

# TOPDANMARK INTERIM REPORT FOR Q1-Q3 2016

15 November 2016 Announcement No. 67/2016

## Key features

### Q1-Q3 2016

- Post-tax profit of DKK 1,127m (Q1-Q3 2015: DKK 861m)
- EPS was DKK 12.1 (Q1-Q3 2015: DKK 8.4)
- Combined ratio was 85.1 (Q1-Q3 2015: 85.2)
- Combined ratio excluding run-off profits was 89.0 (Q1-Q3 2015: 89.0)
- Premiums declined 1.3% in non-life insurance and increased 23.6% in life insurance
- Profit on life insurance increased to DKK 135m (Q1-Q3 2015: DKK 89m)
- After unwinding and revaluation of non-life insurance provisions, the investment return was DKK 339m (Q1-Q3 2015: DKK 30m).

### Q3 2016

- Post-tax profit: DKK 533m (Q3 2015: DKK 210m)
- EPS: DKK 5.9 (Q3 2015: DKK 2.1)
- Combined ratio: 83.2 (Q3 2015: 85.8)
- Combined ratio excluding run-off profits: 86.9 (Q3 2015: 89.4)
- Trend in premiums: 0.1% decline in non-life insurance, 10.4 % increase in life insurance
- Profit on life insurance: DKK 69m (Q3 2015: DKK 21m)
- After unwinding and revaluation of non-life insurance provisions, the investment return was DKK 232m (Q3 2015: DKK 58m loss).

### Profit forecast model for 2016

- The assumed combined ratio for 2016 improved from around 89 to 87-88, excluding run-off in Q4 2016
- Unchanged assumed decline in non-life premiums in 2016. In life insurance, a 5% growth in regular premiums is assumed
- The post-tax profit forecast model for 2016 is upgraded to DKK 1,200-1,300m from DKK 1,000-1,100m, excluding run-off in Q4 2016, representing EPS of DKK 13.5.

### Share buy-back

- The share buy-back programme for 2016 is upgraded by DKK 200m to DKK 1,650m, representing a buy-back yield of 10.0%. The buy-back is subject to prior approval by the DFSA, cf. page 12.

### Assumptions for 2017

- The assumptions for the profit forecast model for 2017 remain practically unchanged in respect to the information of company announcement no. 59/2016
- For 2017, the assumed premium level remains practically unchanged for non-life insurance compared to 2016. Assumed combined ratio excl. run-off: 90-91.

### Webcast

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

### Conference call

A conference call will be held today at 18:00 (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 call:  
UK dial-in number: +44 (0)20 7162 0125  
US dial-in number: +1 646 934 6795  
10-15 minutes before the conference quoting reference 960558 and ask the operator to connect you to the Topdanmark conference call – or listen to the live transmission of the call.

### Please direct any queries to:

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# Financial highlights

(DKKm)	Full year 2015	Q3 2015	Q3 2016	Q1-Q3 2015	Q1-Q3 2016
<b>Premiums earned:</b>					
Non-life insurance	8,977	2,237	2,236	6,760	6,672
Life insurance	6,320	1,587	1,752	4,571	5,648
	<b>15,297</b>	<b>3,823</b>	<b>3,988</b>	<b>11,331</b>	<b>12,320</b>
<b>Results:</b>					
Non-life insurance	1,342	251	587	1,023	1,282
Life insurance	174	21	69	89	135
Parent company etc.	31	9	6	11	8
Pre-tax profit	1,547	281	662	1,123	1,425
Tax	(364)	(70)	(129)	(261)	(298)
<b>Profit</b>	<b>1,183</b>	<b>210</b>	<b>533</b>	<b>861</b>	<b>1,127</b>
Run-off profits, net of reinsurance	381	82	82	258	264
Shareholders' equity of parent company at 1 January	5,339	5,188	4,775	5,339	4,930
Profit	1,183	210	533	861	1,127
Share buy-back	(1,667)	(425)	(319)	(1,290)	(1,087)
Share-based payments	76	3	6	71	27
Other movements in shareholders' equity	(3)	1	2	(4)	(1)
<b>Shareholders' equity of parent company end of period</b>	<b>4,927</b>	<b>4,977</b>	<b>4,996</b>	<b>4,977</b>	<b>4,996</b>
Deferred tax on security funds	(306)	(306)	(306)	(306)	(306)
<b>Shareholders' equity of Group end of period</b>	<b>4,621</b>	<b>4,671</b>	<b>4,690</b>	<b>4,671</b>	<b>4,690</b>
Total assets, parent company	5,625	5,844	5,809	5,844	5,809
Total assets, Group	67,667	65,283	71,969	65,283	71,969
Provisions for insurance and investment contracts:					
Non-life insurance	16,310	17,012	17,207	17,012	17,207
Life insurance	40,537	38,962	45,378	38,962	45,378
<b>Financial ratios (parent company)</b>					
Post-tax profit as a % of shareholders' equity	22.6	4.0	10.8	16.4	22.5
Post-tax EPS (DKK)	11.8	2.1	5.9	8.5	12.2
Post-tax EPS, diluted (DKK)	11.8	2.1	5.9	8.4	12.1
Net asset value per share, diluted (DKK)	51.3	50.7	55.7	51.8	55.7
Share buy-back per share, diluted (DKK)	16.6	4.3	3.5	12.6	11.7
Listed share price end of period	196.0	189.6	185.5	189.6	185.5
Average number of shares ('000)	99,971	99,036	90,457	101,026	92,521
Average number of shares, diluted ('000)	100,461	99,443	90,689	102,260	92,775
Number of shares end of period ('000)	95,672	97,618	89,509	97,618	89,509
<b>Ratios non-life insurance (%)</b>					
Gross loss ratio	68.9	67.4	66.7	67.7	67.8
Net reinsurance ratio	1.9	3.4	1.5	1.9	1.0
Claims trend	70.8	70.8	68.2	69.6	68.8
Gross expense ratio	15.9	15.0	15.0	15.6	16.2
Combined ratio	86.7	85.8	83.2	85.2	85.1
Combined ratio excl. run-off profits	90.9	89.4	86.9	89.0	89.0

Comparative figures are adapted to the new Danish executive order on Financial Reports.

It has not been possible to prepare comparative figures for life insurance.

Net shareholders' equity effect for life insurance was calculated at DKK 3m at the beginning of 2016.

Thus, Group equity was DKK 4,621m at the end of 2015 and

Group equity was calculated at DKK 4,624m at the beginning of 2016.

## Results for Q1-Q3 2016

Topdanmark's post-tax profit for Q1-Q3 2016 was DKK 1,127m (Q1-Q3 2015: DKK 861m). EPS was DKK 12.1 (Q1-Q3 2015: DKK 8.4).

Pre-tax profit increased DKK 302m to DKK 1,425m.

The technical result declined DKK 3m to DKK 997m.

After unwinding and revaluation of non-life insurance provisions, the investment return increased DKK 262m to DKK 285m due to a favourable trend in the holding of CDOs, unlisted equities and hedge funds as well as Danish mortgage bonds.

Profit on life insurance increased DKK 46m to DKK 135m, due to a significant improvement in investment return with a favourable impact on the investment return on shareholders' equity (DKK 20m), and recognition as income of risk return (DKK 21m).

Trend in profit (DKKm)	Full year 2015	Q1-Q3 2015	Q1-Q3 2016
Non-life insurance			
- Technical result	1,195	1,000	997
- Investment return after unwinding and revaluations non-life insurance provisions	147	23	285
Profit on non-life insurance	1,342	1,023	1,282
Life insurance	174	89	135
Parent company etc.	31	11	8
Pre-tax profit	1,547	1,123	1,425
Tax	(364)	(261)	(298)
<b>Profit</b>	<b>1,183</b>	<b>861</b>	<b>1,127</b>

## Results for Q3 2016

Post-tax profit for Q3 2016 increased to DKK 533m (Q3 2015: DKK 210m).

Pre-tax profit increased DKK 381m to DKK 662m.

The technical result increased DKK 58m to DKK 376, impacted by an improved claims trend in the personal segment, excluding motor claims, and an improved claims trend in illness and accident insurance (I/A). On the other hand, the technical result was adversely impacted by the deteriorating claims trend in motor insurance.

After unwinding and revaluation of non-life insurance provisions, the investment return increased DKK 280m to DKK 212m, impacted by a favourable trend in the holding of CDOs, unlisted equities and hedge funds as well as Danish mortgage bonds.

Profit on life insurance increased DKK 48m to DKK 69m. As in the first two quarters of 2016, the improvement in Q3 2016 was due to the increase in investment return which had a favourable impact on the investment return on shareholders' equity (DKK 11m) and recognition as income of risk interest (DKK 28m).

Trend in profit (DKKm)	Q3 2015	Q3 2016
Non-life insurance		
- Technical result	318	376
- Investment return after unwinding and revaluations non-life insurance provisions	(68)	212
Profit on non-life insurance	251	587
Life insurance	21	69
Parent company etc.	9	6
Pre-tax profit	281	662
Tax	(70)	(129)
<b>Profit</b>	<b>210</b>	<b>533</b>

## Non-life insurance Premiums earned

Premiums earned declined 1.3% to DKK 6,672m in the first three quarters of 2016. The personal segment accounted for a DKK 1.7% decline, and the SME and industrial segment accounted for a 0.8% decline.

Developments in motor insurance continue to reflect an increase in the sale of smaller and safer cars, resulting in a 2.7% decline in average premium in motor insurance from Q1-Q3 2015 to Q1-Q3 2016, reducing the Topdanmark Group's total earned premiums by 1.0%.

Topdanmark prioritizes profitability over growth. The focus on profitability-promoting initiatives for less profitable customers in the SME and industrial segment, generated a loss of major industrial customers that did not meet Topdanmark's ROI requirement. This loss of customers had a 0.4% adverse effect on premiums earned for the Topdanmark Group in Q1-Q3 2016.

## Claims trend

The claims trend improved to 68.1 in Q1-Q3 2016 (69.6 in Q1-Q3 2015).

Higher interest rate levels in Q1-Q3 2016 resulted in a 0.4pp improvement of the claims trend.

The claims trend in illness/accident favourably impacted the claims trend by 0.3pp, due to a more normal claims trend, compared to a poor claims trend in Q1-Q3 2015.

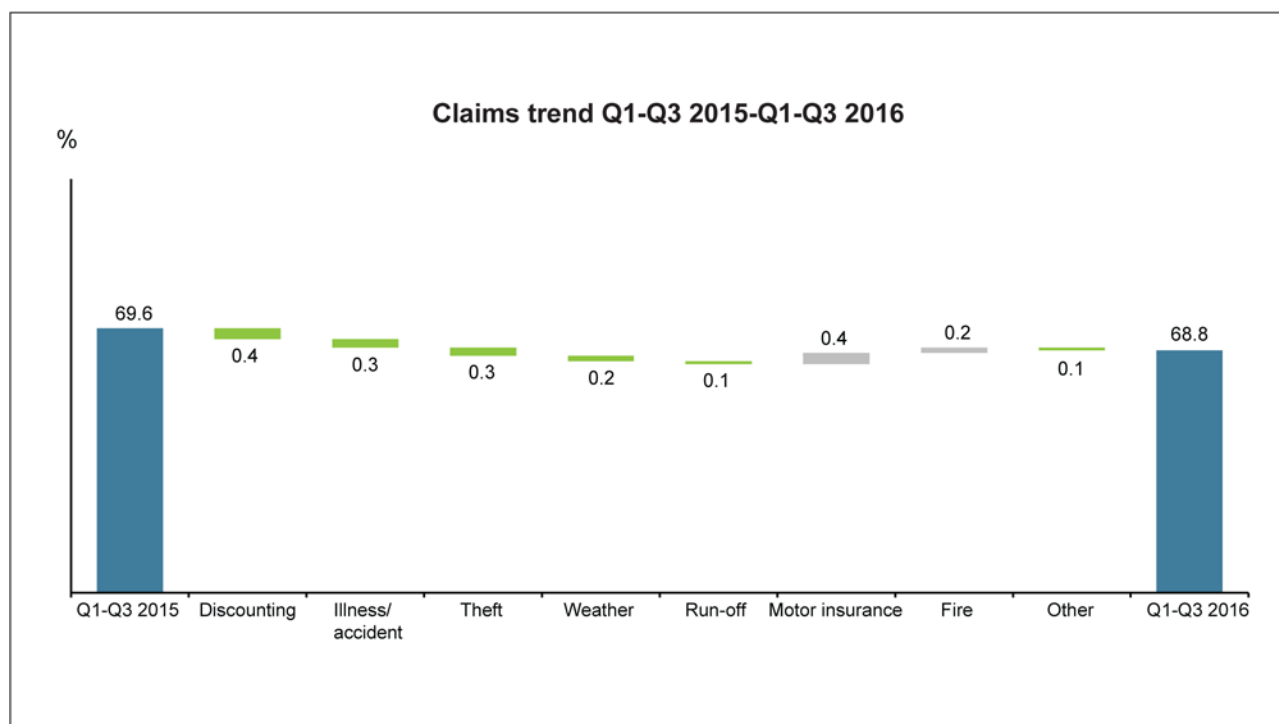
The favourable trend in the level of theft claims continued in Q1-Q3 2016, representing a 0.3pp improvement of the claims trend.

Weather-related claims were DKK 33m (DKK 47m in Q1-Q3 2015), representing a 0.2pp improvement of the claims trend.

Run-off profits, net of reinsurance, were DKK 264m (Q1-Q3 2015: DKK 258m), representing a 0.1pp improvement of the claims trend. As in Q1-Q3 2015, run-off profits were primarily from motor third-party insurance in illness/accident.

From 2012 to 2016, the risk premium (claims frequency x average claim) for motor insurance has been relatively stable. However, this changed somewhat from Q1-Q3 2015 to Q1-Q3 2016 when the risk premium increased by 2.6%, a 6.2% increase in comprehensive insurance in Q1-Q3 2016 and a 2.2% decline in personal injury. The increase in risk premium for motor insurance is i.a. due to increased use of technology in cars (safety equipment etc.) and a higher volume of road traffic. The claims trend deteriorated 0.4pp due to the trend in motor insurance.

Fire claims increased in the personal area and in the SME and Industrial segment. This adversely impacted the claims trend in Q1-Q3 2016 by 0.2pp for the Topdanmark Group.



## Expense ratio

In Q1-Q3 2016, the expense ratio was 16.2 (Q1-Q3 2015: 15.6).

The expense ratio is impacted by a number of factors such as the increase in the payroll tax imposed on Danish financial businesses which increased to 13.6% in 2016 from 12.2% in 2015 (0.2pp), a 1.8% contractual wage increase (0.2pp), and non-recurring expenses for managerial adjustments, including changes in the Executive Board, cf. company announcement no. 11/2016. Furthermore, the expense ratio was adversely impacted by the lower level of premiums.

## Combined ratio

The combined ratio was 85.1 in Q1-Q3 2016 (Q1-Q3 2015: 85.2). Excluding run-off profits, the combined ratio remained 89.0.

## Developments in Q3 2016

Premiums earned were practically unchanged at DKK 2,236m in Q3 2016. Premiums declined 0.9% in the personal segment and increased 1.0% in the SME and Industrial segment.

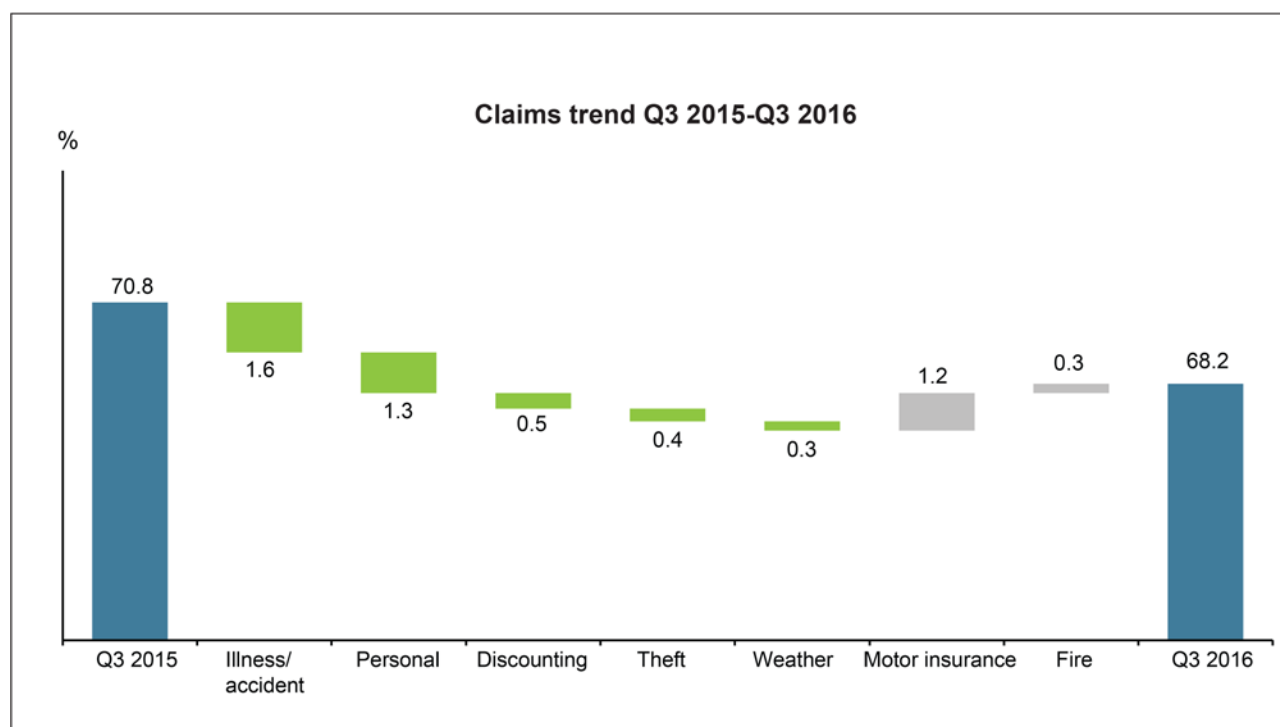
The claims trend improved to 68.2 in Q3 2016 from 70.8 in Q3 2015.

The favourable development in the claims trend is due to an improved trend in illness/accident (1.6pp), the personal segment excluding motor insurance (1.3pp), theft (0.4pp) and weather-related claims (0.3pp). Furthermore, the higher interest rate level in Q3 2016 resulted in a 0.5pp improvement of the claims trend.

On the other hand, the claims trend was adversely impacted by motor claims (1.2pp) and a worsening trend in fire claims (0.3pp).

Despite the increase in the payroll tax and the contractual wage increase, the expense ratio remained unchanged at 15.0, compared to Q3 2015.

Combined ratio was 83.2 in Q3 2016 (Q3 2015: 85.8). Excluding run-off profits, combined ratio was 86.9 (Q3 2015: 89.4).



<b>Financial highlights – Non-life insurance</b> (DKKm)	<b>Full year</b> <b>2015</b>	<b>Q3</b> <b>2015</b>	<b>Q3</b> <b>2016</b>	<b>Q1-Q3</b> <b>2015</b>	<b>Q1-Q3</b> <b>2016</b>
Gross premiums earned	8,977	2,237	2,236	6,760	6,672
Claims incurred	(6,183)	(1,507)	(1,491)	(4,576)	(4,523)
Expenses	(1,426)	(335)	(335)	(1,055)	(1,084)
Net reinsurance	(173)	(77)	(34)	(130)	(68)
Technical result	1,195	318	376	1,000	997
Investment return after unbinding and revaluations					
non-life insurance provisions	108	(78)	211	(6)	269
Other items	39	11	1	28	16
<b>Profit on non-life insurance</b>	<b>1,342</b>	<b>251</b>	<b>587</b>	<b>1,023</b>	<b>1,282</b>
Run-off profits, net of reinsurance	381	82	82	258	264
Gross loss ratio (%)	68.9	67.4	66.7	67.7	67.8
Net reinsurance ratio (%)	1.9	3.4	1.5	1.9	1.0
Claims trend (%)	70.8	70.8	68.2	69.6	68.8
Gross expense ratio (%)	15.9	15.0	15.0	15.6	16.2
Combined ratio (%)	86.7	85.8	83.2	85.2	85.1
Combined ratio excl. run-off profits (%)	90.9	89.4	86.9	89.0	89.0

## Segment reporting

### Personal

The Personal segment sells policies to individual households in Denmark.

Compared to Q1-Q3 2015, premiums earned declined 1.7% to DKK 3,710m. Premiums earned in personal and illness/accident declined 0.3%, while there was a 4.6% decline in premiums earned on motor insurance impacted by a decline in the average premium price (1.8%) and a decline in the number of cars insured (1.8%). In Q3 2016, premiums earned declined 0.9% to DKK 1,236m primarily due to a decline in motor insurance premium prices.

The technical result declined DKK 19m to DKK 588m in Q1-Q3 2016.

The claims trend increased 0.3pp to 67.7. Compared to the first three quarters of 2015, the claims trend was impacted by an improvement in fire claims (0.3pp) and theft (0.2pp), as well as lower expenses for weather-related claims (0.1pp). The claims trend also benefited from higher run-off profits (0.3pp). On the other hand, the claims trend was adversely impacted by an increase in claims in motor insurance (0.6pp loss).

The expense ratio increased to 16.5 (Q1-Q3 2015: 15.9) due to an increase in the number of sales employees, increased payroll tax and the lower level of premiums.

The combined ratio increased to 84.1 (Q1-Q3 2015: 83.9). Excluding run-off profits, the combined ratio increased to 88.9 (Q1-Q3 2015: 88.4).

Personal (DKKm)	Full year 2015	Q3 2015	Q3 2016	Q1-Q3 2015	Q1-Q3 2016
Gross premiums earned	4,986	1,247	1,236	3,773	3,710
Claims incurred	(3,413)	(852)	(827)	(2,516)	(2,455)
Expenses	(809)	(191)	(190)	(600)	(611)
Net reinsurance	(68)	(22)	(23)	(49)	(55)
<b>Technical result</b>	<b>696</b>	<b>182</b>	<b>197</b>	<b>607</b>	<b>588</b>
Run-off profits, net of reinsurance	221	66	26	169	177
Gross loss ratio (%)	68.5	68.3	66.9	66.7	66.2
Net reinsurance ratio (%)	1.4	1.8	1.8	1.3	1.5
Claims trend (%)	69.8	70.1	68.7	68.0	67.7
Gross expense ratio (%)	16.2	15.3	15.4	15.9	16.5
Combined ratio (%)	86.0	85.4	84.1	83.9	84.1
Combined ratio excl. run-off profits (%)	90.5	90.6	86.2	88.4	88.9

### SME and Industrial

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

In Q1-Q3 2016, premiums earned declined 0.8% to DKK 2,977m. The reason is the continued loss of less profitable customers. Accordingly, compared to the first three quarters of 2015, premiums earned declined 7.7% in workers' compensation insurance alone, where profitability is generally poor. In Q3 2016, premiums earned increased 1.0% to DKK 1,005m.

The technical result increased DKK 15m to DKK 411m.

The claims trend improved 1.3pp to 70.3. The claims trend was adversely impacted by the large-scale claim at Fredericia Harbour (0.5pp). On the other hand, the claims trend benefited from a generally better claims trend, primarily in contents insurance and liability insurance.

The expense ratio increased 0.7pp to 15.9 in Q1-Q3 2016 due to an increase in person-related expenses, including higher payroll tax and expenses for development of a new IT system for the agricultural area.

The combined ratio improved to 86.2 (Q1-Q3 2015: 86.8). Excluding run-off profits, the combined ratio improved to 89.1 (Q1-Q3 2015: 89.8).

SME and Industrial (DKK m)	Full year 2015	Q3 2015	Q3 2016	Q1-Q3 2015	Q1-Q3 2016
Gross premiums earned	4,011	995	1,005	3,002	2,977
Claims incurred	(2,783)	(658)	(669)	(2,070)	(2,081)
Expenses	(619)	(145)	(145)	(456)	(472)
Net reinsurance	(105)	(55)	(11)	(80)	(13)
<b>Technical result</b>	<b>505</b>	<b>137</b>	<b>180</b>	<b>396</b>	<b>411</b>
Run-off profits, net of reinsurance	161	16	56	89	87
Gross loss ratio (%)	69.4	66.1	66.6	69.0	69.9
Net reinsurance ratio (%)	2.6	5.5	1.1	2.7	0.4
Claims trend (%)	72.0	71.6	67.6	71.6	70.3
Gross expense ratio (%)	15.4	14.6	14.5	15.2	15.9
Combined ratio (%)	87.4	86.2	82.1	86.8	86.2
Combined ratio excl. run-off profits (%)	91.4	87.8	87.7	89.8	89.1

## Life insurance

The result from life insurance was a profit of DKK 135m in Q1-Q3 2016 (Q1-Q3 2015: DKK 89m).

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 (DKK m)	Full year 2015	Q3 2015	Q3 2016	Q1-Q3 2015	Q1-Q3 2016
Investment return on shareholders' equity	57	12	23	17	37
Sales and administration	(45)	(5)	3	(23)	(29)
Insurance risk	19	9	5	14	17
Risk return on shareholders' equity	137	33	38	101	109
Risk return transferred to (minus)/from shadow account	7	(28)	0	(21)	0
<b>Profit on life insurance</b>	<b>174</b>	<b>21</b>	<b>69</b>	<b>89</b>	<b>135</b>
<b>Estimated value of shadow account end of period</b>	12			46	9

The result for Q1-Q3 2015 was strongly impacted by the instability in the financial markets, resulting in transfer of DKK 21m risk return to the shadow account. The investment return was significantly higher in Q1-Q3 2016. This had a favourable effect on the investment return on shareholders' equity and recognition as income of risk return.

The result of sales and administration declined DKK 6m primarily due to continued growth, and an increase in expenses in connection with the development of a new administration system.

The value of the shadow account is changed from DKK 12m at the end of 2015 to DKK 9m, at the end of September 2016. The balance at the end of September 2016 is the result of losses in the cost groups in Q1-Q3 2016, while the value of the shadow account has been reduced to DKK 0m at the end of 2015, as we do not expect recognition of income in the next 5 years (interim arrangement of the new Danish Contribution Order).

## Trend in premiums

Gross premiums increased 23.6% to DKK 5,648m in Q1-Q3 2016, of which premiums on unit-linked pension schemes were DKK 4,359m, representing a 26.9% increase compared to Q1-Q3 2015.

Unit-linked pension schemes represented 94% of new pension schemes written in Q1-Q3 2016.

Regular premiums increased 6.3% to DKK 1,981m in Q1-Q3 2016. Single premiums were DKK 3,666m, representing a 35.5% increase.

## Developments in Q3 2016

The result of life insurance increased to DKK 69m in Q3 2016 (Q3 2015: DKK 21m). The Q3 2015 result was impacted by a moderate investment return. The improvement in Q3 2016 was primarily due to a better than assumed investment return and full recognition as income of risk return.



Gross premiums increased 10.4% to DKK 1.752 in Q3 2016 of which premiums on unit-linked pension schemes were DKK 1,353m, a 4.2% increase compared to Q3 2015.

Regular premiums increased by 7.7% to DKK 591m in Q3 2016.

Single premiums were DKK 1,161m in Q3 2016, representing an 11.9% increase.

## Investment activities Topdanmark Group excl. life insurance

The investment return in the Topdanmark Group excluding life insurance was DKK 908m in Q1-Q3 2016, (Q1-Q3 2015: DKK 8m loss).

Unwinding and revaluation of non-life insurance provisions were DKK 569m (loss) in Q1-Q3 2016 (Q1-Q3 2015: DKK 39m).

The investment return after unwinding and revaluation of non-life insurance provisions was DKK 339m in Q1-Q3 2016, (Q1-Q3 2015: DKK 30m).

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

The return in Q1-Q3 2016 on the most significant classes of assets is disclosed in the following table:

Investment return	Portfolio		Return Q3 2016		Return Q1-Q3 2016	
	30 Sep 2016 (DKKbn)		(DKKm)	%	(DKKm)	%
Danish equities	0.3		25	7.2	11	3.0
Foreign equities	0.6		31	5.6	21	3.7
Unlisted equities and hedge funds	0.4		38	11.3	44	13.2
Government and mortgage bonds	13.6		103	0.7	474	3.6
Credit bonds	0.3		3	1.1	9	2.4
Index linked bonds	0.5		5	1.1	14	3.1
CDOs	0.7		75	12.9	103	18.5
Properties	1.0		15	1.6	43	4.4
Assets related to I/A	2.3		48	2.1	197	9.1
Money market etc.	1.5		4	0.2	(8)	(0.4)
Subordinated loan capital	(1.8)		(13)	(0.7)	(48)	(2.4)
Interest-bearing debt	0.0		1	0.4	0	0.0
	19.4		336	1.8	860	4.7
Asset management			17		48	
Investment return			353		908	
Unwinding and revaluations non-life insurance provisions			(121)		(569)	
Investment return after unwinding and revaluations non-life insurance provisions			232		339	

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

The investment return, including unwinding and revaluation of non-life insurance provisions, was higher than assumed in the profit forecast for 2016 in the Half-Year Report for 2016. The higher investment return is attributed to CDOs. The exposure to the credit market and private equity has also contributed more than assumed in the profit forecast model.

The post-tax equity exposure was DKK 778m (pre-tax: DKK 998m) excluding associated companies, but including the impact of derivatives. The equity portfolios are well diversified with no large individual positions.

The composition of the portfolios is based on OMXCCAP for Danish equities, representing around 30% of the portfolio at 30 September 2016, and MSCI World DC in the original currency for foreign equities.

The class "Unlisted equities and hedge funds" includes private equity positions (DKK 77m) and positions in hedge funds where the investment mandates aim at positioning in the credit market (DKK 235m).

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

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

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

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

The property portfolio mainly comprises owner-occupied property (DKK 855m). The properties are valued in accordance with the rules of the DFSA (Danish Financial Supervisory Authority) i.e. at market value taking into account the level of rent and the terms of the tenancy agreements. 98% of the property portfolio is currently let.

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.

Topdanmark uses the Solvency II discount curve with volatility adjustment (VA) for assessing insurance provisions. The VA component comprises a corrective element for the development in pricing of Danish mortgage bonds, as well as a corrective element for the development in pricing of European business credits. The VA component was 56bp at the end of Q3 and 60bp at the beginning of the year.

## Solvency calculation and capital requirements

Solvency II took effect on 1 January 2016.

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

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

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

### Own funds

Principal elements of own funds:

Shareholders' equity

+ Deferred tax on security funds

+ Profit margin

- Intangible assets

- DFSA-approved share buy-back programme

+ Tax effect

+ Usable share, hybrid capital (max. 20% of tier 1)

+ Usable share, subordinated notes (Max. 50% of SCR)

Own funds

On 24 June 2011, Topdanmark Forsikring issued subordinated notes at a value of DKK 400m. These subordinated notes were redeemed on 24 June 2016, which was the first possible date of redemption: cf. company announcement of 21 June 2011 from Topdanmark Forsikring.

In December 2015, Topdanmark issued subordinated notes in two tranches, cf. company announcement of 2 December 2015:

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

The overall outstanding subordinated notes are DKK 1,350m.

At the end of Q3 2016, Topdanmark's own funds were DKK 6,402m (end of Q2 2016: DKK 5,896m).

The increase of DKK 506m is impacted by DKK 400m planned share buy-back in the period August to December 2016, already approved by the DFSA in Q2 2016, deducted from own funds at the end of Q2, while the permit for the DKK 450m buy-back for November 2016 to March 2017 was not granted until Q4 2016. Consequently, this was not deducted from own funds at the end of Q3.

The solvency requirement (SCR) was DKK 4,039m (end of Q2 2016: DKK 3,868m).

The solvency rate is 159 (end of Q2 2016: 152).

## 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 holding costs.

The result was a profit of DKK 8m in Q1-Q3 2016 (Q1-Q3 2015: DKK 11m).

## Taxation

The tax charge was DKK 298m of the pre-tax profit of DKK 1,425m, corresponding to an effective tax rate of 20.9% (Q1-Q3 2015: 23.3%).

## Profit forecast model for 2016

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.

In the Half-Year Report for 2016 and company announcement no. 59/2016 it was stated that Topdanmark assumed negative premium growth in 2016 and a combined ratio of around 89, excluding run-off for the second half of 2016. Overall, the profit forecast model assumed a post-tax profit of DKK 1,000-1,100m, excluding run-off in H2 2016.

## Non-life insurance

In the Half-Year Report for 2016 and in company announcement no. 59/2016, the profit forecast model for non-life insurance was based on the following assumptions:

- An expense ratio of around 16
- A normal year for weather-related claims in H2 2016, i.e. weather-related claims of DKK 95m in H2 2016
- A level of interest rates corresponding to the interest rate curve on 5 August 2016
- An annual 7.0% return on equities and unchanged foreign exchange rates from the level on 5 August 2016.

Since the most recent profit forecast model was published in the Half-Year Report for 2016 and in company announcement no. 59/2016, the following assumptions have changed:

- In Q3 2016, there were run-off profits of DKK 82m, corresponding to a 0.9pp improvement of the combined ratio
- Weather-related claims were DKK 0m in Q3 2016 as compared to the assumed level of weather-related claims of DKK 45m, corresponding to a 0.5pp improvement of the claims trend
- Increase in the interest rate level, corresponding to a 0.2pp improvement in combined ratio
- From 5 August to 4 November 2016, the assumed pre-tax investment return has been DKK 120m higher than originally assumed, favourably impacted by CDOs, unlisted equities and hedge funds, and also Danish mortgage bonds.

The assumed combined ratio for 2016 is 87-88, excluding run-off in Q4 2016.

In Q3 2016, premiums earned were on par with the assumed level. Consequently, negative growth in premiums for 2016 is still assumed.

Overall, the assumed pre-tax profit on non-life insurance is DKK 1,350-1,450m.

## Life insurance

The profit forecast model for life insurance for 2016 was based on the following assumptions:

- A 5% growth in regular premiums
- No recognition of income from the shadow account
- Improved result of investment return on equity and result of insurance risk.

These assumptions have not changed.

Overall, the assumed pre-tax profit on life insurance is DKK 160-190m.

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 Annual Report for 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 20-30m.

## Taxation

Given a corporation tax rate of 22.0%, the tax charge is expected to be DKK 330-370m.

## Total Group profit

Topdanmark's overall post-tax profit forecast model for 2016 is upgraded by DKK 200m to DKK 1,200-1,300m, representing EPS of DKK 13.5. The assumed profit for 2016 is exclusive of run-off in Q4 2016.

This profit forecast model is based on the assumption of an annual 7% return on equities and foreign exchange rates unchanged from the level of 4 November 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 1.82% (risk-free interest rate plus 2.0pp)

Profit forecast 2016 (DKKm)	Results 2015	Forecast 2016 5 August 2016	Forecast 2016 4 November 2016
Non-life insurance			
- Technical result	1,195	950	1,000
- Investment return after unwinding and revaluations non-life insurance provisions	147	150	200
Profit on non-life insurance	1,342	1,100	1,200
Life insurance	174	160	190
Parent company etc.	31	30	40
Pre-tax profit	1,547	1,290	1,430
Taxation	(364)	(290)	(330)
<b>Profit for the year</b>	<b>1,183</b>	<b>1,000</b>	<b>1,100</b>

## Share buy-back

The Half-Year Report for 2016 stated that it was Topdanmark's intention to buy back Topdanmark shares at a value of DKK 1,450m. The buy-back for 2016 will be executed from the time of the announcement of annual results, 11 February 2016 until the announcement of the Annual Report for 2016, 23 February 2017.

On the basis of the assumed result for 2016, the buy-back of Topdanmark shares is upgraded DKK 200m, so that the intended buy-back for 2016 will be DKK 1,650m, representing a buy-back yield of 10.0% calculated on the basis of the price of the Topdanmark share on 4 November 2016.

The DFSA has approved the buy-back of DKK 1,450m stated in the Half-Year Report for 2016.

Before 23 February 2017, Topdanmark will apply for additional buy-back of DKK 200m, due to the upgrade. The buy-back will take place in 2017.

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

At 11 November 2016, Topdanmark has bought back own shares of DKK 1,000m of the 2016 buy-back programme, corresponding to 5,782,820 shares, which leaves a balance of DKK 650m of the 2016 buy-back programme.

At Topdanmark's Annual General Meeting on 7 April 2016, the share capital was written down by 10,000,000 shares. On the expiry for filing objections, the number of shares will be 95,000,000. Subsequently, Topdanmark's holding of own shares will be 6,572,000, and the number of voting shares will be 88,428,000.

Since 1998, when Topdanmark started buying back own shares, it has been decided to cancel DKK 16.8bn of own shares representing a 77% write-down of the share capital. The average price of the written-down shares is 53.

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

From 16 November 2016 to 17 February 2017, Danske Bank has been authorised to buy Topdanmark shares up to a value of DKK 450m.

Until 17 February 2017, the maximum amount Topdanmark can pay for shares under the programme is DKK 450m, and a maximum of 5,000,000 shares can be bought, representing 5.3% 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, at the beginning of each week Topdanmark will announce the number and the value of the shares bought back in a separate company announcement to Nasdaq Copenhagen.

## Assumptions for profit forecast model for 2017

The assumptions for the profit forecast for 2017 remain unchanged, cf. company announcement no 59/2016. The profit forecast model for 2017 is based on the following assumptions:

- Like previous years, average premiums in motor insurance will decline in 2017. In Q1-Q3 2016, this area generated 24% of Topdanmark's gross premiums
- In recent years, Topdanmark has reduced its exposure to the industrial market, primarily in the market for workers' compensation
- The remaining large-scale customers will be leaving Topdanmark by the end of 2016 at the latest

- The automatic premium indexing in the personal segment will be 1.8% in 2017 (2016: 1.4%)
- In 2015 and 2016, Topdanmark has implemented a new model for distribution via insurance sales representatives in the personal segment, giving the insurance sales representatives extended authority for individual risk assessments in connection with new policies. This has resulted in a loss of momentum in new sales but will enhance the quality in the new customer portfolio. Finalisation of implementation of the new sales model will result in premium growth in the personal segment, excluding motor insurance
- Weather-related claims of DKK 170m
- Interest rate level corresponding to the interest rate curve on 4 November 2016
- An expense ratio around 16.

On the basis of these assumptions, a practically unchanged premium level in non-life insurance and a combined ratio of 90-91 excluding run-off are estimated for 2017.

## Financial calendar

Deadline for submitting items for AGM agenda	20 Feb 2017
2016 Annual Report	23 Feb 2017
AGM	4 Apr 2017
Q1 2017 Interim Report	23 May 2017
2017 Half-year Report	15 Aug 2017
Q1-Q3 2017 Interim Report	14 Nov 2017

## Disclaimer

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

Many factors may cause significant deviation from the forecasts and assumptions set out in the interim report. Such factors could be, for example, cyclical movements, changes in the financial markets, the financial effect of 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 concerning Topdanmark on statements relating to the future, should give their own careful consideration to these and other factors of uncertainty.

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

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

## Accounting policies

The interim report for Q1-Q3 2016 has been prepared in accordance with IAS 34 on interim reports for listed companies. Furthermore, the interim report has been prepared in accordance with additional Danish disclosure requirements on interim reports for listed financial services companies.

Accounting policies have been adapted to the changed Danish Executive Order on Financial Statements that took effect on 1 January 2016.

Comparative figures for the Topdanmark Group excluding life insurance have been adapted with effect from the 2015 opening balance, from which time EIOPA has published interest rate curves and the Topdanmark Group's models for calculation of premium provisions and profit margin have been established in accordance with the new accounting policies.

It has not been practicable to prepare comparative figures for life insurance.

Please see the Interim Report for Q1 2016 for further description of the changed accounting policies and the effect of the change in comparative figures.

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

The effects of combined ratio on the financial ratios are shown in the table below:

Combined ratio (%)	Full year 2015		Q3 2015		Q1-Q3 2015	
	Accounts	New policy	Accounts	New policy	Accounts	New policy
Gross loss ratio	69.5	68.9	67.8	67.4	68.3	67.7
Net reinsurance ratio	1.9	1.9	3.4	3.4	1.9	1.9
Claims trend	71.4	70.8	71.2	70.8	70.2	69.6
Gross expense ratio	15.9	15.9	15.1	15.0	15.7	15.6
Combined ratio	87.3	86.7	86.2	85.8	85.9	85.2
Combined ratio excl. run-off profits	91.6	90.9	89.9	89.4	89.7	89.0

## Income statement • Group

(DKK m)	Full year Note	Q3 2015	Q3 2016	Q1-Q3 2015	Q1-Q3 2016	
<b>NON-LIFE INSURANCE</b>						
Gross premiums written		8,883	1,595	1,614	7,309	7,246
Reinsurance ceded		(671)	(159)	(151)	(608)	(587)
Change in the provisions for unearned premiums		51	556	557	(756)	(711)
Change in profit margin and risk margin		105	102	76	251	176
Change in reinsurers' share of the provisions for unearned premiums		3	(4)	(13)	100	109
<b>Premiums earned, net of reinsurance</b>		<b>8,371</b>	<b>2,090</b>	<b>2,083</b>	<b>6,296</b>	<b>6,233</b>
Gross claims paid		(6,254)	(1,469)	(1,441)	(4,641)	(4,620)
Reinsurance cover received		476	112	122	381	303
Change in the provisions for claims		71	(29)	(46)	88	130
Change in risk margin		14	(6)	(0)	(12)	(20)
Change in reinsurers' share of the provisions for claims		(68)	(45)	(19)	(68)	40
<b>Claims incurred, net of reinsurance</b>	1	<b>(5,761)</b>	<b>(1,436)</b>	<b>(1,384)</b>	<b>(4,252)</b>	<b>(4,168)</b>
<b>Bonuses and rebates</b>		<b>(62)</b>	<b>(16)</b>	<b>(11)</b>	<b>(43)</b>	<b>(39)</b>
Acquisition costs		(920)	(204)	(217)	(678)	(705)
Administrative expenses		(484)	(126)	(112)	(360)	(360)
Reinsurance commission and share of profits		86	19	27	66	66
<b>Total operating expenses, net of reinsurance</b>		<b>(1,318)</b>	<b>(311)</b>	<b>(302)</b>	<b>(972)</b>	<b>(999)</b>
<b>TECHNICAL PROFIT ON NON-LIFE INSURANCE</b>		<b>1,231</b>	<b>327</b>	<b>386</b>	<b>1,028</b>	<b>1,028</b>
<b>LIFE INSURANCE</b>						
Gross premiums written	2	6,320	1,587	1,752	4,571	5,648
Reinsurance ceded		(10)	(3)	(2)	(8)	(4)
<b>Premiums, net of reinsurance</b>		<b>6,309</b>	<b>1,584</b>	<b>1,751</b>	<b>4,563</b>	<b>5,643</b>
<b>Allocated investment return, net of reinsurance</b>		<b>1,194</b>	<b>(971)</b>	<b>1,459</b>	<b>415</b>	<b>1,929</b>
<b>Pension return tax</b>		<b>(165)</b>	<b>122</b>	<b>(166)</b>	<b>(59)</b>	<b>(300)</b>
Claims and benefits paid		(3,240)	(734)	(826)	(2,414)	(2,593)
Reinsurance cover received		7	1	1	4	4
<b>Claims and benefits paid, net of reinsurance</b>		<b>(3,233)</b>	<b>(732)</b>	<b>(825)</b>	<b>(2,410)</b>	<b>(2,589)</b>
Change in life insurance provisions		(3,680)	78	(2,104)	(2,218)	(4,351)
Change in reinsurers' share		(1)	3	(2)	2	(5)
<b>Change in the life insurance provisions, net of reinsurance</b>		<b>(3,681)</b>	<b>81</b>	<b>(2,106)</b>	<b>(2,216)</b>	<b>(4,356)</b>
<b>Change in profit margin</b>		<b>-</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(16)</b>
Acquisition costs		(153)	(37)	(32)	(114)	(109)
Administrative expenses		(253)	(59)	(58)	(186)	(199)
Reinsurance commission and share of profits		1	0	1	1	1
<b>Total operating expenses, net of reinsurance</b>		<b>(405)</b>	<b>(96)</b>	<b>(89)</b>	<b>(299)</b>	<b>(307)</b>
<b>TECHNICAL PROFIT / (LOSS) ON LIFE INSURANCE</b>		<b>19</b>	<b>(11)</b>	<b>18</b>	<b>(5)</b>	<b>4</b>

## Income statement • Group

(DKKm)	Full year 2015	Q3 2015	Q3 2016	Q1-Q3 2015	Q1-Q3 2016
<b>NON-TECHNICAL ACTIVITIES</b>					
Technical profit on non-life insurance	1,231	327	386	1,028	1,028
Technical profit / (loss) on life insurance	19	(11)	18	(5)	4
Income from associated companies	93	18	8	74	25
Income from investment properties	94	27	20	81	60
Interest income and dividends etc.	1,938	388	376	1,595	1,325
Revaluations	(577)	(1,326)	1,470	(1,162)	1,611
Interest charges	(61)	(12)	(15)	(48)	(59)
Expenses on investment business	(66)	(13)	(12)	(46)	(41)
<b>Total investment return</b>	<b>1,421</b>	<b>(917)</b>	<b>1,846</b>	<b>495</b>	<b>2,920</b>
Unwinding and revaluations non-life insurance provisions	93	(87)	(121)	39	(569)
Investment return transferred to life insurance business	(1,194)	971	(1,459)	(415)	(1,929)
Other income	20	5	5	14	14
Other expenses	(42)	(8)	(12)	(33)	(43)
<b>PRE-TAX PROFIT</b>	<b>1,547</b>	<b>281</b>	<b>662</b>	<b>1,123</b>	<b>1,425</b>
Taxation	(364)	(70)	(129)	(261)	(298)
<b>PROFIT FOR THE PERIOD</b>	<b>1,183</b>	<b>210</b>	<b>533</b>	<b>861</b>	<b>1,127</b>
EPS (DKK)	11.8	2.1	5.9	8.5	12.2
EPS, diluted (DKK)	11.8	2.1	5.9	8.4	12.1

## Statement of comprehensive income • Group

Profit for the period	1,183	210	533	861	1,127
Items which cannot subsequently be reclassified as profit or loss:					
Revaluation of owner-occupied properties	1	0	0	1	1
Other comprehensive income	1	0	0	1	1
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,184</b>	<b>210</b>	<b>533</b>	<b>862</b>	<b>1,128</b>



## Assets • Group

(DKK)m	31 Dec 2015	30 Sep 2015	30 Sep 2016
<b>INTANGIBLE ASSETS</b>	689	661	772
Operating equipment	127	122	137
Owner-occupied properties	857	857	855
<b>TOTAL TANGIBLE ASSETS</b>	984	979	993
Investment properties	3,868	3,817	3,391
Shares in associated companies	172	153	660
Total investment in associated companies	172	153	660
Shares	6,740	6,519	5,881
Unit trusts	0	48	0
Bonds	31,455	33,587	37,207
Loans guaranteed by mortgages	7	10	7
Other loans	32	0	0
Deposits with credit institutions	3,721	1,904	906
Derivatives	1,350	1,301	203
Total other financial investment assets	43,304	43,369	44,203
<b>TOTAL INVESTMENT ASSETS</b>	47,344	47,339	48,254
<b>INVESTMENT ASSETS RELATED TO MARKET INTEREST PRODUCTS</b>	15,645	13,354	19,200
Reinsurers' share of provisions for unearned premiums	71	156	170
Reinsurers' share of life insurance provisions	32	35	27
Reinsurers' share of the provisions for claims and benefits	582	582	624
Total reinsurers' share of provisions	684	773	821
Amounts due from policyholders	328	333	317
Amounts due from insurance companies	81	59	90
Amounts due from associated companies	353	380	373
Other debtors	259	543	199
<b>TOTAL DEBTORS</b>	1,706	2,088	1,800
Current tax assets	47	0	0
Deferred tax assets	14	13	11
Liquid funds	640	261	418
Other	120	118	50
<b>TOTAL OTHER ASSETS</b>	821	392	479
Accrued interest and rent	285	257	269
Other prepayments and accrued income	193	213	202
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	477	470	471
<b>TOTAL ASSETS</b>	67,667	65,283	71,969

## Shareholders' equity and liabilities • Group

(DKK)m	Note	31 Dec 2015	30 Sep 2015	30 Sep 2016
Share capital		105	105	95
Revaluation reserve		11	11	12
Security fund		1,146	1,146	1,146
Other reserves		47	46	55
Total reserves		1,193	1,191	1,201
Profit carried forward		3,312	3,363	3,382
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,621</b>	<b>4,671</b>	<b>4,690</b>
<b>SUBORDINATED LOAN CAPITAL</b>		<b>2,154</b>	<b>808</b>	<b>1,755</b>
Provisions for unearned premiums		1,922	2,736	2,683
Profit margin, non-life insurance contracts		817	670	623
Products with guarantees and profitsharing		24,321	24,640	24,460
Unit Linked products		16,216	14,321	20,739
Total life insurance provisions		40,537	38,962	45,199
Profit margin, life insurance and investment contracts		-	-	179
Provisions for claims and benefits		13,121	13,160	13,422
Risk margin, non-life insurance contracts		313	320	345
Provisions for bonuses and rebates		137	126	134
<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>		<b>56,847</b>	<b>55,974</b>	<b>62,585</b>
Pensions and similar commitments		28	29	29
Deferred tax liabilities		73	13	63
Deferred tax on security funds		306	306	306
<b>TOTAL LIABILITIES PROVIDED</b>		<b>407</b>	<b>347</b>	<b>398</b>
<b>DEPOSITS RECEIVED FROM REINSURERS</b>		<b>62</b>	<b>78</b>	<b>65</b>
Creditors arising out of direct insurance operations		394	306	224
Creditors arising out of reinsurance operations		43	30	24
Amounts due to credit institutions		1,346	1,204	480
Amounts due to associated companies		0	2	0
Current tax liabilities		9	229	165
Derivatives		527	615	486
Other creditors		1,133	937	996
<b>TOTAL CREDITORS</b>		<b>3,452</b>	<b>3,322</b>	<b>2,375</b>
<b>ACCRUALS AND DEFERRED INCOME</b>		<b>123</b>	<b>82</b>	<b>101</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>67,667</b>	<b>65,283</b>	<b>71,969</b>
Financial assets and liabilities	3			
Contingent liabilities	4			

## Cash flow statement • Group

(DKK m)	Full year 2015	Q1-Q3 2015	Q1-Q3 2016
<b>Cash flow from operations</b>			
Gross premiums written	8,827	7,241	7,207
Claims paid	(6,182)	(4,584)	(4,617)
Expenses	(1,314)	(999)	(1,045)
Reinsurance ceded	(12)	(64)	(224)
Cash flow from non-life insurance	1,319	1,594	1,321
Gross premiums written	6,398	4,482	5,429
Claims and benefits	(3,365)	(2,531)	(2,604)
Pension return tax	(496)	(493)	(255)
Expenses	(385)	(273)	(306)
Reinsurance ceded	(52)	(36)	(4)
Cash flow from life insurance	2,099	1,150	2,259
Total cash flow from insurance business	3,418	2,744	3,581
Payments on investment contracts	525	378	477
Dividends from associated companies	8	8	0
Interest income and dividends etc.	1,999	1,604	1,454
Interest charges etc.	(131)	(106)	(102)
Corporation tax	(403)	(94)	(105)
Other items	(20)	(17)	(26)
<b>Total cash flow from operations</b>	<b>5,396</b>	<b>4,516</b>	<b>5,278</b>
<b>Investments</b>			
Intangible assets, operating equipment	(200)	(140)	(146)
Properties	48	102	(35)
Shares in associated companies	245	0	(3)
Shares	1,458	1,364	853
Unit trust shares	33	(18)	0
Bonds	1,974	(66)	(5,125)
Loans	(28)	2	32
Derivatives	(970)	(656)	1,569
Investment activities related to market interest products	(5,107)	(3,343)	(3,130)
Balances with associated companies	123	118	8
<b>Total investments</b>	<b>(2,424)</b>	<b>(2,638)</b>	<b>(5,978)</b>
<b>Financing</b>			
Shares bought back	(1,652)	(1,259)	(1,093)
Share-based payments	50	47	20
Sale of own shares	16	16	0
Redemption of subordinated loan capital	(350)	(350)	(400)
Issue of subordinated loan capital	1,345	0	0
Bond loans	(29)	(29)	0
Amounts due to credit institutions	(615)	(758)	(866)
<b>Total financing</b>	<b>(1,235)</b>	<b>(2,333)</b>	<b>(2,338)</b>
Change in cash and cash equivalents	1,736	(455)	(3,039)
Cash and cash equivalents at 1 January	2,590	2,590	4,361
Revaluation of cash and cash equivalents	35	30	2
Cash and cash equivalents at 31 December	4,361	2,164	1,324
Cash and cash equivalents comprise:			
Liquid funds	640	261	418
Deposits with credit institutions	3,721	1,904	906
	4,361	2,164	1,324

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

## Statement of changes in equity • Group

(DKK m)

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Total
<b>2015</b>						
Shareholders' equity at 31 December prior year	115	10	1,146	39	3,825	5,135
Effect of new Executive Order on Financial Statements					(103)	(103)
Equity end of year 2015 according to new Executive Order on Financial Statements	115	10	1,146	39	3,723	5,033
Profit for the year				8	1,175	1,183
Other comprehensive income		1		0	0	1
Total comprehensive income for the year		1		8	1,175	1,184
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
Share-based payments					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>3,312</b>	<b>4,621</b>
<b>Q1-Q3 2015</b>						
Shareholders' equity at 31 December prior year	115	10	1,146	39	3,825	5,135
Effect of new Executive Order on Financial Statements					(103)	(103)
Equity end of year 2015 according to new Executive Order on Financial Statements	115	10	1,146	39	3,723	5,033
Profit for the period				7	855	861
Other comprehensive income		1		0	0	1
Total comprehensive income for the period		1		7	855	862
Cancellation of own shares	(10)				10	0
Share buy-back					(1,290)	(1,290)
Sale of own shares					16	16
Issue of share options					8	8
Share-based payments					47	47
Taxation					(4)	(4)
Other transactions					(1,214)	(1,224)
<b>Shareholders' equity at 30 September 2015</b>	<b>105</b>	<b>11</b>	<b>1,146</b>	<b>46</b>	<b>3,363</b>	<b>4,671</b>
<b>Q1-Q3 2016</b>						
Shareholders' equity at 31 December prior year	105	11	1,146	47	3,364	4,673
Effect of new Executive Order on Financial Statements					(49)	(49)
Equity end of year 2015 according to new Executive Order on Financial Statements	105	11	1,146	47	3,315	4,624
Profit for the period				9	1,118	1,127
Other comprehensive income		1		0	0	1
Total comprehensive income for the period		1		9	1,118	1,128
Cancellation of own shares	(10)				10	0
Share buy-back					(1,087)	(1,087)
Issue of share options					7	7
Share-based payments					20	20
Taxation					(1)	(1)
Other transactions	(10)				(1,051)	(1,061)
<b>Shareholders' equity at 30 September 2016</b>	<b>95</b>	<b>12</b>	<b>1,146</b>	<b>55</b>	<b>3,382</b>	<b>4,690</b>

## Segment information • Group

### Income statement

(DKKm)	Per- sonal	SME and Industrial	Elimin- ated	Non-life	Life	Parent etc.	Elimin- ated	Group
<b>Q1-Q3 2015</b>								
<b>Non-life insurance</b>								
Gross premiums earned	3,773	3,002	(14)	6,760				6,760
Claims incurred	(2,516)	(2,070)	10	(4,576)			11	(4,565)
Expenses	(600)	(456)	1	(1,055)			17	(1,038)
Net reinsurance	(49)	(80)	0	(130)				(130)
Technical profit / (loss) on non-life insurance	607	396	(2)	1,000			28	1,028
<b>Life insurance</b>								
Gross premiums written					4,571			4,571
Allocated investment return					415			415
Pension return tax					(59)			(59)
Benefits and change in provisions					(4,632)			(4,632)
Expenses					(305)		5	(300)
Technical profit / (loss) on life insurance					(10)		5	(5)
Total investment return				(47)	452	38	53	495
Pension return tax				3	(3)			0
Unwinding and revaluations non-life insurance provisions				39				39
Transferred to technical result					(415)			(415)
Other items				28	66	(27)	(86)	(19)
<b>Pre-tax profit</b>				1,023	89	11	0	1,123
Taxation								(261)
<b>Profit</b>								861
<b>Q1-Q3 2016</b>								
<b>Non-life insurance</b>								
Gross premiums earned	3,710	2,977	(15)	6,672				6,672
Claims incurred	(2,455)	(2,081)	13	(4,523)			12	(4,511)
Expenses	(611)	(472)	0	(1,084)			19	(1,065)
Net reinsurance	(55)	(13)	0	(68)				(68)
Technical profit / (loss) on non-life insurance	588	411	(2)	997			31	1,028
<b>Life insurance</b>								
Gross premiums written					5,648			5,648
Allocated investment return					1,929			1,929
Pension return tax					(300)			(300)
Benefits and change in provisions					(6,960)			(6,960)
Expenses					(314)		5	(309)
Net reinsurance					(4)			(4)
Technical profit / (loss) on life insurance					(1)		5	4
Total investment return				865	1,947	42	66	2,920
Pension return tax				(27)	27			0
Unwinding and revaluations non-life insurance provisions				(569)				(569)
Transferred to technical result					(1,929)			(1,929)
Other items				16	90	(34)	(102)	(29)
<b>Pre-tax profit</b>				1,282	135	8	0	1,425
Taxation								(298)
<b>Profit</b>								1,127

## Notes to the financial statements • Group

(DKK m)	Full year 2015	Q1-Q3 2015	Q1-Q3 2016
<b>Note 1. Claims incurred, net of reinsurance – Non-life insurance</b>			
Run-off profit:			
Gross business	387	237	258
Reinsurance ceded	(5)	21	6
Run-off profit, net of reinsurance	381	258	264

### Note 2. Gross premiums written – Life insurance

Individual policies	330	202	195
Policies w hich are part of a tenure	1,650	1,204	1,324
Group life	533	459	462
<b>Regular premiums</b>	<b>2,513</b>	<b>1,865</b>	<b>1,981</b>
Individual policies	1,047	643	1,474
Policies w hich are part of a tenure	2,760	2,063	2,192
<b>Single premiums</b>	<b>3,807</b>	<b>2,706</b>	<b>3,666</b>
<b>Gross premiums</b>	<b>6,320</b>	<b>4,571</b>	<b>5,648</b>

### Note 3. 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 418m. Besides the project financing in Carlsberg Byen (DKK 50m) and Skovkvarteret I (DKK 135m), the item comprises primarily bonds (DKK 212m), the regular return on w hich depends on payment into annuity contracts.

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

	31 Dec 2015	30 Sep 2015	30 Sep 2016
Bonds measured by reference to non-observable inputs - Level 3:			
Portfolio at 1 January	172	172	523
Purchases	97	77	139
Transferred from level 2	254	235	0
Repayments	0	0	(239)
Foreign exchange adjustment	0	0	(5)
Portfolio at 31 December	523	484	418

There have been no changes to the classification of financial assets or financial liabilities in Q1-Q3 2016.

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

The accounting policies for financial assets and commitments are stated in the 2015 Annual Report.

### Note 4. Contingent liabilities

Contract liabilities	121	164	410
Adjustments to VAT liabilities	39	33	50
Other liabilities	13	12	11
Capital commitments to loan funds and private equity funds etc.	1,254	1,240	1,274

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

## Income statement • Parent company

(DKKkm)	Full year 2015	Q3 2015	Q3 2016	Q1-Q3 2015	Q1-Q3 2016
Income from affiliated companies	1,221	217	542	891	1,158
Revaluations	(4)	0	(1)	(4)	1
Interest charges	(9)	(2)	(2)	(7)	(6)
<b>Total investment return</b>	1,208	215	539	880	1,152
Other expenses	(35)	(7)	(9)	(27)	(34)
<b>PRE-TAX PROFIT</b>	1,172	208	530	853	1,118
Taxation	11	2	3	8	9
<b>PROFIT FOR THE PERIOD</b>	1,183	210	533	861	1,127

## Statement of comprehensive income • Parent company

Profit for the period	1,183	210	533	861	1,127
Other comprehensive income from affiliated companies	1	0	0	1	1
Other comprehensive income	1	0	0	1	1
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	1,184	210	533	862	1,128

## Balance sheet • Parent company

(DKKkm)	31 Dec 2015	30 Sep 2015	30 Sep 2016
<b>Assets</b>			
Machinery and equipment		3	3
<b>TOTAL TANGIBLE ASSETS</b>		3	3
Shares in affiliated companies	5,093	4,762	5,190
Total investment in affiliated companies	5,093	4,762	5,190
<b>TOTAL INVESTMENT ASSETS</b>	5,093	4,762	5,190
Amounts due from affiliated companies	497	1,077	610
Other debtors	4	0	1
<b>TOTAL DEBTORS</b>	501	1,077	612
Current tax assets	25	0	0
Deferred tax assets	1	1	2
Liquid funds	2	1	2
<b>TOTAL OTHER ASSETS</b>	28	3	4
<b>TOTAL ASSETS</b>	5,625	5,844	5,809

### Shareholders' equity and liabilities

Share capital	105	105	95
Other reserves	1,344	1,013	1,441
Total reserves	1,344	1,013	1,441
Profit carried forward	3,479	3,859	3,460
<b>TOTAL SHAREHOLDERS' EQUITY</b>	4,927	4,977	4,996
<b>SUBORDINATED LOAN CAPITAL</b>	409	408	409
Amounts due to affiliated companies	264	191	221
Current tax liabilities	0	228	163
Other creditors	24	41	19
<b>TOTAL CREDITORS</b>	289	459	404
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	5,625	5,844	5,809

## Statement by Management

We have today considered and adopted the interim report for Q1-Q3 2016 for Topdanmark A/S.

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

We believe that the consolidated financial statements and the interim financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 30 September 2016 as well as the result of the Group's and the parent company's activities, and the Group's cash flows for the period 1 January to 30 September 2016.

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

Ballerup, 15 November 2016

### Executive Board:

Christian Sagild  
(CEO)

Brian Rothemejer Jacobsen

Lars Thykier

Marianne Wier

### Board of Directors:

Søren Thorup Sørensen  
(Chairman)

Torbjörn Magnusson  
(Deputy Chairman)

Ann-Jeanette Bakkøl

Tina Møller Carlsson

Mette Jensen

Birgitte Nielsen

Lone Møller Olsen

Annette Sadolin

Jens Aaløse