

Summary

Topdanmark A/S is the public 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 prepared 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 16.8% market share. Topdanmark Livsforsikring A/S is Denmark's fifth largest commercial life insurance company with an 8.7% market share.

The post-tax profit in 2017 was DKK 1,733m (DKK 1,536m in 2016) primarily due to a better result in non-life insurance business.

Topdanmark strives continuously to be a competent partner in a vibrant and dynamic market, by focusing on customer experience and efficiency, including, along with a personal service, providing new digital communication methods and self-service solutions.

At the turn of the year, changes were made in the composition of Topdanmark's Executive Board. CEO Christian Sagild left Topdanmark at the end of 2017. In February 2018, Topdanmark Life's CEO Peter Hermann was appointed CEO of the Topdanmark Group. At the same time, Marianne Wier stepped down from her position of senior executive. From February 2018, the Executive Board consists of CEO Peter Hermann, CFO Lars Thykier and COO Brian Rothemejer Jacobsen.

At the AGM on 4 April 2017, the decision was made to revoke Topdanmark's Board of Director's authority to buy back Topdanmark shares. Instead, a new earnings distribution policy was approved, and a once-a-year distribution of dividends was agreed. Dividend distribution is based on a pay-out ratio of at least 70.

Nykredit Livsforsikring A/S is transferred to AP Pension as at 1 April 2018.

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

A review of Topdanmark's risks is published partly in Topdanmark's annual report and partly in the current SSFCR report.

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.

Since 2016, when Solvency II came into effect, the full value of subordinated loan capital can be recognised in accordance with the Solvency II rules.

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.

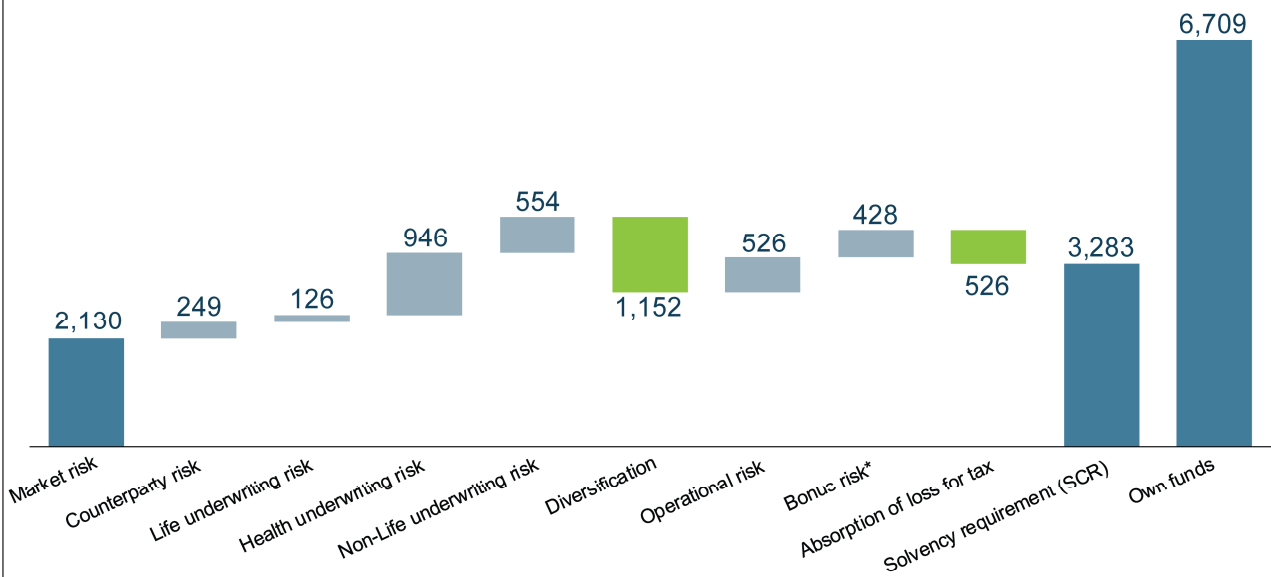
Solvency II comprises a standard model for calculating the solvency capital requirement, which is common to all insurance companies within the EU. Topdanmark Forsikring's risk profile for non-life insurance and health insurance is significantly different from and lower than the risk profile behind the 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 2017, the profit margin concerning products with guarantees and profit sharing is included in the own funds by DKK 88m before tax. In 2016, the profit margin concerning products with guarantees and profit sharing was included by DKK 0m.

In 2017, Topdanmark has redeemed hybrid capital at a value of EUR 55m. The hybrid capital was replaced by a new subordinated tier 1 loan (restricted tier 1 capital notes) of DKK 400m.

The solvency picture for the Topdanmark Group at 31 December 2017 can be seen below. Topdanmark's solvency ratio is 204.

Solvency requirement (SCR) and own funds for the Topdanmark Group (DKKm) Q1 2018



*Bonus risk means the possible insufficient risk absorbing impact of the bonus potentials by interest group for life provisions