

Summary

Topdanmark A/S is the limited holding company in the Topdanmark Group, consisting of the following insurance companies:

- Topdanmark Forsikring A/S
- Topdanmark Livsforsikring A/S
- Nykredit Livsforsikring A/S

Topdanmark has decided to prepare an overall report on solvency and financial situation (SSFCR report), containing information on the Group and the three companies above.

Topdanmark Forsikring A/S is Denmark's second largest non-life insurance company with a 17% market share. Topdanmark Livsforsikring A/S is Denmark's fifth largest commercial life insurance company with an 8% market share.

The profit on insurance and the investment return increased throughout 2016. The post-tax profit was DKK 1,536m in 2016 (DKK 1,170m in 2015) primarily due to higher run-off profits and a higher investment return.

Topdanmark aims at being a competent partner in a vibrant and dynamic market, by focusing on customer experience and efficiency, including providing new digital communication methods and self-service solutions.

In 2016, Topdanmark's Executive Board was expanded from 3 to 4 members with a view to promoting development primarily within digitalisation and efficiency improvement. The increased focus on digitalisation and increased efficiency is partly to ensure better competitiveness in future and partly to ensure the retention of satisfactory profitability.

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

- Non-life insurance
- Life insurance
- Market
- Counterparty
- Operational
- Compliance
- Strategic.

Topdanmark prepares a risk report every year. The risk report is published on Topdanmark's website, where the details on the above risk areas are stated.

Solvency II took effect on 1 January 2016.

In 2015, the calculation of the solvency capital base was made on the basis of the Danish Executive Order on Solvency which is an adjustment to reflect Solvency II, in which a few new elements of the Solvency II capital base were not included. The Danish Executive Order on Solvency for 2015 already recognised some essential Solvency II elements.

In 2016, the full value of subordinated loan capital can be recognised in accordance with the Solvency II rules. In 2015, Topdanmark's subordinated loan capital was only partly recognised.

From 2016, Topdanmark included profit margin in own funds for life insurance.

Since 2016, Topdanmark Forsikring A/S and Topdanmark Livsforsikring A/S have used the volatility adjusted interest rate curve for calculating insurance provisions.

Solvency II comprises a standard model for calculating the solvency capital requirement, which is common to all insurance companies within the EU. Topdanmark Forsikring's risk profile for non-life insurance and health insurance is significantly different from and lower than the risk profile behind the standard model. Consequently, Topdanmark has decided to use a partial internal model developed in-house for calculating the non-life insurance risk for Topdanmark Forsikring A/S. This model is used for calculating SCR for the Topdanmark Group and for Topdanmark Forsikring A/S.

In 2016, Topdanmark Livsforsikring A/S reduced its own funds by distributing dividends of DKK 700m.

In 2016, Topdanmark Forsikring A/S redeemed subordinated loan capital at a value of DKK 400m.

No other significant changes were made in 2016.

Appendix

Solvency capital requirement and minimum capital requirement

Topdanmark Group

(DKKm)	01.01.16	2016
Solvency Capital Requirement	3,193	3,643
Minimum Capital Requirement	1,686	1,944

The solvency capital requirement is DKK 3,643m and has increased by DKK 450m in 2016, primarily due to a decline in the buffers for loss absorption. The individual bonus potential has declined due to a decline in interest rates in 2016.

The minimum capital requirement has increased by DKK 258m due to an increase in the solvency capital requirement.

Topdanmark Forsikring A/S (insurance)

(DKKm)	01.01.16	2016
Solvency Capital Requirement	2,710	2,650
Minimum Capital Requirement	1,088	1,170

The solvency capital requirement is DKK 2,650m and has declined DKK 60m due to a decline in market risk, an increase in the solvency capital requirement from the internal model and a decline in operational risks.

Topdanmark Livsforsikring A/S (Life insurance)

(DKKm)	01.01.16	2016
Solvency Capital Requirement	1,227	1,659
Minimum Capital Requirement	552	747

The solvency capital requirement is DKK 1,659m and has increased DKK 432m in 2016, primarily due to a decline in the buffers for loss absorption. The individual bonus potential has declined due to a decline in interest rates in 2016.

The minimum capital requirement has increased by DKK 195m – primarily due to the increase in the solvency capital requirement.

Nykredit Livsforsikring A/S (Life insurance)

(DKKm)	01.01.16	2016
Solvency Capital Requirement	46	43
Minimum Capital Requirement	46	28

The minimum capital requirement has declined from DKK 46m to DKK 28m because the premiums of the illness/accident business at 31 December 2016 accounts for less than 10% of the total premiums. Consequently, the minimum capital requirement represents the absolute minimum capital requirement for life insurance companies (EUR 3,700m).