of the Board. The intention is that the Board of Directors will elect Søren Thorup Sørensen as its Chairman and Torbjörn Magnusson as Deputy Chairman from among its members.

The Board of Directors proposes election of:

- Anders Colding Friis
- Bjarne Graven Larsen
- Torbjörn Magnusson
- Birgitte Nielsen
- Annette Sadolin
- Søren Thorup Sørensen

The AGM will be held on 15 April 2015, 15:00 (CET) at:

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

The agenda for the AGM will be distributed on 18 March 2015.

Financial calendar

Deadline for submitting items for AGM agenda	3 Mar 2015
2014 Annual Report	4 Mar 2015
AGM	15 Apr 2015
Q1 2015 Interim Report	20 May 2015
2015 Half-year Report	19 Aug 2015
Q1-Q3 2015 Interim Report	16 Nov 2015
Announcement of 2015 Annual Results	11 Feb 2016
2015 Annual Report	2 Mar 2016

Accounting policies

The Announcement of 2014 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 2014, 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 2013 Annual Report, where there is a complete description of all the accounting policies.

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

Income statement • Group

(DKK m)	Note	Q4 2013	Q4 2014	2013	2014
NON-LIFE INSURANCE					
Gross premiums written		1,623	1,608	9,018	9,121
Reinsurance ceded		(143)	(65)	(726)	(661)
Change in the provisions for unearned premiums, gross		658	703	(56)	47
Change in reinsurers' share of the provisions for unearned premiums		(86)	(100)	12	2
Premiums earned, net of reinsurance		2,053	2,146	8,248	8,509
Technical interest, net of reinsurance	1	2	1	14	8
Gross claims paid		(1,811)	(1,805)	(6,510)	(7,104)
Reinsurance cover received		107	266	424	1,185
Change in the provisions for claims, gross		(767)	314	(622)	796
Change in reinsurers' share of the provisions for claims		775	(196)	653	(697)
Claims incurred, net of reinsurance	2	(1,696)	(1,421)	(6,055)	(5,819)
Bonuses and rebates		(19)	(7)	(74)	(52)
Acquisition costs		(237)	(226)	(947)	(914)
Administrative expenses		(121)	(124)	(468)	(493)
Reinsurance commission and share of profits		19	18	83	82
Total operating expenses, net of reinsurance		(339)	(333)	(1,332)	(1,325)
TECHNICAL PROFIT ON NON-LIFE INSURANCE		1	386	801	1,321
LIFE INSURANCE					
Gross premiums written	3	965	1,087	3,511	4,448
Reinsurance ceded		(1)	(2)	(5)	(7)
Premiums, net of reinsurance		964	1,085	3,506	4,441
Allocated investment return, net of reinsurance		768	407	2,031	2,691
Claims and benefits paid		(866)	(1,378)	(3,860)	(4,200)
Reinsurance cover received		3	3	8	9
Change in the provisions for claims and benefits		(14)	3	(11)	12
Claims and benefits paid, net of reinsurance		(877)	(1,372)	(3,862)	(4,180)
Change in life insurance provisions		351	525	1,635	831
Change in reinsurers' share		(4)	(0)	(4)	(1)
Change in the life insurance provisions, net of reinsurance		347	525	1,631	830
Bonus		(351)	112	(704)	(314)
Change in provisions for unit-linked contracts		(701)	(681)	(1,968)	(3,079)
Acquisition costs		(30)	(35)	(115)	(130)
Administrative expenses		(59)	(60)	(222)	(227)
Total operating expenses, net of reinsurance		(89)	(95)	(337)	(356)
TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE		61	(19)	297	32

Income statement • Group

(DKKm)	Q4 2013	Q4 2014	2013	2014
NON-TECHNICAL ACTIVITIES				
Technical profit on non-life insurance	1	386	801	1,321
Technical profit / (loss) on life insurance	61	(19)	297	32
Income from associated companies	19	89	57	193
Income from investment properties	34	24	144	143
Interest income and dividends etc.	413	370	1,676	1,786
Revaluations	773	119	1,543	2,055
Interest charges	(18)	(17)	(78)	(69)
Expenses on investment business	(12)	(13)	(45)	(56)
Total investment return	1,211	572	3,298	4,052
Technical interest transferred to non-life insurance business	(49)	(30)	(182)	(155)
Pension return tax	(123)	(90)	(272)	(509)
Investment return transferred to life insurance business	(768)	(407)	(2,031)	(2,691)
Other income	4	4	19	17
Other expenses	(19)	(11)	(54)	(57)
PRE-TAX PROFIT	318	404	1,875	2,010
Taxation	(67)	(100)	(407)	(452)
PROFIT FOR THE PERIOD	251	304	1,468	1,558
EPS (DKK)	2.2	2.9	12.5	14.4
EPS, diluted (DKK)	2.2	2.9	12.3	14.3

Statement of comprehensive income • Group

Profit for the period	251	304	1,468	1,558
Items which cannot subsequently be reclassified as profit or loss:				
Deferred tax on security fund (change in the tax percentage)	0	0	42	0
Revaluation of owner-occupied properties	0	0	2	0
Reversed revaluation of owner-occupied properties	0	0	0	(12)
Taxation	0	0	0	3
Other comprehensive income	0	0	43	(10)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	251	305	1,511	1,548

Assets • Group

(DKKm)	2013	2014
INTANGIBLE ASSETS	620	610
Machinery and equipment	116	115
Owner-occupied properties	869	857
TOTAL TANGIBLE ASSETS	985	972
Investment properties	3,951	3,829
Shares in associated companies	892	340
Loans to associated companies	416	488
Total investment in associated companies	1,309	828
Shares	7,786	7,614
Unit trusts	0	32
Bonds	34,577	33,975
Loans guaranteed by mortgages	6	12
Deposits with credit institutions	1,047	2,267
Derivatives	1,056	1,873
Total other financial investment assets	44,471	45,773
TOTAL INVESTMENT ASSETS	49,731	50,430
INVESTMENT ASSETS RELATED TO UNIT-LINKED CONTRACTS	6,673	10,117
Reinsurers' share of provisions for unearned premiums	87	89
Reinsurers' share of life insurance provisions	34	33
Reinsurers' share of the provisions for claims and benefits	1,337	648
Total reinsurers' share of provisions	1,458	769
Amounts due from policyholders	346	304
Amounts due from insurance companies	65	195
Amounts due from associated companies	36	10
Other debtors	121	114
TOTAL DEBTORS	2,026	1,392
Assets held temporarily	2	3
Deferred tax assets	22	19
Liquid funds	420	323
Other	75	77
TOTAL OTHER ASSETS	520	422
Accrued interest and rent	373	372
Other prepayments and accrued income	164	201
TOTAL PREPAYMENTS AND ACCRUED INCOME	537	573
TOTAL ASSETS	61,092	64,516

Shareholders' equity and liabilities • Group

(DKKm)	Note	2013	2014
Share capital		125	115
Revaluation reserve		20	10
Security fund		1,146	1,146
Other reserves		34	39
Total reserves		1,180	1,185
Profit carried forward		3,860	3,825
TOTAL SHAREHOLDERS' EQUITY		5,184	5,135
SUBORDINATED LOAN CAPITAL		1,155	1,156
Provisions for unearned premiums		2,769	2,724
Guaranteed pension benefits		19,231	20,824
Bonus potential on future premiums		3,387	2,192
Bonus potential on paid-up benefits		2,364	746
Total life insurance provisions		24,982	23,761
Provisions for claims and benefits		13,929	13,723
Collective bonus potential		1,472	1,677
Provisions for bonuses and rebates		121	124
Provisions for unit-linked contracts		7,088	10,851
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		50,361	52,860
Pensions and similar commitments		30	29
Deferred tax liabilities		86	74
Deferred tax on security funds		306	306
TOTAL LIABILITIES PROVIDED		422	409
DEPOSITS RECEIVED FROM REINSURERS		143	154
Creditors arising out of direct insurance operations		93	315
Creditors arising out of reinsurance operations		115	34
Bond loans		58	29
Amounts due to credit institutions		2,159	1,961
Amounts due to associated companies		5	3
Current tax liabilities		15	31
Derivatives		170	870
Other creditors		1,115	1,446
TOTAL CREDITORS		3,731	4,690
ACCRUALS AND DEFERRED INCOME		96	111
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		61,092	64,516
Financial assets and liabilities	4		
Contingent liabilities	5		

Cash flow statement • Group

(DKKm)	2013	2014
Cash flow from operations		
Gross premiums written	8,964	9,069
Claims paid	(6,428)	(7,053)
Expenses	(1,343)	(1,335)
Reinsurance ceded	(55)	432
Cash flow from non-life insurance	1,137	1,113
Gross premiums written	3,569	4,740
Claims and benefits	(3,852)	(4,205)
Expenses	(320)	(352)
Reinsurance ceded	6	(29)
Cash flow from life insurance	(599)	154
Total cash flow from insurance business	538	1,267
Payments on investment contracts	39	295
Dividends from associated companies	0	3
Interest income and dividends etc.	1,833	1,903
Interest charges etc.	(120)	(130)
Pension return tax	(322)	(287)
Corporation tax	(472)	(434)
Other items	(32)	(39)
Total cash flow from operations	1,465	2,577
Investments		
Intangible assets, machinery and equipment	(95)	(108)
Properties	45	103
Shares in associated companies	(9)	945
Shares	(920)	1,200
Unit trust shares	0	(29)
Bonds	1,849	1,333
Loans	2	1
Derivatives	534	175
Investment assets related to unit-linked contracts	(1,686)	(3,042)
Balances with associated companies	(172)	(199)
Total investments	(451)	379
Financing		
Shares bought back	(1,836)	(1,716)
Share-based payments	133	71
Sale of own shares	0	38
Bond loans	(16)	(30)
Amounts due to credit institutions	152	(198)
Total financing	(1,567)	(1,834)
Change in cash and cash equivalents	(554)	1,121
Cash and cash equivalents at 1 January	2,025	1,467
Revaluation of cash and cash equivalents	(20)	1
Purchase of associated company	15	0
Cash and cash equivalents end of period	1,467	2,590
Cash and cash equivalents comprise:		
Liquid funds	420	323
Deposits with credit institutions	1,047	2,267
	1,467	2,590

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
2013						
Shareholders' equity at 31 December prior year	138	18	1,104	29	4,079	5,368
Profit for the year				5	1,463	1,468
Other comprehensive income		2	42	0	0	43
Total comprehensive income for the year		2	42	5	1,463	1,511
Cancellation of own shares	(13)				13	0
Share buy-back					(1,836)	(1,836)
Issue of share options					9	9
Exercise of share options					133	133
Taxation					(1)	(1)
Other transactions	(13)				(1,683)	(1,695)
Shareholders' equity at 31 December 2013	125	20	1,146	34	3,860	5,184
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

Segment information • Group

Income statement

(DKKm)	Per-sonal	SME and Industrial	Eliminated	Non-life	Life	Parent etc.	Eliminated	Group
2013								
Non-life insurance								
Gross premiums earned	4,881	4,025	(17)	8,889				8,889
Technical interest*	7	7	0	14				14
Claims incurred	(3,638)	(3,522)	15	(7,145)			13	(7,132)
Expenses	(823)	(618)	3	(1,438)			23	(1,415)
Net reinsurance	120	325	0	445				445
Technical profit on non-life insurance	547	217	1	765			36	801
Life insurance								
Gross premiums written					3,511			3,511
Allocated investment return					2,031			2,031
Benefits and change in provisions					(4,908)			(4,908)
Expenses					(343)		6	(337)
Net reinsurance					(1)			(1)
Technical profit on life insurance					291		6	297
Total investment return				751	2,409	115	23	3,298
Pension return tax				5	(278)			(272)
Transferred to technical result				(182)	(2,031)			(2,213)
Investment return				575	100	115	23	813
Other items				20	50	(42)	(64)	(35)
Pre-tax profit				1,361	442	73	0	1,875
Taxation								(407)
Profit								1,468
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								1,558

* After discounting DKK 147m (2013: DKK 168m)

Notes to the financial statements • Group

(DKKm)

2013

2014

Note 1. Technical interest, net of reinsurance – Non-life insurance

Calculated interest	182	155
Discounting (amortisation) of technical provisions and reinsurers' share	(168)	(147)
Technical interest, net of reinsurance	14	8

Note 2. Claims incurred, net of reinsurance – Non-life insurance

Run-off profit:		
Gross business	387	253
Reinsurance ceded	(81)	97
Run-off profit, net of reinsurance	306	351

Note 3. Gross premiums written – Life insurance

Individual policies	345	330
Policies w hich are part of a tenure	1,385	1,456
Group life	404	404
Regular premiums	2,134	2,191
Individual policies	206	535
Policies w hich are part of a tenure	1,171	1,721
Single premiums	1,377	2,257
Gross premiums	3,511	4,448

Note 4. Financial assets and liabilities

There have been no changes to classification of financial assets or financial liabilities in 2014.

The Group's portfolio of financial assets recorded at fair value, using valuation models based on non-observable inputs, is DKK 172m (2013: 71m). The fair value is equivalent to the cost price.

The Group continues to have no financial liabilities recorded at fair value, using valuation models based on non-observable inputs.

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
Adjustments to VAT liabilities	26	28
Other liabilities	11	11
Capital commitments to loan funds and private equity funds etc.	509	701
Share of associated companies' liabilities:		
Contract liabilities	283	48

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 2013	Q4 2014	2013	2014
Income from affiliated companies	267	313	1,511	1,599
Revaluations	0	1	0	2
Interest charges	(3)	(3)	(13)	(12)
Total investment return	264	311	1,498	1,589
Other expenses	(15)	(10)	(42)	(48)
PRE-TAX PROFIT	249	301	1,456	1,541
Taxation	2	3	12	17
PROFIT FOR THE PERIOD	251	304	1,468	1,558

Statement of comprehensive income • Parent company

Profit for the period	251	304	1,468	1,558
Other comprehensive income from affiliated companies	0	0	1	(10)
Other comprehensive income	0	0	1	(10)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	251	305	1,470	1,548

Balance sheet • Parent company

(DKK m)	2013	2014	
Assets			
Machinery and equipment		3	3
TOTAL TANGIBLE ASSETS		3	3
Shares in affiliated companies		6,323	6,034
Total investment in affiliated companies		6,323	6,034
Bonds		1	0
Total other financial investment assets		1	0
TOTAL INVESTMENT ASSETS		6,323	6,034
Amounts due from affiliated companies		155	102
TOTAL DEBTORS		155	102
Deferred tax assets		1	1
Liquid funds		2	2
TOTAL OTHER ASSETS		3	4
TOTAL ASSETS		6,485	6,143

Shareholders' equity and liabilities

Share capital		125	115
Other reserves		2,574	2,285
Total reserves		2,574	2,285
Profit carried forward		2,792	3,042
TOTAL SHAREHOLDERS' EQUITY		5,490	5,442
SUBORDINATED LOAN CAPITAL		407	407
Bond loans		58	29
Amounts due to affiliated companies		503	217
Current tax liabilities		11	30
Derivatives		0	8
Other creditors		15	11
TOTAL CREDITORS		588	294
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6,485	6,143

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 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 announcement.

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