

Annual Report 2021

Topdanmark A/S

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Topdanmark 

Topdanmark's equity story

Profitable growth - in that order

Focused strategy

- The Topdanmark share is a value case with ambitions to grow profitably
- Danish player
- Stable insurance risks
- Limited financial risk
- Synergy between life and non-life insurance
- Efficient capital management
- High net result
- No protection against take-over in the Articles of Association

See the presentation of Topdanmark's equity story on www.topdanmark.com → Investors → Share profile
Read about value creation in Topdanmark on www.topdanmark.com → Investors → Investment case → Value creation

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Management's review

Record-strong financial result and solid traction in our strategic agenda

A letter to our shareholders from the Chairman of the Board and the Group CEO

2021 was a very satisfactory year for Topdanmark. We delivered record-strong financial results with a reported net profit of DKK 2,138m or DKK 1,978m before run-off, significantly higher than our original expectation at the beginning of 2021 of DKK 1,000-1,100m before run-off. As a result, the Board of Directors has proposed a record-high total dividend payment of DKK 34.5 per share for 2021. The combined ratio came in at 85.7 before run-off, which outperformed our original expectation of 89-90 before run-off by a clear margin, helped by a good business momentum with a solid premium growth of 4.3% in non-life.

At Topdanmark, we firmly believe that long-term shareholder value is created through engaged and motivated employees, who ensure first-class customer experiences, which in turn create satisfaction and loyalty to the benefit of our shareholders. To that end, we are very pleased to report a historically high employee satisfaction of 80 compared to 78 in 2020. Likewise, we continue to see a stable, high transactional net promoter score (tNPS) in non-life, and an increasing tNPS as well as a top EPSI ranking in life.

A year ago, Topdanmark launched "Sundhedshjælp" (Digital Healthcare) - a free service for customers having two or more products with us. The service gives more than half a million Danes online access to medical consultations every day of the week

from morning till night. The results speak for themselves. 97% of those using the app are more than satisfied, and the loyalty to Topdanmark has been strengthened. At the same time, as a company, we have contributed to solving the well-known social problem that fewer men than women consult their GP. Through Sundhedshjælp, the number of men consulting a GP is the same as the number of women. During 2022, our ambition is to double the number of users who have downloaded the app and registered to use it.

We have rolled out an offer of free health screenings of employees to approx. 55,000 agricultural and commercial life and non-life customers, and the results are good. It is a valued service which has differentiated Topdanmark positively in a competitive market, and data shows that this service has the desired effect in terms of preventing serious illness for the benefit of the individual, the businesses, society, and us as a company.

In 2021, Formålspension (Purpose pension) reached a portfolio amount of DKK 3.6bn. Demand is so high that Formålspension has become the standard recommendation to our new customers. This year, half of the new customers have chosen the purpose "Green transformation", and exactly this investment profile has yielded some of the absolute best returns in the industry throughout the year.

The past year, we have made good progress in our strategic agenda by preparing our new core IT system, Guidewire, and launching the first customer segment on the platform (private agriculture clients). The first results are very promising, and we plan to roll out the new platform to the entire agriculture segment and to start the transition for the private segment during 2022. Using state-of-the-art IT systems, we aim to increase our agility and innovative power to deliver new and improved products and services faster.

We have also seen solid traction in our efficiency programme, which aims to improve our profitability by leveraging automation and digitalisation across the value chain, a best-in-class procurement setup, and stringent focus on risk and pricing. In 2021, we have delivered gross savings of DKK 150m and are thus

well on track to deliver DKK 500m of gross savings by 2025 as targeted.

As a final remark, the Board of Directors and the Group Executive Management would like to thank all employees for their remarkable efforts and the strong results obtained throughout the year. Considering the continued uncertainty brought by the COVID-19 pandemic, we are very proud to see the hard work and dedication put into helping our customers navigate through these challenging times.



A stylized blue ink signature of Ricard Wennerklint, consisting of the letters 'R.W.' followed by a horizontal line.

Ricard Wennerklint
Chairman of the Board



A stylized black ink signature of Peter Hermann, written in a cursive script.

Peter Hermann
Group CEO

Highlights

2021

- Post-tax profit of DKK 2,138m (2020: DKK 1,124m)
- EPS was DKK 24.3 (2020: DKK 12.9)
- Combined ratio: 83.7 (2020: 86.5)
- Combined ratio excluding run-off: 85.7 (2020: 88.2)
- Premiums increased by 4.3% in non-life insurance and decreased by 5.7% in life insurance.
- Profit on life insurance was DKK 503m (2020: DKK 117m).
- After return on non-life insurance provisions, the investment return was DKK 604m (2020: DKK 89m).

Q4 2021

- Post-tax profit of DKK 625m (Q4 2020: DKK 571m)
- EPS was DKK 7.1 (Q4 2020: DKK 6.5)
- Combined ratio: 81.8 (Q4 2020: 85.1)
- Combined ratio excluding run-off profits: 83.6 (Q4 2020: 87.1)
- Premiums increased by 3.7% in non-life insurance and increased by 6.6% in life insurance.
- Profit on life insurance was DKK 132m (Q4 2020: DKK 74m).
- After return on non-life insurance provisions, the investment return was DKK 209m (Q4 2020: DKK 303m).

Dividend distribution for 2021

- The Board of Directors will recommend to the AGM that distribution of a total dividend of DKK 3,105m takes place, representing DKK 34.5 per share, a pay-out ratio of 145.2 and a dividend yield of 9.4. The total dividend is made up of an ordinary dividend of DKK 2,115m from this year's profit of DKK 2,138m, representing DKK 23.5 per share and a pay-out ratio of 98.9, as well as an extra dividend of DKK 990m, representing DKK 11.0 per share.
- Subject to the approval from the AGM, the distribution of dividend will take place immediately after the AGM on 24 March 2022.

Profit forecast model for 2022

- Compared with the profit forecast model for 2022 in the Q1-Q3 Report, the assumed combined ratio for 2022 is lowered to 85.5-88 excluding run-off.
- The expected premium growth in non-life is unchanged at 4-5.5%.
- The post-tax profit forecast model for 2022 amounts to DKK 1,200-1,450m, excluding run-off.

Efficiency programme

- In 2021, Topdanmark has made solid progress in its efforts to become more efficient.
- As expected, Topdanmark has realised net efficiency gains of DKK 70m, corresponding to gross efficiency gains of DKK 150m and investments of DKK 80m.
- In 2022, the gross efficiency gains from the programme are expected to amount to DKK 260m.
- The efficiency programme is still expected to deliver gross efficiency gains of DKK 500m in 2025.

Annual General Meeting

The Annual General Meeting will be held on 24 March 2022 at 15:00 (CET) as a fully virtual AGM.

Please direct any queries to:



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Financial highlights

(DKK m)	2017	2018	2019	2020	2021	Q4 2020	Q4 2021
Premiums earned:							
Non-life insurance	8,985	9,135	9,397	9,732	10,154	2,487	2,579
Life insurance	8,525	10,111	11,106	10,981	10,360	2,575	2,744
	17,510	19,247	20,502	20,713	20,514	5,062	5,323
Results:							
Non-life insurance	1,909	1,420	1,601	1,302	2,274	648	677
Life insurance	249	228	327	117	503	74	132
Parent company etc.	77	54	60	34	(35)	9	(17)
Pre-tax profit	2,235	1,702	1,987	1,453	2,742	731	792
Tax	(502)	(371)	(441)	(329)	(604)	(159)	(167)
Profit	1,733	1,331	1,547	1,124	2,138	571	625
Run-off profits, net of reinsurance	344	353	433	164	205	50	45
Shareholders' equity of parent company at 1 January	5,009	6,497	6,322	6,703	7,185	6,598	7,040
Profit	1,733	1,331	1,547	1,124	2,138	571	625
Dividend paid	0	(1,710)	(1,350)	(765)	(1,800)	0	0
Dividend own shares	0	73	50	24	48	0	0
Share buy-back	(410)	0	0	0	0	0	0
Share-based payments	166	131	148	98	133	16	39
Other movements in shareholders' equity	0	1	(14)	1	0	0	2
Shareholders' equity of parent company end of period	6,497	6,322	6,703	7,185	7,705	7,185	7,705
Deferred tax on security funds	(306)	(306)	(306)	(306)	(306)	(306)	(306)
Shareholders' equity of Group end of period	6,191	6,016	6,397	6,879	7,399	6,879	7,399
Total assets, parent company	7,114	6,873	7,274	7,785	8,233		
Total assets, Group	80,958	83,224	98,442	109,288	120,368		
Provisions for insurance and investment contracts:							
Non-life insurance	16,091	16,056	16,175	16,462	17,102		
Life insurance	54,198	56,519	70,603	79,335	89,593		
Financial ratios (parent company)							
Post-tax profit as a percentage of shareholders' equity	30.5	21.8	24.8	16.6	30.5	8.3	8.5
Post-tax EPS (DKK)	20.2	15.4	17.8	12.9	24.4	6.5	7.1
Post-tax EPS, diluted (DKK)	20.2	15.4	17.7	12.9	24.3	6.5	7.1
Share buy-back per share, diluted (DKK)	4.8						
Dividend per share issued, proposed (DKK)	19.0	15.0	17.0	20.0	34.5		
Net asset value per share, diluted (DKK)	75.6	72.9	76.7	82.0	87.4		
Listed share price end of period	268.1	303.0	328.4	264.2	367.0		
Number of shares end of period ('000)	85,876	86,432	87,067	87,491	87,978		
Average number of shares ('000)	85,700	86,242	86,824	87,266	87,703	87,453	87,933
Average number of shares, diluted ('000)	85,873	86,637	87,229	87,475	87,948	87,634	88,212
Ratios non-life insurance							
Gross claims ratio	61.5	66.2	65.1	67.5	67.1	64.8	64.6
Net reinsurance ratio	4.3	1.2	2.5	2.6	0.9	3.5	1.7
Claims ratio, net of reinsurance	65.8	67.5	67.6	70.1	68.0	68.3	66.3
Gross expense ratio	16.1	16.1	16.0	16.3	15.7	16.7	15.5
Combined ratio	82.0	83.6	83.7	86.5	83.7	85.1	81.8
Combined ratio excl. run-off profits	85.8	87.5	88.3	88.2	85.7	87.1	83.6

From this announcement and going forward, "Gross loss ratio" will be named "Gross claims ratio", and "Claims trend" will be named "Claims ratio, net of reinsurance" with no changes to the calculation of the ratios.
In the announcement, "Claims ratio" refers to "Claims ratio, net of reinsurance."

Results for 2021

Results and profit forecast model (DKKm)	Results		Results		Forecast 2021 as in Q1-Q3 2021 interim report		
	Q4 2020	Q4 2021	2020	2021			
Non-life insurance							
- Technical result	371	469	1,316	1,659	1,470	–	1,500
- Investment return after return and revaluations of non-life insurance provisions etc.	277	209	(15)	615	400	–	420
Profit on non-life insurance	648	677	1,302	2,274	1,870	–	1,920
Life insurance	74	132	117	503	400	–	425
Parent company etc.	9	(17)	34	(35)	(30)	–	(25)
Pre-tax profit	731	792	1,453	2,742	2,240	–	2,320
Taxation	(159)	(167)	(329)	(604)	(490)	–	(520)
Profit for the year	571	625	1,124	2,138	1,750	–	1,800

Topdanmark's post-tax profit for 2021 was DKK 2,138m (2020: DKK 1,124m).

The technical result increased by DKK 343m to DKK 1,659m. The improvement was driven mainly by improving trends in house insurance and the absence of major weather-related events throughout the year apart from the heavy rainfall during Q3 2021. Conversely, the very low temperatures in Q1 2021 caused many water pipes to freeze and burst, while Q2 and Q3 2021 saw a higher frequency of rain- and fire-related claims.

The investment return adjusted for return and revaluation on non-life insurance provisions increased by DKK 630m to DKK 615m. The improvement should be seen in the light of the challenging market conditions especially in Q1 2020, whereas the investment return throughout 2021 was impacted by more favourable market conditions, especially for equity investments and CLOs.

The profit on life insurance increased by DKK 386m to DKK 503m affected by a higher investment return and a positive development in the sales and administration result. Since Q3 2021, Topdanmark Kapitalforvaltning (Topdanmark Asset Management) has been included in the life result.

As also stated in the company announcement no. 02/2022 dated 14 January 2022, the profit of DKK 2,138m is better than assumed in the latest model profit forecast in the Q1-Q3 Report, showing a post-tax profit of DKK 1,750-1,800m. The profit improvement is due mainly to a higher investment return, a higher life insurance result, run-off profits and the absence of large weather-related events in Q4 2021, as well as an improving underlying claims ratio mainly within house insurance.

Results for Q4 2021

The profit for Q4 2021 was DKK 625m (Q4 2020: DKK 571m).

The technical result increased by DKK 98m to DKK 469m mainly due to the benign weather conditions in Q4 2021 and the fact that the improving underlying claims ratio in relation to house insurance continued.

After return on non-life insurance provisions, the investment return in non-life insurance decreased by DKK 68m to DKK 209m. Q4 2020 was driven by solid gains on listed equities. The investment return in Q4 2021 was mainly driven by gains on listed equities and properties.

The profit on life insurance increased by DKK 58m to DKK 132m primarily due to an improved investment return on shareholders' equity as well as an improved result for sales and administration.

Non-life insurance in 2021

Financial highlights – Non-life insurance (DKKm)	Q4 2020	Q4 2021	2020	2021
Gross premiums earned	2,487	2,579	9,732	10,154
Claims incurred	(1,612)	(1,666)	(6,568)	(6,812)
Expenses	(416)	(400)	(1,591)	(1,594)
Net reinsurance	(87)	(44)	(257)	(90)
Technical result	371	469	1,316	1,659
Investment return after return and revaluations of non-life insurance provisions	277	210	(12)	615
Other items	0	(2)	(2)	0
Profit on non-life insurance	648	677	1,302	2,274
Run-off profits, net of reinsurance	50	45	164	205
Gross claims ratio	64.8	64.6	67.5	67.1
Net reinsurance ratio	3.5	1.7	2.6	0.9
Claims ratio, net of reinsurance	68.3	66.3	70.1	68.0
Gross expense ratio	16.7	15.5	16.3	15.7
Combined ratio	85.1	81.8	86.5	83.7
Combined ratio excl. run-off profits	87.1	83.6	88.2	85.7

Premiums earned

Premiums earned increased by 4.3% to DKK 10,154m. The private segment accounted for a 2.2% increase, and the SME segment accounted for a 6.7% increase.

The growth was impacted by a change in provisions for unexpired risk in house insurance caused by the strengthening of provisions in Q3 2020 and the subsequent partial release in Q3 2021. By contrast, provisions related to illness and accident insurance were released in Q4 2020 but increased again in Q3 2021. In total, this resulted in an approx. 0.1pp uplift to the reported Group premium growth in 2021.

The distribution agreement with Nordea continues to have good traction and more than compensated for the outflow from the old agreement with Danske Bank in 2021. We expect the trend to continue in 2022.

Claims ratio

Claims ratio, net of reinsurance	Q4 2020	Q4 2021	2020	2021
Claims ratio, net of reinsurance	68.3	66.3	70.1	68.0
Run-off excl. COVID-19	1.9	1.8	1.9	2.0
Weather-related claims	(1.1)	(1.2)	(2.4)	(1.8)
Large-scale claims	(0.6)	(0.7)	(0.9)	(1.2)
Other	0.1	(0.3)	0.3	0.1
Claims before run-off, weather, large-scale claims and other	68.6	65.9	69.0	67.1
Discounting	0.1	0.9	0.4	0.6
COVID-19	2.5		1.2	
Underlying (undiscounted) claims ratio, net of reinsurance	71.2	66.8	70.7	67.7

In full year 2020, run-off loss of DKK 22m related to COVID-19 effects on income protection insurance is included in the line COVID-19.

The claims ratio, net of reinsurance, improved to 68.0 in 2021 from 70.1 in 2020.

The run-off profit, net of reinsurance, was DKK 205m (2020: DKK 186m excluding COVID-19), representing a

0.1pp positive effect on the claims ratio. Run-off profits were primarily generated in house, property and workers' compensation, while run-off losses were primarily related to illness and accident insurance.

We saw good traction on the profitability-enhancing measures initiated within house insurance. We have sharpened our focus on acceptance criteria as well as claims prevention and handling, and so far we have raised prices by 9% on average for around 130,000 customers. In addition, we see good results of our procurement efforts within building materials and claims handling. As a result, the claims ratio in house insurance improved by approx. 13pp.

We have changed the definition for weather-related claims to include all weather-related events regardless of size. Previously, only weather-related events resulting in more than DKK 4.5m in claims over a 72-hour period were included. With the new definition, the normalised annual level of weather-related claims is DKK 285m, split between DKK 85m in Q1, DKK 45m in Q2, DKK 85m in Q3 and DKK 70m in Q4. As a result, the line "rain/frost" has been removed from the claims ratio table. This line included above-normal claims relating to heavy rainfall and severe frost, while the new definition of weather-related claims includes all rain- and frost-related claims.

Using the new definition, weather-related claims amounted to DKK 182m in 2021 (2020: DKK 238m), representing a 0.6pp improvement of the claims ratio. This was a result of the absence of major weather-related events throughout the year apart from the heavy rainfall during Q3 2021. In addition, the very low temperatures in Q1 2021 caused many water pipes to freeze and burst.

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) increased by DKK 34m to DKK 120m in 2021, representing a 0.3pp deterioration in the claims ratio. This was primarily driven by a few large fire-related events.

The claims ratio was positively impacted by the higher level of interest rates. The discounting effect (movements in the yield curve used for discounting the provisions) had a positive impact on the claims ratio of 0.2pp compared with 2020.

Inflation within construction materials has been significant during 2021, most notably regarding iron and steel but also on timber. In the short term, we are in a good position to handle rising cost inflation through procurement, and our efforts within this area continue as part of the efficiency programme.

In general, and over time, we see around 2-4% overall inflation in claim expenses, varying between different business lines. Over time, it is our target to maintain our profitability by pricing at least in line with inflation.

The claims ratio adjusted for run-off, weather-related claims, large-scale claims and other positions, including change of risk margin, improved by 1.9pp to 67.1.

The underlying claims ratio, which is adjusted for discounting and COVID-19 impact, improved by 3.0pp to 67.7. As mentioned in the H1 Report, from Q3 2021 we have stopped reporting on the estimated impact of COVID-19 due to the high uncertainty related to the assessment. However, certain lines, such as travel insurance, are still impacted by the COVID-19 situation.

Expense ratio

The expense ratio was 15.7, down from 16.3 in 2020. The decrease in the expense ratio is driven by our efficiency programme.

Combined ratio

The combined ratio was 83.7 (2020: 86.5). Excluding run-off, the combined ratio was 85.7 (2020: 88.2).

The combined ratio of Topdanmark Forsikring (excluding illness and accident insurance underwritten by the life company) was 80.1, including cost synergies from having life and non-life in the group.

Non-life insurance in Q4 2021

Premiums earned in Q4 2021 increased by 3.7% to DKK 2,579m. The growth in premiums was 2.5% and 5.3% in the private segment and the SME segment, respectively.

Premium growth in Q4 2021 was negatively affected by 0.6pp as a result of the release of provisions for unexpired risk within illness and accident insurance in Q4 2020.

The claims ratio was 66.3, down from 68.3 in Q4 2020.

The run-off profit, net of reinsurance, was DKK 45m, almost unchanged from the level in Q4 2020 (DKK 48m excluding COVID-19). Run-off was largely in line with preceding quarters following positive trends in house insurance throughout 2021. In addition, run-off profits were generated in workers' compensation.

Using the above new definition, weather-related claims amounted to DKK 31m in Q4 2021, largely in line with the level in Q4 2020 (DKK 27m). The level of weather-related claims was DKK 39m below the assumed normal level of DKK 70m according to the new definition.

Large-scale claims amounted to DKK 18m, almost unchanged from the level in Q4 2020 (DKK 16m).

The claims ratio was positively impacted by the higher level of interest rates. The discounting effect (movements in the yield curve used for discounting the provisions) had a positive impact on the claims ratio of 0.8pp compared with Q4 2020.

The claims ratio adjusted for run-off, weather-related claims, large-scale claims and other positions, including change of risk margin improved by 2.7pp to 65.9 in Q4 2021.

The underlying claims ratio, which is adjusted for discounting and the impact of COVID-19, improved by 4.4pp to 66.8. The improvement is driven by the private segment. Please note that we have stopped reporting on the estimated impact of COVID-19 as of Q3 2021.

The expense ratio was 15.5 (Q4 2020: 16.7), contributing positively to the improvement in combined ratio.

The combined ratio was 81.8 (Q4 2020: 85.1). Excluding run-off, the combined ratio was 83.6 (Q4 2020: 87.1).

Segment reporting

Private

Private (DKKm)	Q4 2020	Q4 2021	2020	2021
Gross premiums earned	1,304	1,337	5,179	5,296
Claims incurred	(956)	(888)	(3,787)	(3,656)
Expenses	(217)	(186)	(824)	(779)
Net reinsurance	(2)	(12)	(41)	(51)
Technical result	129	250	527	810
Run-off profits, net of reinsurance	24	20	116	73
Gross claims ratio	73.3	66.4	73.1	69.0
Net reinsurance ratio	0.2	0.9	0.8	1.0
Claims ratio, net of reinsurance	73.5	67.4	73.9	70.0
Gross expense ratio	16.7	13.9	15.9	14.7
Combined ratio	90.1	81.3	89.8	84.7
Combined ratio excl. run-off profits	92.0	82.8	92.1	86.1

The private segment offers policies to individual households in Denmark. This segment also includes illness and accident insurance offered through the life company.

Premiums earned increased by 2.2% to DKK 5,296m.

Adjusted for changes in provisions for unexpired risk in house as well as in illness and accident in the life company, the underlying premiums increased by 2.0% in 2021 and by 3.7% in Q4 2021.

The technical result was DKK 810m in 2021, representing an increase of DKK 283m compared with 2020.

The claims ratio improved by 3.9pp to 70.0.

Activities for improvement of profitability within house insurance were initiated and had a positive impact on the claims ratio. Partly offsetting this positive development, the illness and accident insurance, underwritten by the life company, experienced a worsening in 2021, as a result of the rising inflation.

The level of weather-related claims was below the level of 2020, even with extraordinary rain claims and many frozen and burst water pipes earlier this year.

Run-off of DKK 73m was DKK 43m lower than in 2020. The lower run-off result is due to a negative development in illness and accident insurance underwritten by the life company driven by rising inflation. Excluding illness and accident, run-off improved by DKK 176m related mainly to the turnaround within house insurance.

The expense ratio improved to 14.7 from 15.9 in 2020 further contributing positively to the improvement in the combined ratio.

The combined ratio was 84.7 in 2021 (2020: 89.8). Excluding run-off, the combined ratio was 86.1 (2020: 92.1).

Excluding illness and accident insurance underwritten by the life company, the combined ratio was 77.6, including cost synergies from having life and non-life in the group.

SME

SME (DKKm)	Q4 2020	Q4 2021	2020	2021
Gross premiums earned	1,186	1,248	4,571	4,878
Claims incurred	(659)	(783)	(2,799)	(3,173)
Expenses	(199)	(214)	(767)	(817)
Net reinsurance	(85)	(32)	(216)	(39)
Technical result	242	220	789	850
Run-off profits, net of reinsurance	25	26	47	132
Gross claims ratio	55.6	62.7	61.2	65.0
Net reinsurance ratio	7.2	2.5	4.7	0.8
Claims ratio, net of reinsurance	62.8	65.3	66.0	65.8
Gross expense ratio	16.8	17.2	16.8	16.7
Combined ratio	79.6	82.4	82.7	82.6
Combined ratio excl. run-off profits	81.7	84.5	83.8	85.3

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

Premiums earned increased by 6.7% to DKK 4,878m, and by 5.3% in Q4 2021.

The technical result increased by DKK 61m to DKK 850m in 2021. Run-off increased to DKK 132m in 2021 (2020: DKK 47m). Run-off profits in 2021 were driven mainly by workers' compensation and property.

The claims ratio improved by 0.2pp to 65.8, due to the higher run-off level. By contrast, there were more large fire claims, and even though workers' compensation was positively affected by increasing interest rates it was counteracted by rising wages. The claims ratio in agriculture was normalised compared with 2020 when it was at a low level.

The expense ratio was 16.7 in 2021 which is 0.1pp below 2020.

The combined ratio improved to 82.6 in 2021 (2020: 82.7).

Excluding run-off, the combined ratio was 85.3 in 2021 (2020: 83.8) with the negative development being driven by large and exceptional fire claims.

Life insurance in 2021

Result of life insurance (DKK m)	Q4 2020	Q4 2021	2020	2021
Investment return on shareholders' equity	59	76	19	318
Sales and administration	(12)	7	(43)	26
Insurance risk	(10)	7	(10)	4
Risk return on shareholders' equity	37	42	152	155
Profit on life insurance	74	132	117	503

Sources of gross premiums (DKK m)	Q4 2020	Q4 2021	2020	2021
With-profit products	114	100	399	353
Unit-linked products	716	750	2,727	2,835
Group life	52	52	268	262
Regular premiums	882	902	3,394	3,450
With-profit products	10	19	98	54
Unit-linked products	1,683	1,823	7,489	6,856
Single premiums	1,693	1,843	7,587	6,910
Gross premiums	2,575	2,744	10,981	10,360

The result from life insurance was a profit of DKK 503m (2020: DKK 117m).

Profit on life insurance activities comprises the profit on life insurance plus the investment return of Topdanmark Liv Holding. These profits are calculated in accordance with the stated policy for the calculation of profit for the life insurance company: see www.topdanmark.com → About Topdanmark → Business → Life insurance → [Policy for the calculation of profit in life insurance](#).

Developments in 2021

The positive development primarily derives from investment return on shareholders' equity, and sales and administration result. Since Q3 2021, Topdanmark Kapitalforvaltning (Topdanmark Asset Management) has been included in the life result whose result also contributes positively in 2021.

The investment return on shareholders' equity was DKK 318m (2020: DKK 19m) affected by a return higher than assumed, primarily due to property revaluation.

The result of sales and administration increased by DKK 69m to DKK 26m (2020: DKK 43m (loss)), primarily as higher assets under management gave increased fees/commissions from Topdanmark Asset Management.

The insurance risk result increased by DKK 14m to DKK 4m. The insurance risk result is quite volatile.

Trend in premiums

Gross premiums decreased by 5.7% to DKK 10,360m in 2021, of which premiums on unit-linked pension schemes were DKK 9,691m, representing a 5.1% decrease compared with 2020.

Regular premiums increased by 1.7% to DKK 3,450m in 2021. Single premiums decreased by 8.9% to DKK 6,910m in 2021.

Life insurance in Q4 2021

The result in Q4 2021 increased from DKK 74m to DKK 132m, primarily due to an improved investment return on shareholders' equity, as well as improved result for sales and administration.

The insurance risk result has increased by DKK 17m to DKK 7m. The insurance risk result is quite volatile.

Gross premiums increased by 6.6% to DKK 2,744m in Q4 2021 of which premiums on unit-linked pension schemes were DKK 2,573m, a 7.2% increase compared with Q4 2020.

Regular premiums increased by 2.2% to DKK 902m in Q4 2021 whereas single premiums increased by 8.8% to DKK 1,843m.

Investment activities

Topdanmark Group excl. life insurance

Investment return	Portfolio 31 Dec		Return Q4 2020		Return Q4 2021		Return 2020		Return 2021	
	2020	2021	Return	%	Return	%	Return	%	Return	%
	(DKKbn)		(DKKm)		(DKKm)		(DKKm)		(DKKm)	
Danish equities	0.2	0.2	47	17.8	14	7.1	78	30.6	42	22.7
Foreign equities	0.9	0.8	100	13.2	63	7.9	81	10.4	180	24.0
Unlisted equities and hedge funds	0.4	0.4	46	14.6	4	1.0	26	7.8	36	10.5
Government and mortgage bonds	15.6	14.6	71	0.4	53	0.3	191	1.1	(436)	(2.6)
Index linked bonds	0.3	0.6	3	0.9	5	1.3	10	3.3	(9)	(2.0)
CLOs	0.6	0.7	59	11.5	21	3.0	(10)	(1.7)	163	28.7
Properties	1.2	1.2	22	1.7	36	2.9	62	5.0	110	9.4
Expenses, money markets etc.	2.9	5.0	(6)	(0.3)	7	0.2	(22)	(1.2)	18	0.7
Subordinated loan capital	(1.7)	(1.9)	(11)	(0.6)	(5)	(0.4)	(46)	(2.6)	(34)	(2.1)
	20.2	21.6	331	1.6	198	1.0	370	1.8	70	0.3
Asset management (2021: 6 months)			29		-		94		31	
Investment return			359		198		464		100	
Return and revaluations of non-life insurance provisions			(56)		11		(374)		503	
Investment return after return on non-life insurance provisions			303		209		89		604	

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 of the Topdanmark Group excluding life insurance was DKK 100m in 2021 (2020: DKK 464m). Return and revaluation of non-life insurance provisions were DKK 503m in 2021 (2020: loss of DKK 374m).

The return on investments after return and revaluation of non-life insurance provisions in 2021 was DKK 604m and thus DKK 499m higher than the assumed return, when calculated by means of Topdanmark's forecast model at the beginning of 2021. The higher return should be seen in the light of the financial rebound after the COVID-19 pandemic, which seems to be contained by vaccines. Pandemic lockdowns have been replaced by widespread economic expansion. This has been favourable for equities and has led to improved market conditions and spread contractions on credit exposures.

In Q4 2021, the Danish mortgage bond market which is dominated by AAA bonds gained from spread tightening to DKK swaps. The gains on assets hedging the provisions were supplemented by profits from revaluations of provisions in Q4 2021 – the gains were supported by spread contraction between EUR and DKK swap yield curves. In 2021, gains on return and revaluation of provisions dominates the losses from assets hedging the interest sensitivity – by a comfortable margin.

Topdanmark's policy is to accept a certain level of financial risk, given its strong liquidity and stable, high

earnings from insurance operations.

The equity exposure was DKK 847m pre-tax and 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 approx. 20% of the portfolio at year end 2021, and the foreign portfolios are based on MSCI World DC in local currency for foreign equities.

The Group's investments have no significant concentration of credit risk except for investments in AAA-rated Danish mortgage bonds.

The class "Government and mortgage bonds" mainly consists of Danish government and mortgage bonds. The interest rate sensitivity of this asset class is to a significant extent equivalent to the total interest rate sensitivity of the technical provisions in Topdanmark Forsikring, and the illness and accident provisions in Topdanmark Livsforsikring (the life insurance company). Consequently, the return on "Government and mortgage bonds" and the return and revaluation of non-life insurance provisions should be assessed on an aggregate level. However, as mentioned above during times of financial distress, proper interest risk management does not necessarily ensure that losses on liabilities are offset by gains on assets and vice versa.

The property portfolio mainly comprises owner-occupied property (DKK 810m). The properties are valued in accordance with the rules of the Danish FSA (Danish Financial Supervisory Authority), i.e. at market value taking into account the level of rent and the terms of the tenancy agreements. The property portfolio is currently fully let when adjusting for properties under construction or being converted for other purposes.

“Expenses, money markets etc.” comprises in addition to money market deposits and currency positions, other returns and expenses not included in specified classes.

We use the Solvency II discounting 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 22bp at the beginning of the year and 47bp at the end of 2021.

Parent company etc.

The parent company, Topdanmark, does not perform any independent activities. The profit of the parent company etc. includes the profits from subsidiaries not within the insurance business (primarily Topdanmark Asset Management up to and including Q2 2021), financial costs and other expenses.

The profit of the parent company decreased by DKK 69m to DKK 35m (loss) in 2021.

Taxation

The tax charge was DKK 604m of the pre-tax profit of DKK 2,742m, corresponding to an effective tax rate of 22.0% (2020: 22.6%).

Efficiency programme

The main focus areas of the efficiency programme are:

- Automation, digitalisation and fraud
- Risk and pricing
- Procurement and cost efficiency

We made substantial headway with the programme during 2021, and our efforts to become more efficient are progressing according to plan.

Within automation, digitalisation and fraud, we delivered solid progress. Our fraud detection capabilities increased substantially, for instance by way of leveraging machine learning to pinpoint actionable leads. As a result, the nominal value of withheld claims increased 46% compared with 2020. Optimisation and automation of claims processes resulted in a 36% increase in automated claims handling compared with 2020.

Within risk and pricing, we improved our products to the benefit of our customers e.g. within content and motor insurance, allowing us to make small price adjustments. Furthermore, we made risk-based price increases on house insurance by 9% on average for approx. 130,000 customers. Likewise, we have increased prices on income protection insurance and illness and accident insurance underwritten by the life company.

Within procurement and cost efficiency, our progress was strong. We have established a professional and fully digital procurement department, and in 2021 we launched more than 50 different sourcing projects within claims, IT and indirect expenditure, of which more than 60% is already finalised. Further, costs were reduced through focused efforts to reduce consultancy spend as well as organisational adjustments. Cost efficiencies mainly stem from IT, staff, and back-office functions.

As a result of the above, we delivered the expected DKK 70m net efficiency gains in 2021, corresponding to gross efficiency gains of DKK 150m and investments of DKK 80m.

In 2022, we will continue our efforts to become more efficient, and gross efficiency gains are expected to reach DKK 260m.

We continue to expect the efficiency programme to deliver gross efficiency gains of DKK 500m in 2025.

New IT systems

The process of implementing the new IT system in non-life made significant progress during 2021, and we saw strong results from the first milestones of phase 1 of the implementation plan. As a result, the implementation plan was accelerated, and implementation is progressing accordingly.

In 2021, the first segment was launched on the new platform (private agricultural customers), and during 2022 we expect new sales for the entire agriculture segment to be launched on the new platform. In addition, we will also launch a pilot project for the private segment during 2022.

As a result of the accelerated implementation plan, depreciation on the non-life core system will peak already in 2023/2024 (previously: 2026) at the originally guided level of approx. DKK 230m p.a.

Profit forecast model for 2022

Profit forecast 2022 (DKKm)	Results 2021	Forecast 2022 30 December 2021		
Non-life insurance				
- Technical result	1,659	1,300	–	1,550
- Investment return after return and revaluations of non-life insurance provisions etc.	615	50	–	75
Profit on non-life insurance	2,274	1,350	–	1,625
Life insurance	503	250	–	300
Parent company etc.	(35)	(65)	–	(55)
Pre-tax profit	2,742	1,535	–	1,870
Taxation	(604)	(335)	–	(420)
Profit for the year	2,138	1,200	–	1,450

Traditionally, we do not publish actual profit forecasts, but instead, the expected level of results provided that a number of assumptions about the return in the financial markets are met. The return on financial assets changes on a daily basis, and consequently our profit forecast model will already deviate from actual expectations by the time it is published.

Therefore, set out at www.topdanmark.com → Investors → [Risk management](#), we provide 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 regarding the return.

Non-life insurance

In the Q1-Q3 Report, we assumed premium growth of 4-5.5% and a combined ratio of 86-89 for 2022. The underlying assumptions can be found in the Q1-Q3 Report.

Since this report, the following major change to assumptions have occurred:

- The underlying claims ratio improved, most notably within house insurance.

As a result, the assumed premium growth is unchanged at 4-5.5%, and the assumed combined ratio is lowered to 85.5-88. This includes an expense ratio at around the same level as in 2021.

The overall assumed pre-tax result for non-life insurance is DKK 1,350-1,625m excluding run-off.

Life insurance

Topdanmark assumes an increase in regular premiums of 0-5% in 2022. Assumptions about the level of single premiums are not disclosed.

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

- Full recognition as income of risk return for shareholders' equity from all interest rate groups.

The assumed pre-tax profit for the life division is DKK 250-300m.

The result is very sensitive to fluctuations particularly in the investment return. The risk return will not be finally determined before the end of the year.

Parent company

The profit forecast model for the parent company plus subsidiaries outside of the insurance group assumes a pre-tax profit of DKK 55-65m (loss).

Taxation

Given a corporation tax rate of 22%, the tax charge is expected to be DKK 335-420m.

Total Group profit

Topdanmark's overall post-tax profit according to the profit forecast model for 2022 is DKK 1,200-1,450m, representing an EPS of DKK 13.6-16.5. The assumed profit is exclusive of run-off.

The profit forecast model assumes an annual 7.0% return on equities, and unchanged foreign exchange rates from the level as at 30 December 2021.

Furthermore, it is assumed that the return on interest-bearing assets that hedge the discounted provisions exactly suffices to cover discounting and revaluation of the provisions, while the return on the remaining interest-bearing assets is assumed to be 0.72% (risk-free interest rate plus 1.0pp).

Risk management

Topdanmark's policy is to hedge against risks arising from the company's activities or to limit such risks to a level that allows Topdanmark to maintain normal operations and implement its planned measures even in the case of highly unfavourable events in the outside world.

As a consequence of this policy, for a number of years Topdanmark has identified and reduced or eliminated the risks which could potentially cause losses exceeding what Topdanmark considers to be acceptable. For example, major strategic shareholdings have been sold, the catastrophe cover for weather-related events or terror has been increased significantly and the financial risk has been reduced.

At the end of 2021, Topdanmark's solvency ratio was 204.

The solvency ratio can be adjusted to a certain extent in accordance with the Board of Directors' wishes. For example, the Board of Directors can choose to increase the solvency ratio by reducing capital requirements via a reduction of the Group's investment-related risk profile. An element thereof could be to offer life insurance customers having with-profit products to switch to unit-linked products, for which the capital requirement is significantly lower.

Topdanmark's assessment is that the current level of the solvency ratio is comfortable considering the wish for a sound own funds base and satisfactory profitability, and the ongoing IT investments.

In order to ensure strict control of the overall risk, the exposures are calculated as often as deemed necessary, i.e. daily, monthly, quarterly or in a few cases annually, according to the nature of the exposure.

The Board of Directors determines the overall risk policies and limits. The internal auditors report to the Board of Directors and report on, among other things, the observance of these risk policies and limits.

Topdanmark's risk management function identifies, measures, monitors, manage and reports risks. It reports to the Risk Committee, which is responsible for risk policies, risk limits, solvency calculation, capital plans, Topdanmark's own risk and solvency assessment (ORSA), and Topdanmark's partial, internal model for non-life insurance risks. The members of the Risk Committee are the CFO of the Group, the head of the compliance function, the head of Investment/Treasury & Risk, the head of and a member of the risk management function and the heads of the risk areas Statistical Services, Finance and Life Actuarial Services. The DPO and the head of Group Information Security participates as required.

The Risk Committee reports and recommends to the Board of Directors via the Executive Board. The Risk Committee has set up the Model Committee, which is responsible for developing and operating Topdanmark's internal model for calculation of results probabilities and risks of the non-life insurance portfolio based on random simulation. The model is used for, among other things, optimising the reinsurance programme, calculation of cost of capital, forecast balancing and calculating capital requirements.

The internal model has been used in solvency calculations since 2014 in accordance with the Danish Solvency rules, and from 2016 it has been amended to meet the EU Solvency II rules in force. The Danish FSA has approved the use of Topdanmark's internal model when calculating solvency capital requirements.

The risk management function implements an annual ORSA process identifying risks in the business, quantifying these risks and collecting them in a risk register. Additionally, the principles of solvency calculation are reviewed, and the risk management process is updated. An ORSA report has been prepared, which, together with the risk register and risk management process, were processed and approved at a board meeting in the autumn of 2021.

On an ongoing basis, the risk management function addresses the rules for solvency calculation and reporting etc. of the Solvency II Directive to ensure that Topdanmark meets this set of rules.

Overview

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

- Non-life insurance
- Life insurance
- Market
- Counterparty
- Operational
- Compliance
- Climate
- Strategy.

Please refer to Note 46 for a more detailed description of the above risks.

Risk scenarios

The Group's risk factors are illustrated in the following table of the most significant risk factors calculated as the post-tax impact on profit and shareholders' equity. The given assumptions do not reflect Topdanmark's expected risks but are shown only as examples which could be used as a basis for assessing Topdanmark's exposure to the risks mentioned.

Risk scenarios (DKK m) after corporate tax and pension return tax		2020	2021
Non-life insurance			
Underwriting risk			
Combined ratio – 1pp increase		(76)	(79)
Provisioning risk			
Provisions on own account – 1% increase		(101)	(105)
Storm claims up to DKK 5,100m (Plus reinstatement premium etc.)		(78)	(78)
Life insurance			
Disability intensity - 35% increase*		(12)	(11)
Mortality intensity - 20% decline		(22)	(16)
Market risk			
Interest-bearing assets	1pp increase	(536)	(504)
Provisions for claims and benefits etc.	in effective interest rate	537	522
Index-linked bonds	5% loss	(21)	(19)
Equities	10% loss	(89)	(65)
CLOs < AA	10% loss	(53)	(56)
Properties	10% loss	(144)	(116)
Annual currency loss with an up to 2.5% probability (VaR)		(1)	(2)
*35% increase first year, subsequently 25%, coincident with 20% decline in reactivation rates.			

Solvency calculation and capital requirements

Solvency cover (DKKm)	2017	2018	2019	2020	2021
Shareholders' equity	6,191	6,016	6,397	6,879	7,399
Proposed dividend	(1,710)	(1,350)	(1,530)	(1,800)	(3,105)
Deferred tax on security funds	306	306	306	306	306
Profit margin	925	1,005	1,138	1,442	2,761
Intangible assets	(922)	(1,091)	(1,291)	(1,529)	(1,641)
Other	(93)	(69)	(64)	(169)	(189)
Tax effects	(77)	(63)	(49)	(41)	(302)
Subordinated loan tier 1	400	400	400	400	400
Subordinated loans tier 2, usable share	1,349	1,355	1,353	1,350	1,500
Own funds	6,370	6,509	6,660	6,839	7,129
Solvency requirement	3,116	3,322	3,773	4,016	3,495
Solvency cover (%)	204	196	177	170	204

Solvency II provides insurance companies with the opportunity to develop their own full or partial internal risk model for solvency calculation. We use such a partially internal model developed in-house to calculate the non-life risk.

This model, approved by the Danish FSA, provides the basis for including non-life risks in our solvency calculations while we use the standard model for life products.

As mentioned in the Q1-Q3 Report, Topdanmark Forsikring A/S has redeemed subordinated notes of DKK 850m as at 11 September 2021. As part of our ongoing capital optimisation efforts, the subordinated notes were replaced by a new subordinated loan of DKK 1,000m with provisions in accordance with the requirements of Solvency II as at 16 December 2021. The issue was a private placement subscribed by If Forsikring.

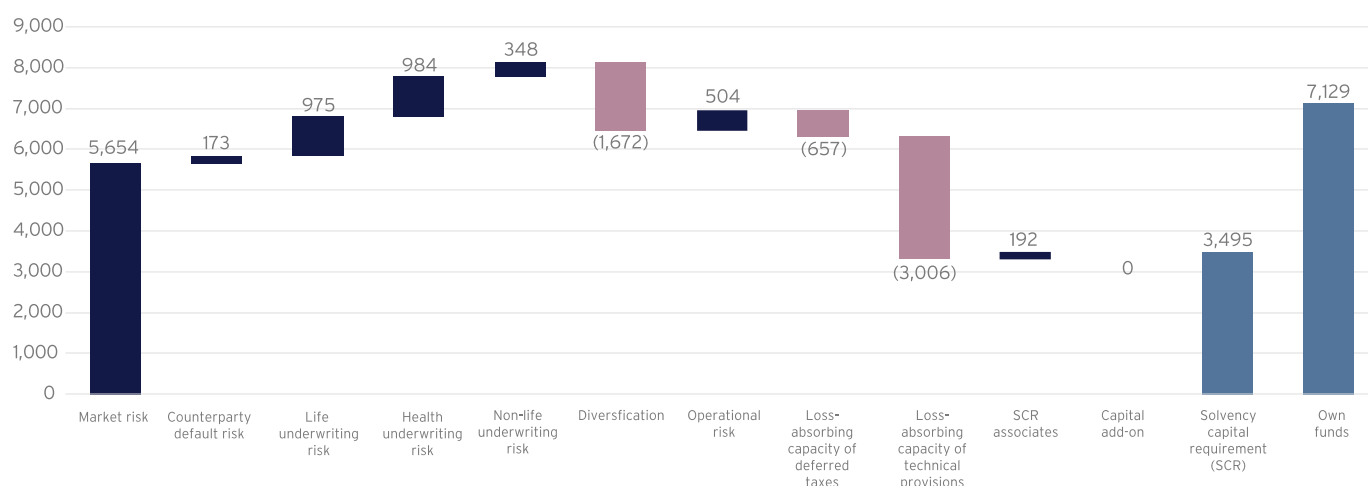
The solvency cover for the Group decreased to 204% end Q4 2021 from 243% end Q3 2021 due to the above as well as the deduction of the proposed dividend payment for 2021. Excluding the proposed dividend payment for 2021 of DKK 3,105m, the solvency cover was 293%.

Topdanmark has an outstanding subordinated tier 1 loan (restricted tier 1 capital notes) of DKK 400m. This loan is perpetual, but includes an option enabling us to redeem the loan as at 23 November 2022.

Topdanmark Forsikring has outstanding subordinated tier 2 notes in two tranches:

- DKK 500m, first call date in 2025, maturity in 2030.
- DKK 1,000m, first call date in 2026, maturity in 2031.

SOLVENCY REQUIREMENT (SCR) AND OWN FUNDS FOR THE TOPDANMARK GROUP (DKKM) 31 DECEMBER 2021



Note: Based on gross effects.

Capital policy

Topdanmark pursues a policy of maintaining an efficient capitalisation using a mix of shareholders' equity, subordinated loan capital and profit margin to fulfil its solvency requirement. Any excess capital will be distributed to shareholders in the form of dividends. Topdanmark's dividend policy is to pay out at least 70% of net profit for the period, while the actual pay-out ratio has been close to or above 100% in recent years.

Topdanmark does not have a formal solvency cover target. However, we believe that a solvency cover in the range of 170-190% is sufficiently conservative to support the underlying business. Towards 2023/2024, Topdanmark will build intangible assets due to investments into the new IT system in non-life. As a result, the solvency cover is currently retained towards the higher end of the above range.

Using a solvency cover of 190% as an example, Topdanmark retained excess capital of DKK 0.5bn at the end of 2021 after deduction of the proposed dividend for 2021.

Capital structure and ownership

Topdanmark's Board of Directors has an authorisation granted in the Articles of Association to increase the Company's share capital, to raise convertible loans and/or issue warrants. The issues may be with or without pre-emptive rights for the Company's shareholders. The authorisations are limited to a total of 2,500,000 shares. They expire on 12 April 2023.

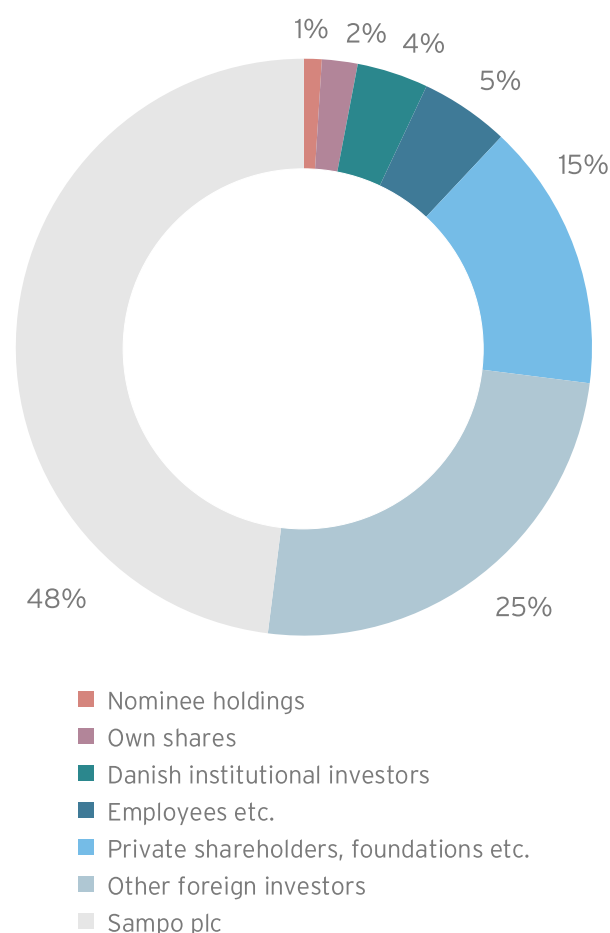
At the end of 2021, Topdanmark's share capital totalled DKK 90,000,000 divided into shares of DKK 1 each, corresponding to 90,000,000 voting rights. As at 10 February 2022, Topdanmark held 1,875,430 shares representing 2.08% of the share capital.

The following shareholders own more than 5% of the share capital:

Sampo plc
Fabianinkatu 27
FL-00100 Helsinki
Finland

Mawer Investment Management
600, 517-10th Ave
SW, Calgary, Alberta,
Canada

SHAREHOLDER STRUCTURE - 10 FEBRUARY 2022



Board of Directors and Articles of Association

Appointment and replacement of members of the Company's Board of Directors

The Board of Directors, which is elected at the annual general meeting and by the employees of the Topdanmark Group, is the Company's top level management formulating the Company's objectives, goals and strategies, and making decisions on matters that are of significant importance or unusual in nature to the Company.

Topdanmark's Board of Directors comprises nine members, six of them elected by the annual general meeting and three by Topdanmark's employees in accordance with the Danish Companies Act.

In accordance with this Act, the number of Board members elected by employees must be at least half the number of those elected by the shareholders at the annual general meeting. The rights, duties and responsibilities of the Board members elected by employees are the same as those of the Board members elected by shareholders at the annual general meeting.

The term of office for members elected by shareholders at the general meeting is one year, while according to legislation, it is four years for members elected by employees.

Board members are elected individually.

The Board of Directors has addressed its composition and qualifications in "Policy on diversity at board level". The Company believes that, by imposing in advance very specific requirements on the Board members, it may prevent the election of an evidently qualified Board candidate, if they do not fully meet the requirements. Topdanmark wants to make an individual decision on each Board candidate based on an overall consideration of the candidate's qualifications as compared with the Company's business model and associated risks, present needs and the composition of the rest of the Board of Directors. Topdanmark believes that in a company like Topdanmark, its Board members should possess combined skills within organisation, strategic management, insurance operations, reinsurance, long-tail business, financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private and commercial

markets, marketing and branding, outsourcing, finance, own funds, solvency and minimum capital requirements, rules for internal models, audit, financing and investment, regulatory environment, compliance, IT and IT security, digitalisation as well as recruitment and human resources. Information on the defined competencies possessed by each of the Board members elected by shareholders at the annual general meeting is provided in the section on the Board of Directors in the Annual Report. Taking the latest evaluation of the Board into account, it is assessed that Topdanmark's Board of Directors with its current composition possesses the above skills and qualifications.

Diversity

Topdanmark's current Board of Directors reflects diversity in many areas, including professional background and education, gender and age. Its members have experience from the financial and industrial sectors, nationally and internationally. The Board of Directors believes that this composition enables it to consider a given problem from many different angles which is confirmed by experience from the day-to-day Board duties. Read more about each Board member's background, competencies and rate of attendance on www.topdanmark.com → About Topdanmark → Organisation → [Executive Board and Board of Directors](#), and under Board of Directors and Executive Board in this Annual Report.

Four of the nine Board members are women, two of them elected by the Annual General Meeting and two by Topdanmark's employees. Consequently, Topdanmark meets its goal: that the Board has a minimum of three persons of each gender. Topdanmark meets the statutory definition of an equal gender distribution.

Topdanmark has signed up to the UN Global Compact intended to ensure, among other things, the prevention of discrimination in businesses.

Topdanmark works to maintain and develop openness in the company culture to counter any form of discrimination due to gender, race, colour, nationality, social and ethnic origin, religion, beliefs, political opinion, disability, age and sexual orientation. Topdanmark believes that diversity provides business value, and that it is important that all employees may advance to managerial positions at all levels.

Topdanmark's Board of Directors has adopted policies on diversity. "Policy on diversity at Board level" and "Policy on diversity and the under-represented gender in the management body of Topdanmark" have been published on Topdanmark's website. More information on diversity including "Women in management" is available in the [Sustainability Report 2021](#).

Evaluation of the Board of Directors

On a regular basis, the Board of Directors evaluates the Board duties, the full Board and the contributions and results made by the individual members, cooperation with the Executive Board, the Chairman's management of the Board of Directors, the Board composition, the work in the Committees and the set-up of the Committees, the organisation of the work and the quality of the material for the Board of Directors. The Board evaluation is based on anonymous questionnaires on the work in the Board and cooperation with the Executive Board, anonymous evaluation of the individual members of the Board of Directors and the Executive Board, optional individual interviews between the Chairman of the Board and each member of the Board and questionnaires on the expertise of each Board member. The Board of Directors carries out a self-evaluation once a year. The Chairman of the Board is in charge of the evaluation with no involvement of the Executive Board. On the basis of a specific evaluation, the Board of Directors decides if it is necessary and/or relevant to involve external consultants in the evaluation process. For 2021/2022 the Board of Directors have engaged an external consultancy bureau to assist the Board of Directors in conducting the board evaluation.

Any additional directorships undertaken by the Board members including the significance and extent of each duty form part of the evaluation of Topdanmark's Board of Directors. The evaluation of overboarding is based on the guidelines prepared by ISS and additionally, a subjective evaluation is made. None of Topdanmark's Board members is considered to be overboarded.

Amendments to the Company's Articles of Association

The annual general meeting is Topdanmark's ultimate decision-making body. Resolutions at annual general meetings are passed by a simple majority of votes, unless a special majority or representation is required by the Danish Companies Act or the Articles of Association. The Articles of Association provide that resolutions amending the Articles of Association are only valid if adopted by an affirmative vote of not less than two thirds of the votes cast as well as of the capital represented at the general meeting. The Articles of Association provide no restrictions on voting rights.

Severance pay

In order to ensure full loyalty, focus and performance for the Topdanmark Group during the period until a potential take-over is finalised, Topdanmark has agreed with a few members of the Executive Board who have been registered members of the Executive Board for all or parts of the financial year 2021, and one member of Orienteringsforum that under certain circumstances, they will receive compensation in the form of an extended period of notice and increased severance pay, if they resign or are dismissed, or if their position is made redundant because Topdanmark and/or the company in the Topdanmark Group where the member is employed is taken over by or merges with a company outside the Group, or if one or more owners take control of Topdanmark and/or the company in the Topdanmark Group in which the member is employed. The maximum amount of compensation will represent two years' remuneration.

In accordance with the rules in force from time to time, Topdanmark Group may sign agreements on severance pay with directors, Orienteringsforum and other material risk takers. For agreements signed after November 2017, the total value of remuneration for the period of termination, including severance pay, cannot exceed two years' salary including all remuneration elements. For agreements signed before November 2017, severance pay cannot exceed the value of the remuneration for the past two years.

For two members of the Executive Board who have been registered members of the Executive Board for all or parts of the financial year 2021 and one member of Orienteringsforum and one member of Topdanmark's other management level, who has been

employed for all or part of the financial year 2021, it was agreed that, in continuation of Sampo Group's take-over of de facto control of Topdanmark in 2013, they would earn remuneration equivalent to six months' salary per vesting year over a period of three years. The vesting period is over, and the remuneration is recognised as a provision in the accounts. The remuneration, which is adjusted annually in relation to the current salary level, will be paid when employment ends.

Remuneration structure

Topdanmark's remuneration policy is intended to optimise long-term value creation at group level and support Topdanmark business strategy. At the same time, Topdanmark's remuneration policy should strengthen the attraction, retention and motivation of qualified members of Topdanmark's management, as well as ensure consistency between the interests of management, the company and the shareholders. The annual general meeting has adopted "Remuneration policy of the Topdanmark Group."

The remuneration policy covers Topdanmark's Board of Directors, Executive Board, other material risk takers and, as provided by legislation, employees involved in control functions and audit. If specifically stated, Topdanmark's remuneration policy also covers its senior management team composed of a number of divisional and service area directors (Orienteringsforum) (primarily consisting of level A and B+ managers) and certain other employees, at the discretion of the Board of Directors. The remuneration policy, as adopted by the annual general meeting, is available on www.topdanmark.com → About Topdanmark → Corporate governance → [Remuneration structure](#).

The overall purpose of Topdanmark's remuneration policy is to ensure transparency and shareholder influence on Topdanmark's remuneration. The share price reflects the anticipated value creation at group level. This is one of the reasons why Topdanmark believes that share-based incentive pay, including revolving share options, ensures that management is exposed to the development in share prices and thus encourages individual managers to make decisions which support value creation as much as possible from a holistic perspective.

The decision of the application of short-term and long-term, incentive remuneration has been made for the purpose of ensuring a balance between short-term and long-term results.

In addition to a policy on salaries, the remuneration policy also includes the pension policy and the guidelines for granting variable salary components, severance pay and identification of other employees whose activities have material impact on Topdanmark's risk profile.

The remuneration paid to the Executive Board, Orienteringsforum and other material risk takers should be competitive with remuneration at comparable companies and can be made up of the following remuneration components: fixed basic remuneration, additional remuneration, pension, other benefits, employee shares, option-based long-term incentive programme (LTI programme), cash-based and share-based short-term incentive programme (STI programme) and extraordinary variable remuneration.

The fixed basic remuneration paid to the Executive Board, Orienteringsforum and other material risk takers is, generally, fixed as a gross salary of which the employee defrays expenses for pension and company car, and it is based on a specific assessment of each employee. i.a. based on the position, individual characteristics, and performance of the individual. The fixed basic remuneration for the Executive Board and Orienteringsforum is reassessed annually and is determined by individual negotiations with each member of the Executive Board and Orienteringsforum on the basis of a framework set by the Board of Directors.

Topdanmark's LTI programme for the Executive Board, Orienteringsforum and certain other managers is a revolving share option scheme which entails that a fixed proportion equivalent to 10% of (the cash salary + pension + company car value) is paid in the form of share options according to a revolving option programme.

In addition to options paid to the Executive Board, Orienteringsforum and certain other managers in accordance with the revolving share option scheme, the Executive Board may grant up to a total of 200,000 options to employees, including other material risk takers, who have made special efforts or in other ways contributed extraordinarily to the value creation.

Topdanmark's STI programme is a cash- and share-based incentive programme tied up with the completion of a number of predefined goals for each member of the programme. STI bonus cannot exceed 40% of the employee's fixed basic salary including pension.

The variable remuneration for a director cannot exceed 50% of the director's fixed basic remuneration, including pension. The variable remuneration for other material risk takers, including members of Orienteringsforum, cannot exceed 100% of the employee's fixed basic remuneration including pension. For directors, the share options and other derivatives cannot exceed 12.5% of the fixed basic remuneration including pension at the time of calculation.

The Executive Board is not paid a special pension contribution. The gross salary takes this into account. Consequently, Topdanmark does not have any pension-related obligations to the Executive Board, and there will be no payment of pension on retirement.

Orienteringsforum and other material risk takers receive, within their fixed gross salary, a pension contribution of up to 25% of their cash remuneration. The amount is paid to the pension supplier and consequently, all pension obligations are fully covered by the pension supplier. Reference is also made to the Topdanmark Group's [Remuneration Report 2021](#) and [Payment Report 2021](#).

Share options

Share options granted	Executive Board	Senior Executives	Total
2018	49,216	262,059	311,275
Market value of those options granted (DKKm)	2	9	11
2019	58,756	217,868	276,624
Market value of those options granted (DKKm)	2	8	10
2020	57,557	188,984	246,541
Market value of those options granted (DKKm)	2	8	10
2021	77,684	228,279	305,963
Market value of those options granted (DKKm)	2	7	10
2022	38,441	179,820	218,261
Market value of those options granted (DKKm)	2	8	10

For 2022, Topdanmark has granted 38,441 share options to its Executive Board and 118,820 share options to senior management. The strike price of DKK 404 was fixed at 110% of the market price of Topdanmark's shares on 30 December 2021 (average of all trades).

Besides the revolving scheme referred to above, further 61,000 share options have been granted for 2022 to a number of other executives who have made a special effort or otherwise contributed extraordinarily to value creation in the Company.

The options granted for 2022 are not to be exercised any earlier than subsequent to the publication of the 2024 annual results in 2025, and any later than subsequent to the publication of the 2026 annual results in 2027. In the intervening period, the options can only be exercised up to three banking days after Topdanmark's publication of its annual, half year and interim reports.

The value of issuing the options amounts to DKK 10m, using the Black and Scholes model assuming a share price of DKK 367.42, an interest rate equivalent to the zero coupon rate based on the swap curve on 30 December 2021, future annual volatility of 22%, a pattern of exercise similar to Topdanmark's previous granting of share options and otherwise in accordance with IFRS 2 on share-based payments.

Including the granted options for 2022, the exposure of the options held by the Executive Board represented 0.2% of the number of outstanding shares.

Topdanmark's Remuneration Report for 2021 and Topdanmark's Payment Report for 2021 provides additional information on remuneration in Topdanmark and Topdanmark's option scheme. Detailed information is available on www.topdanmark.com → Investors → Reports and presentations → [Remuneration reports](#) and [Payment reports](#).

Distribution of dividend for 2021

Given Topdanmark's solid own funds, the Board of Directors will recommend to the AGM that distribution of a total dividend of DKK 3,105m takes place, representing DKK 34.5 per share, a pay-out ratio of 145.2 and a dividend yield of 9.4. The total dividend is made up of an ordinary dividend of DKK 2,115m from this year's profit of DKK 2,138m, representing DKK 23.5 per share and a pay-out ratio of 98.9, as well as an extra dividend of DKK 990m, representing DKK 11.0 per share.

Subject to the approval from the AGM, the distribution of dividend will take place immediately after the AGM on 24 March 2022.

Corporate Governance

Topdanmark's "Statutory Corporate Governance Report, see section 131 of Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds" ("Executive Order on Financial Reports"), is available on www.topdanmark.com → Investors → Reports and presentations → [Statutory corporate governance reports.](#)

Sustainability

Topdanmark's statutory report on sustainability, gender diversity and data ethics see Sections 132, 132a and 132d of the Danish Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds are available on www.topdanmark.com → Investors → Reports and presentations → [Sustainability reports.](#)

Annual General Meeting

The Annual General Meeting will be held on 24 March 2022 at 15:00 (CET) as a fully virtual AGM.

The agenda for the Annual General Meeting will be published in the period from 16 February to 2 March 2022.

Financial calendar

AGM	24 Mar 2022
Q1 2022 Interim Report	26 Apr 2022
2022 Half-year Report	15 July 2022
Q1-Q3 2022 Interim Report	21 Oct 2022

Company announcements

Topdanmark submits announcements to Nasdaq Copenhagen A/S with information on material and relevant events in the Group which may affect the price of Topdanmark's shares. The announcements are also sent to the press, share analysts, investors and other interested parties.

The announcements are available on www.topdanmark.com → Investors → [Company announcements](#).

2022

01 Feb	04/2022	Correction to Mawer Investment Management's shareholding in Topdanmark
21 Jan	03/2022	Topdanmark announcement of 2021 Annual Results
14 Jan	02/2022	Topdanmark A/S expects net profit for 2021 of around DKK 2.1 billion
03 Jan	01/2022	Issue of options

2021

14 Dec	16/2021	Topdanmark Forsikring A/S issues DKK 1,000m of subordinated notes (subordinated loan capital)
08 Dec	15/2021	Brian Rothemejer Jacobsen resigns from his position with Topdanmark
21 Oct	14/2021	Correction: Topdanmark Interim Report for Q1-Q3 2021
21 Oct	13/2021	Topdanmark Interim Report for Q1-Q3 2021
13 Sep	12/2021	Employee shares
16 Jul	11/2021	Topdanmark Forsikring A/S - Redemption of subordinated notes
16 Jul	10/2021	Topdanmark Half-Year Report for 2021
03 Jun	09/2021	Topdanmark Forsikring A/S - Redemption of subordinated notes
26 Apr	08/2021	Topdanmark Interim Report for Q1 2021
08 Apr	07/2021	Lars Kufall Beck appointed new CFO of Topdanmark
06 Apr	06/2021	Topdanmark A/S expects higher returns and solvency ratio in 2021
25 Mar	05/2021	Annual General Meeting of Topdanmark 25 March 2021
01 Mar	04/2021	Notice convening the Annual General Meeting on 25 March 2021
18 Feb	03/2021	Topdanmark's Annual Report for 2020
22 Jan	02/2021	Topdanmark announcement of 2020 Annual Results
04 Jan	01/2021	Issue of options

Board of Directors

**Ricard Wennerklint**

Chairman of the Board of Directors
Elected at the AGM

Current position held:

Group Executive Vice President, Chief of Strategy, Sampo plc

DATE OF BIRTH: 2 September 1969

NATIONALITY: Swedish

JOINED TOPDANMARK'S BOARD OF DIRECTORS: 2017

RATE OF ATTENDANCE 2021: 100%

PREVIOUS POSITIONS HELD

1994-1997	Financial Controller, Project Manager, Head of Financial Control, Trygg-Hansa
1997-1999	Head of Control, Skandia P&C
1999-2001	Senior Vice President, Head of Business and Financial Control, If P&C Insurance Ltd
2002-2008	CFO, If P&C Insurance Ltd
2006-2019	Managing Director, If P&C Insurance Ltd
2008-2019	Deputy CEO, If P&C Insurance Holding Ltd
2019-2019	Executive Director, If P&C Insurance Holding Ltd.

EDUCATION

Business Administration and Finance, Stockholm School of Economics

OFFICES HELD

Member of the Board of Directors of:
If P&C Insurance Holding Ltd
Nordax Bank AB (publ.) (Sweden)
Hastings Group Holdings Ltd, UK (Chairman)
Mandatum Holding Ltd.

MEMBER OF

The Audit Committee, Remuneration Committee and Nomination Committee of Topdanmark
The Nomination Board of Nordea Abp (Chairman).

EXPERTISE AND QUALIFICATIONS

The Board has defined the required competencies and qualifications for board members of Topdanmark. Among these, Ricard Wennerklint possesses knowledge and experience of the following:
Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, reinsurance, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private market, sales to the professional market, marketing and branding, outsourcing, finance, own funds, solvency and minimum capital requirements, rules for internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources.

INDEPENDENCE

As Ricard Wennerklint represents a controlling shareholder's interests, he does not meet the definition of independence set out by the Committee on Corporate Governance.

**Jens Aaløse**

Deputy Chairman
Elected at the AGM

Current position held:

Managing Partner, Maj Invest Equity

DATE OF BIRTH: 26 September 1966

NATIONALITY: Danish

JOINED TOPDANMARK'S BOARD OF DIRECTORS: 2016

RATE OF ATTENDANCE 2021: 100%

PREVIOUS POSITIONS HELD

1990 - 2002	Various executive positions, SAS Scandinavian Airlines A/S
2002 - 2006	Vice President, SAS Scandinavian Airlines A/S
2006 - 2010	CEO, Nordic Media Link AB and Dansk Reklame Film A/S
2010 - 2013	CEO, Danske Licens Spil A/S
2013 - 2021	Senior Executive Vice President, TDC A/S.

EDUCATION

B.Sc. Business Administration, Copenhagen Business School, Denmark

OFFICES HELD

Member of the Board of Directors of:
Dansk Erhverv (the Danish Chamber of Commerce)
FDM Travel A/S
Sticks N Sushi (Chairman)
Blue Ocean Robotics (Chairman).

MEMBER OF

The Remuneration Committee and Nomination Committee of Topdanmark.

EXPERTISE AND QUALIFICATIONS

The Board has defined the required competencies and qualifications for board members of Topdanmark. Among these, Jens Aaløse possesses knowledge and experience of the following:
Board assignments in financial businesses, organisation, strategic management, insurance operations, reinsurance, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private market, sales to the professional market, marketing and branding, outsourcing, finance, own funds, solvency and minimum capital requirements, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources.

INDEPENDENCE

Jens Aaløse meets the definition of independence set out by the Committee on Corporate Governance.

**Elise Bundgaard**

Elected by employees

Current position held:

Chairman of De Overordnede Forening

**Anne Louise Eberhard**

Elected at the AGM

Current position held:

Professional Board Member and Senior Advisor

DATE OF BIRTH: 14 January 1968

NATIONALITY: Danish

JOINED TOPDANMARK'S BOARD OF DIRECTORS: 2019

RATE OF ATTENDANCE 2021: 100%

OFFICES HELD

Member of the Board of Directors of:
Bjatola A/S

DATE OF BIRTH: 24 April 1963

NATIONALITY: Danish

JOINED TOPDANMARK'S BOARD OF DIRECTORS: 2019

RATE OF ATTENDANCE 2021: 100%

PREVIOUS POSITIONS HELD

2012 - 2014 Senior Executive VP, Global Head of
Corporate & Institutional Banking and
Transactional Credit, Danske Bank A/S
2014 - 2017 Member of the Board of Directors of Solix
Group AB
2015 - 2017 Member of the Board of Directors of
Sampension KP Livsforsikring A/S
2016 - 2018 CCO, Intrum Justitia AB / Lindorff AS

EDUCATION

B.Com. (Business Administration), Management Accounting
& Informatics, CBS
Master of Law, University of Copenhagen
ESG Certificate Holder, Competent Boards.

OFFICES HELD

Member of the Board of Directors of
FLSmidth & Co. A/S and FLSmidth A/S
Finansiel Stabilitet SOV (Deputy Chairman)
Bavarian Nordic A/S
Knud Højgaards Fond og Højgaard Ejendomme A/S
VL52 ApS
Moneyflow Group A/S (Chairman)
Chr. Hansen Natural Colors A/S (Oterra) and others
Unicef Denmark.

MEMBER OF

The Audit Committee of FLSmidth & Co. A/S
The Finance, Risk & Audit Committee of Bavarian Nordic
A/S (Chairman)
The Audit Committee of Topdanmark
The Investment Committee of Knud Højgaards Fond
The Audit Committee of Chr. Hansen Natural Colors A/S
(Oterra) (Chairman)
Faculty member at Copenhagen Business School, Board
Educations.

**Mette Jensen**

Elected by employees
Chairman of Forsikringsforbundet
(the Staff Association) of Topdanmark

EXPERTISE AND QUALIFICATIONS

The Board has defined the required competencies and qualifications for board members of Topdanmark. Among these, Anne Louise Eberhard possesses knowledge and experience of the following:
Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, reinsurance, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private market, sales to the professional market, marketing and branding, outsourcing, finance, own funds, solvency and minimum capital requirements, rules for internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources.

INDEPENDENCE

Anne Louise Eberhard meets the definition of independence set out by the Committee on Corporate Governance.

DATE OF BIRTH: 20 June 1976**NATIONALITY:** Danish**JOINED TOPDANMARK'S BOARD OF DIRECTORS:** 2015**RATE OF ATTENDANCE 2021:** 100%**MEMBER OF**

The Remuneration Committee of Topdanmark



Cristina Lage
Elected at the AGM

Current position held:
Professional Board Member

DATE OF BIRTH: 13 November 1954

NATIONALITY: Danish

JOINED TOPDANMARK'S BOARD OF DIRECTORS: 2019

RATE OF ATTENDANCE 2021: 100%

PREVIOUS POSITIONS HELD

1987 - 1996 Deputy Director and Group Treasurer, ISS International Service System A/S
1992 - 1994 CFO, Kulturbry 1996, Copenhagen
1994 - 1996 CFO, ISS Scandinavia A/S
1996 - 2000 CFO and CEO, Louisiana Museum of Modern Art
2000 - 2003 CEO, TV2/Danmark A/S
2003 - 2004 Head of secretariat, Det Radikale Venstre
2004 - 2008 CEO, Nordea Liv og Pension A/S
2008 - 2011 CEO, Nordea Invest A/S
2011 - 2016 CEO, Unipension A/S

EDUCATION

M.Sc. (Economics and Business Administration), Copenhagen Business School, Copenhagen

OFFICES HELD

Member of the Board of Directors of Arbejdsmiljørådet (Chairman)
LEO Fondet
C.L. Davids Fond
Det Obelske Familiefond
OK-Fonden.

MEMBER OF

The Investment Committee of LEO Fondet (Chairman)
The Audit Committee of Topdanmark

EXPERTISE AND QUALIFICATIONS

The Board has defined the required competencies and qualifications for board members of Topdanmark. Among these, Cristina Lage possesses knowledge and experience of the following:
Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, reinsurance, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private market, sales to the professional market, marketing and branding, outsourcing, finance, own funds, solvency and minimum capital requirements, rules for internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources.

INDEPENDENCE

Cristina Lage meets the definition of independence set out by the Committee on Corporate Governance.



Ole Lomholt Mortensen
Elected by employees

Current position held:
Chairman of Assurandørforeningen of Topdanmark

DATE OF BIRTH: 29 June 1957

NATIONALITY: Danish

JOINED TOPDANMARK'S BOARD OF DIRECTORS: 2019

RATE OF ATTENDANCE 2021: 90%



Petri Niemisvirta

Elected at the AGM

Current position held:

Executive Director, Mandatum Group and Mandatum Life Insurance Company Ltd

DATE OF BIRTH: 19 February 1970

NATIONALITY: Finnish

JOINED TOPDANMARK'S BOARD OF DIRECTORS: 2017

RATE OF ATTENDANCE 2021: 100%

PREVIOUS POSITIONS HELD

1995 - 1999 Kaleva Mutual Insurance Company
1999 - 2000 Sampo Life Insurance Company Limited
2000 - 2001 Managing Director, Evli Life Ltd
2001 - 2021 Managing Director, Mandatum Life Insurance Company Limited

EDUCATION

LL.M., University of Turku

OFFICES HELD

Member of the Board of Directors of:
Mandatum Asset Management Ltd (Finland)
Kaleva Mutual Insurance Company (Chairman) (Finland)
Varma Mutual Pension Insurance Company (Finland)
Confederation of Finnish Industries EK
Alma Media Corporation (Deputy Chairman)
Finance Finland (FFI)
Finance Finland Life Insurance.

MEMBER OF

The Group Executive Committee of Sampo
The Executive Committee of Finance Finland Life Insurance

EXPERTISE AND QUALIFICATIONS

The Board has defined the required competencies and qualifications for board members of Topdanmark. Among these, Petri Niemisvirta possesses knowledge and experience of the following:
Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private market, sales to the professional market, marketing and branding, finance, own funds, solvency and minimum capital requirements, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources.

INDEPENDENCE

As Petri Niemisvirta represents a controlling shareholder's interests, he does not meet the definition of independence set out by the Committee on Corporate Governance.



Morten Thorsrud

Elected at the AGM

Current position held:

President and CEO, If P&C Insurance Ltd (publ.)

DATE OF BIRTH: 23 December 1971

NATIONALITY: Norwegian

JOINED TOPDANMARK'S BOARD OF DIRECTORS: 2019

RATE OF ATTENDANCE 2021: 100%

PREVIOUS POSITIONS HELD

1996 - 2002 Various positions including Associate Partner, McKinsey & Company, Inc., Norway/Europe
2002 - 2004 Head of Corporate Strategy, If P&C Insurance Ltd. (publ)
2004 - 2005 Head of Industrial Underwriting and Claims, If P&C Insurance Ltd (publ)
2005 - 2013 Head of BA Industrial, If P&C Insurance Ltd (publ)
2013 - 2019 Group Executive Vice President, Head of BA Private, If P&C Insurance Ltd (publ)

EDUCATION

Master of Business and Economics., Norwegian School of Management

OFFICES HELD

Member of the Board of Directors of
Finans Norge
Euronext N.V.
Hastings Group.

MEMBER OF

The Group Executive Committee of Sampo
The Audit Committee of Euronext N.V.

EXPERTISE AND QUALIFICATIONS

The Board has defined the required competencies and qualifications for board members of Topdanmark. Among these, Morten Thorsrud possesses knowledge and experience of the following:
Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, reinsurance, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private market, sales to the professional market, marketing and branding, outsourcing, finance, own funds, solvency and minimum capital requirements, rules for internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources.

INDEPENDENCE

As Morten Thorsrud represents a controlling shareholder's interests, he does not meet the definition of independence set out by the Committee on Corporate Governance.

Executive Board



Peter Hermann

CEO of Topdanmark A/S.

Born 1973, joined Topdanmark in 2016, joined the Executive Board on 5 February 2018.

EDUCATION:

- M.Sc. Actuarial mathematics
- Graduate Diploma in Business Administration (Organisation & Leadership).

MANAGERIAL RESPONSIBILITIES:

- Private Division
- Agriculture & Commercial Division
- Life & Pension Division
- Claims & Customer Excellence
- Finance & Risk
- Price & Product
- Technology & Development
- HR & Communication
- Group Secretariat, Corporate Legal Matters
- Strategy & Sustainability.

MEMBER OF THE BOARD OF DIRECTORS OF:

- Forsikring & Pension
- KBC Brussels.



Lars Kufall Beck

CFO of Topdanmark A/S.

Born 1974, joined Topdanmark and the Executive Board on 10 August 2021.

EDUCATION:

- M.Sc. Actuarial mathematics
- Graduate Diploma in Business Administration (Finance).

MANAGERIAL RESPONSIBILITIES:

- Asset Management
- Finance
- Investor Relations
- Accounting
- Statistical Services
- Reinsurance
- Tax
- Risk management
- Credits.



Thomas Erichsen

CTO of Topdanmark A/S.

Born 1972, joined Topdanmark and the Executive Board on 1 October 2018.

EDUCATION:

- M.Sc. (Economics)
- Executive MBA.

MANAGERIAL RESPONSIBILITIES:

- Project & Program Delivery
- IT Technology, Architecture and Security
- IT Operations
- Solution Development
- Portfolio & Performance.

Information on The Executive Board's duties outside the Group as approved by the Board of Directors, and as required by Article 80 of the Danish Financial Business Act, is shown in the Annual Report for Topdanmark Forsikring A/S.

Annual Financial Statements - Group

Five-year summary • Group

(DKKm)	2017	2018	2019	2020	2021
NON-LIFE INSURANCE					
Gross premiums earned*	9,051	9,197	9,463	9,763	10,240
Claims incurred	(5,514)	(6,037)	(6,109)	(6,556)	(6,802)
Bonuses and rebates	(66)	(62)	(66)	(31)	(86)
Insurance operating expenses	(1,435)	(1,453)	(1,483)	(1,565)	(1,575)
Net reinsurance	(389)	(111)	(234)	(257)	(90)
TECHNICAL RESULT FROM NON-LIFE INSURANCE	1,646	1,534	1,571	1,354	1,688
LIFE INSURANCE					
Gross premiums written	8,525	10,111	11,106	10,981	10,360
Allocated investment return, net of reinsurance	3,372	(2,326)	8,357	5,291	10,791
Pension return tax	(522)	28	(1,094)	(617)	(1,521)
Claims and benefits	(4,701)	(4,088)	(4,133)	(6,393)	(8,955)
Change in the life insurance provisions and profit margin	(6,232)	(3,352)	(13,820)	(8,877)	(10,269)
Insurance operating expenses	(433)	(420)	(486)	(559)	(582)
Net reinsurance	(2)	(1)	(1)	(2)	1
TECHNICAL RESULT FROM LIFE INSURANCE	8	(48)	(71)	(176)	(175)
Profit on investment activities after transfer to technical results	608	251	526	320	1,278
Other income	23	23	19	14	10
Other expenses	(51)	(58)	(57)	(59)	(59)
PRE-TAX PROFIT	2,235	1,702	1,987	1,453	2,742
Taxation	(502)	(371)	(441)	(329)	(604)
PROFIT FOR THE YEAR	1,733	1,331	1,547	1,124	2,138
Run-off profits, net of reinsurance	344	353	433	164	205
Provisions for insurance and investment contracts:					
Non-life insurance	16,091	16,056	16,175	16,462	17,102
Life insurance	54,198	56,519	70,603	79,335	89,593
Total insurance assets	574	635	585	541	677
Total shareholders' equity	6,191	6,016	6,397	6,879	7,399
Total assets	80,958	83,224	98,442	109,288	120,368
NON-LIFE INSURANCE					
Gross claims ratio	61.5	66.2	65.1	67.5	67.1
Net reinsurance ratio	4.3	1.2	2.5	2.6	0.9
Claims ratio, net of reinsurance	65.8	67.5	67.6	70.1	68.0
Gross expense ratio	16.1	16.1	16.0	16.3	15.7
Combined ratio (operating ratio)	82.0	83.6	83.7	86.5	83.7
Combined ratio excl. run-off profits	85.8	87.5	88.3	88.2	85.7
Relative run-off profits, net of reinsurance (%)	2.7	2.8	3.5	1.3	1.6
LIFE INSURANCE**					
Rate of return related to with-profit products (%)	4.6	(0.4)	7.2	4.9	4.0
Rate of return related to unit-linked products (%)	8.6	(6.1)	16.3	7.5	15.4
Risk on return related to unit-link products	4.50	4.50	4.50	5.25	4.75
Expense ratio of provisions	0.8	0.8	0.8	0.8	0.7
Cost per policyholder (DKK)	2,729	2,758	3,064	3,418	3,352
Return on shareholders' equity (%)	32.2	23.0	26.1	17.4	31.8

* Before bonuses and rebates.

** Ratios on life insurance are calculated for Topdanmark Livsforsikring A/S.

In 2018 Topdanmark changed the classification of contracts in life insurance. To the extent possible, comparatives were restated.

Income statement • Group

(DKK m)	Note	2020	2021
NON-LIFE INSURANCE			
Gross premiums written	3	9,803	10,282
Ceded reinsurance premiums		(592)	(604)
Change in the provisions for unearned premiums	3	282	89
Change in profit margin and risk margin	3	(323)	(131)
Change in the reinsurers' share of the provisions for unearned premiums		3	4
Premiums earned, net of reinsurance		9,174	9,640
Claims paid		(6,500)	(6,156)
Reinsurance cover received		292	288
Change in the provisions for claims		(87)	(659)
Change in risk margin		30	13
Change in the reinsurers' share of the provisions for claims		(41)	141
Claims incurred, net of reinsurance	4	(6,305)	(6,373)
Bonuses and rebates		(31)	(86)
Acquisition costs		(1,015)	(1,013)
Administrative expenses		(550)	(561)
Reinsurance commission and share of profits		81	82
Insurance operating expenses, net of reinsurance		(1,484)	(1,492)
TECHNICAL RESULT FROM NON-LIFE INSURANCE	5	1,354	1,688
LIFE INSURANCE			
Gross premiums written	6	10,981	10,360
Ceded reinsurance premiums		(1)	(1)
Premiums, net of reinsurance		10,980	10,359
Allocated investment return, net of reinsurance		5,291	10,791
Pension return tax		(617)	(1,521)
Claims and benefits paid	7	(6,393)	(8,955)
Reinsurance cover received		6	5
Claims and benefits paid, net of reinsurance		(6,387)	(8,951)
Change in the life insurance provisions	8	(8,839)	(9,111)
Change in the reinsurers' share		(7)	(3)
Change in the life insurance provisions, net of reinsurance		(8,847)	(9,114)
Change in profit margin		(38)	(1,158)
Acquisition costs		(224)	(234)
Administrative expenses		(335)	(348)
Insurance operating expenses, net of reinsurance		(559)	(581)
TECHNICAL RESULT FROM LIFE INSURANCE		(176)	(175)

Income statement • Group

(DKKm)	Note	2020	2021
NON-TECHNICAL ACTIVITIES			
Technical result from non-life insurance		1,354	1,688
Technical result from life insurance		(176)	(175)
Income from associates and joint ventures	18	92	588
Income from investment properties	9	191	206
Interest income and dividends etc.		1,909	2,373
Revaluations	10	3,981	8,588
Interest charges		(102)	(83)
Expenses on investment activities		(86)	(106)
Total investment return		5,986	11,565
Return and revaluations of non-life insurance provisions	11	(374)	503
Investment return transferred to life insurance		(5,291)	(10,791)
Other income		14	10
Other expenses	12	(59)	(59)
PRE-TAX PROFIT		1,453	2,742
Taxation	13	(329)	(604)
PROFIT FOR THE YEAR		1,124	2,138
EPS (DKK)	14	12.9	24.4
EPS, diluted (DKK)	14	12.9	24.3

Statement of comprehensive income • Group

Profit for the year	1,124	2,138
Items which cannot subsequently be reclassified as profit or loss:		
Revaluation / Reversed revaluation owner-occupied properties	1	0
Other comprehensive income	1	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,125	2,138

Assets • Group

(DKKkm)	Note	2020	2021
INTANGIBLE ASSETS	15	1,486	1,641
Operating equipment		108	91
Owner-occupied properties		837	810
TOTAL TANGIBLE ASSETS	16	946	902
Investment properties	17	3,934	2,927
Equity investments in associates and joint ventures	18	1,741	2,324
Total investments in associates and joint ventures		1,741	2,324
Equity investments		4,751	5,085
Unit trusts		2	16
Bonds		41,776	32,995
Loans guaranteed by mortgages		6	5
Deposits with credit institutions		4,989	2,620
Derivatives		1,405	127
Total other financial investment assets		52,928	40,848
TOTAL INVESTMENT ASSETS		58,603	46,099
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	19	44,997	68,149
Reinsurers' share of the provisions for unearned premiums	20	96	99
Reinsurers' share of the life insurance provisions		5	2
Reinsurers' share of the provisions for claims	21	440	576
Total reinsurers' share of provisions		541	677
Receivables from policyholders		283	313
Receivables from insurance companies		71	105
Receivables from associates and joint ventures		252	227
Other receivables		584	311
TOTAL RECEIVABLES		1,731	1,633
Deferred tax assets	22	33	86
Liquid funds		846	1,136
Other		20	79
TOTAL OTHER ASSETS		899	1,302
Accrued interest and rent		415	423
Other prepayments and accrued income		210	218
TOTAL PREPAYMENTS AND ACCRUED INCOME		626	641
TOTAL ASSETS		109,288	120,368

Shareholders' equity and liabilities • Group

(DKKkm)	Note	2020	2021
Share capital		90	90
Revaluation reserve		1	2
Security fund		1,146	1,146
Other reserves		79	83
Total reserves		1,225	1,229
Profit carried forward		3,763	2,973
Proposed dividend		1,800	3,105
TOTAL SHAREHOLDERS' EQUITY		6,879	7,399
OTHER SUBORDINATED LOAN CAPITAL	23	1,749	1,900
Provisions for unearned premiums	24	1,590	1,446
Profit margin, non-life insurance contracts	24	1,150	1,316
With-profit products	25	23,178	22,319
Unit-linked products	26	55,790	65,749
Total life insurance provisions		78,968	88,068
Profit margin, life insurance and investment contracts	27	367	1,525
Provisions for claims	28	13,364	13,994
Risk margin, non-life insurance contracts		226	189
Provisions for bonuses and rebates		130	157
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		95,797	106,695
Pensions and similar commitments		31	28
Deferred tax liabilities	22	83	94
Deferred tax on security funds		306	306
TOTAL PROVISIONS		420	428
DEPOSITS RECEIVED FROM REINSURERS		33	11
Debt relating to direct insurance operations		165	180
Debt relating to reinsurance operations		23	42
Amounts due to credit institutions		1,350	451
Current tax liabilities		60	84
Derivatives		983	605
Other debt		1,727	2,468
TOTAL DEBT		4,308	3,829
ACCRUALS AND DEFERRED INCOME		103	108
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		109,288	120,368

Cash flow statement • Group

(DKK m)	2020	2021
Cash flow from operations		
Gross premiums	9,741	10,210
Claims	(6,488)	(6,122)
Expenses	(1,437)	(1,488)
Reinsurance ceded	(166)	(243)
Cash flow from non-life insurance	1,651	2,357
Gross premiums	10,984	10,358
Claims and benefits	(6,660)	(9,011)
Pension return tax	(823)	(737)
Expenses	(483)	(488)
Reinsurance ceded	(19)	(20)
Cash flow from life insurance	2,999	102
Cash flow from insurance activities	4,650	2,459
Payments on investment contracts	145	11
Interest income etc.	1,483	1,820
Dividends	526	757
Interest charges etc.	(184)	(184)
Corporation tax	(313)	(616)
Other items	(332)	206
Cash flow from operations	5,975	4,453
Cash flow from investments		
Intangible assets, operating equipment	(205)	(279)
Properties	(191)	(256)
Equity investments in subsidiaries	(81)	-
Equity investments in associates and joint ventures	(8)	(16)
Dividends from associates and joint ventures	27	21
Equity investments	400	525
Unit trusts	12	(12)
Bonds	1,587	8,078
Derivatives	(250)	431
Investment assets related to unit-linked products	(5,157)	(12,627)
Balances with associates and joint ventures	34	24
Cash flow from investments	(3,831)	(4,110)
Cash flow from financing		
Dividend paid	(741)	(1,752)
Exercise of share options	33	50
Redemption of subordinated loan capital	(500)	(850)
Issue of subordinated loan capital	500	1,000
Amounts due to credit institutions	1,195	(899)
Cash flow from financing	486	(2,451)
Change in cash and cash equivalents	2,631	(2,108)
Cash and cash equivalents at 1 January	3,294	5,835
Revaluation of cash and cash equivalents	(90)	29
Cash and cash equivalents at 31 December	5,835	3,756
Cash and cash equivalents comprise:		
Liquid funds	846	1,136
Deposits with credit institutions	4,989	2,620
	5,835	3,756

Statement of changes in equity • Group

(DKK m)

	Share	Revalu- ation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Total
2020							
Shareholders' equity at 31 December previous year	90	0	1,146	72	3,559	1,530	6,397
Reduction of proposed dividend previous year					765	(765)	0
Profit for the year				7	(683)	1,800	1,124
Other comprehensive income		1					1
Total comprehensive income for the year		1		7	(683)	1,800	1,125
Dividend paid						(765)	(765)
Dividend, own shares					24		24
Share-based payments					70		70
Exercise of share options					33		33
Taxation					(5)		(5)
Transactions with owners					122	(765)	(643)
Shareholders' equity at 31 December 2020	90	1	1,146	79	3,763	1,800	6,879
2021							
Shareholders' equity at 31 December previous year	90	1	1,146	79	3,763	1,800	6,879
Profit for the year				4	(971)	3,105	2,138
Other comprehensive income		0					0
Total comprehensive income for the year		0		4	(971)	3,105	2,138
Dividend paid						(1,800)	(1,800)
Dividend, own shares					48		48
Share-based payments					76		76
Exercise of share options					50		50
Taxation					7		7
Transactions with owners					181	(1,800)	(1,619)
Shareholders' equity at 31 December 2021	90	2	1,146	83	2,973	3,105	7,399

Notes to the financial statements • Group

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Earnings per share	14
Intangible assets	15
Tangible assets	16
Investment properties	17
Equity investments in associates and joint ventures	18
Investment assets related to unit-linked products	19
Reinsurers' share of the provisions for unearned premiums	20
Reinsurers' share of the provisions for claims	21
Deferred tax	22
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Notes to the financial statements • Group

(DKKm)

Note 1. Segment information income statement

	Private	SME	Eli- min- ated	Non-life	Life	Parent etc.	Eli- min- ated	Group
2020								
Non-life insurance								
Gross premiums earned	5,179	4,571	(18)	9,732				9,732
Claims incurred	(3,787)	(2,799)	17	(6,568)			12	(6,556)
Expenses	(824)	(767)	1	(1,591)			25	(1,565)
Net reinsurance	(41)	(216)	0	(257)				(257)
Technical result on non-life insurance	527	789	(0)	1,316			38	1,354
Life insurance								
Gross premiums written					10,981			10,981
Allocated investment return					5,291			5,291
Pension return tax					(617)			(617)
Benefits and change in provisions					(15,270)			(15,270)
Expenses					(563)		4	(559)
Net reinsurance					(2)			(2)
Technical result on life insurance					(180)		4	(176)
Total investment return				383	5,294	79	229	5,986
Pension return non-life insurance				(21)	21			0
Return and revaluations of non-life insurance provisions				(374)				(374)
Transferred to technical result					(5,291)			(5,291)
Other items				(2)	274	(46)	(271)	(45)
Pre-tax profit				1,302	117	34	0	1,453
Taxation								(329)
Profit for the year								1,124
2021								
Non-life insurance								
Gross premiums earned	5,296	4,878	(19)	10,154				10,154
Claims incurred	(3,656)	(3,173)	17	(6,812)			10	(6,802)
Expenses	(779)	(817)	2	(1,594)			20	(1,575)
Net reinsurance	(51)	(39)	0	(90)				(90)
Technical result on non-life insurance	810	850	(0)	1,659			29	1,688
Life insurance								
Gross premiums written					10,360			10,360
Allocated investment return					10,791			10,791
Pension return tax					(1,521)			(1,521)
Benefits and change in provisions					(19,224)			(19,224)
Expenses					(585)		3	(582)
Net reinsurance					1			1
Technical result on life insurance					(178)		3	(175)
Total investment return				83	11,312	17	154	11,565
Pension return non-life insurance				29	(29)			0
Return and revaluations of non-life insurance provisions				503				503
Transferred to technical result					(10,791)			(10,791)
Other items				0	189	(52)	(186)	(49)
Pre-tax profit				2,274	503	(35)	0	2,742
Taxation								(604)
Profit for the year								2,138
Amortisations and depreciations:								
2020	41	36		77	67	0		144
2021	39	36		75	75	0		150
Results from associates and joint ventures:								
2020				7	86			92
2021				4	584			588

Notes to the financial statements • Group

(DKK m)

Note 2. Segment information balance sheet

	Non-life	Life	Parent etc.	Elimin- ated	Group
2020					
Intangible assets	854	631	0		1,486
Tangible assets	923	20	3		946
Investment properties	355	3,564	15		3,934
Loans to group entities	300	0	0	(300)	0
Equity investments in associates and joint ventures	72	1,670	0		1,741
Other financial investment assets	21,453	31,466	10		52,928
Investment assets related to unit-linked products	0	44,997	0		44,997
Reinsurers' share of provisions	537	5	0		541
Receivables from group entities	280	1,803	1,822	(3,906)	0
Other assets	1,022	1,639	54		2,715
Total assets	25,796	85,795	1,904	(4,206)	109,288
Other subordinated loan capital	1,350	300	399	(300)	1,749
Provisions for insurance and investment contracts	16,462	79,335	0		95,797
Amounts due to group entities	1,803	1,187	916	(3,906)	0
Other liabilities	2,146	2,641	76		4,863
Total liabilities	21,761	83,463	1,391	(4,206)	102,409
Purchase of tangible and intangible assets	217	123	0		340
2021					
Intangible assets	1,054	588	0		1,641
Tangible assets	882	17	3		902
Investment properties	439	2,487	0		2,927
Loans to group entities	300	0	0	(300)	0
Equity investments in associates and joint ventures	76	2,248	0		2,324
Loans to associates	0	0	0		0
Other financial investment assets	19,285	21,557	7		40,848
Investment assets related to unit-linked products	0	68,149	0		68,149
Reinsurers' share of provisions	676	2	0		677
Receivables from group entities	2,964	1,107	1,003	(5,075)	0
Other assets	1,020	1,798	81		2,899
Total assets	26,696	97,952	1,095	(5,375)	120,368
Other subordinated loan capital	1,500	300	400	(300)	1,900
Provisions for insurance and investment contracts	17,102	89,593	0		106,695
Amounts due to group entities	1,107	3,958	10	(5,075)	0
Other liabilities	1,766	2,514	95		4,375
Total liabilities	21,475	96,365	504	(5,375)	112,969
Purchase of tangible and intangible assets	264	29	0		293

Assets and liabilities related to illness and accident insurance administered by Topdanmark life are included in non-life.

Notes to the financial statements • Group

(DKKm)

2020

2021

Note 3. Gross premiums earned - non-life insurance

Gross premiums written	9,803	10,282
Change in provisions for unearned premiums	282	89
Change in profit margin and risk margin	(323)	(131)
Gross premiums earned	9,763	10,240
Gross premiums earned, direct business, by location of the risk:		
Denmark	9,753	10,231
Other EU-countries	8	8
Other countries	1	1
	9,763	10,240

Note 4. Claims incurred, net of reinsurance - non-life insurance

Run-off result:		
Gross business	201	211
Reinsurance ceded	(38)	(6)
Run-off profit, net of reinsurance	164	205

Claims incurred include revaluation of derivatives hedging the inflation risk in workers' compensation and illness and accident insurance

(153) 434

In 2021, expenses for loss-prevention included in claims incurred amount to 0.4%, split between Fire and property, Private, 0.1% and Illness and accident 0.3%.

In 2020, the expenses amounted to 0,1% related to illness and accident.

Note 5. Technical result - non-life insurance

	2020	2021	2020	2021	2020	2021
	Illness and accident		Health		Workers' compensation	
Gross premiums written	1,434	1,519	188	211	727	825
Gross premiums earned	1,425	1,487	195	193	713	832
Claims incurred	(987)	(1,302)	(175)	(179)	(432)	(558)
Bonuses and rebates	(26)	(12)	0	(0)	(5)	(4)
Gross operating expenses	(192)	(186)	(17)	(18)	(66)	(98)
Net reinsurance	12	5	0	0	14	8
Technical result	232	(7)	4	(4)	224	179
Gross claims ratio	70.7	88.4	89.5	92.9	61.1	67.5
Combined ratio	83.8	100.8	98.1	102.1	68.6	78.6
Run-off result, net of reinsurance	143	(39)	(14)	(9)	168	127
Claims provisions, net of reinsurance	3,653	3,898	111	131	6,085	6,135
Number of claims incurred ('000)	29	32	30	31	6	6
Average value of claim (DKK '000)	38	39	6	6	91	105
Frequency of claims (per thousand value)	24	26	314	328	113	113
	Motor third-party liability		Motor own damage		Fire and property Private	
Gross premiums written	501	482	1,780	1,900	1,910	1,956
Gross premiums earned	561	512	1,702	1,847	1,874	1,983
Claims incurred	(438)	(479)	(916)	(921)	(1,566)	(1,274)
Bonuses and rebates	(2)	(2)	(6)	(6)	(6)	(6)
Gross operating expenses	(119)	(104)	(278)	(280)	(276)	(271)
Net reinsurance	(3)	(3)	(1)	(4)	(58)	(64)
Technical result	(0)	(76)	501	636	(32)	368
Gross claims ratio	78.4	94.0	54.1	50.1	84.0	64.6
Combined ratio	100.6	115.3	70.8	65.7	102.1	81.6
Run-off result, net of reinsurance	45	5	(7)	10	(49)	100
Claims provisions, net of reinsurance	932	919	114	114	756	764
Number of claims incurred ('000)	21	22	98	104	84	83
Average value of claim (DKK '000)	23	22	9	9	18	17
Frequency of claims (per thousand value)	36	37	189	197	126	127

Notes to the financial statements • Group

(DKKm)

Note 5. Technical result - non-life - continued	2020	2021	2020	2021	2020	2021
	Fire and property SME		Liability		Tourist assistance	
Gross premiums written	2,023	2,111	485	535	238	213
Gross premiums earned	2,021	2,098	483	519	249	215
Claims incurred	(1,207)	(1,341)	(320)	(330)	(101)	(51)
Bonuses and rebates	(16)	(33)	(3)	(6)	(1)	(1)
Gross operating expenses	(410)	(417)	(71)	(76)	(39)	(35)
Net reinsurance	(141)	(30)	(77)	(16)	0	0
Technical result	247	276	13	91	108	128
Gross claims ratio	60.3	65.0	66.8	64.5	40.8	23.9
Combined ratio	88.1	87.0	97.7	82.6	56.9	40.5
Run-off result, net of reinsurance	(30)	25	(64)	(24)	3	4
Claims provisions, net of reinsurance	563	674	538	607	15	21
Number of claims incurred ('000)	22	23	9	9	18	6
Average value of claim (DKK '000)	53	60	34	34	6	9
Frequency of claims (per thousand value)	111	116	81	78	91	33
			Other insurance		Total	
Gross premiums written			517	530	9,803	10,282
Gross premiums earned			538	554	9,763	10,240
Claims incurred			(415)	(366)	(6,556)	(6,802)
Bonuses and rebates			34	(15)	(31)	(86)
Gross operating expenses			(97)	(89)	(1,565)	(1,575)
Net reinsurance			(2)	13	(257)	(90)
Technical result			58	97	1,354	1,688
Gross claims ratio			72.5	68.0	67.5	67.1
Combined ratio			89.9	82.0	86.5	83.7
Run-off result, net of reinsurance			(32)	6	164	205
Claims provisions, net of reinsurance			159	155	12,924	13,418
Number of claims incurred ('000)			85	98	404	415
Average value of claim (DKK '000)			4	4	17	17
Frequency of claims (per thousand value)			191	210	98	101

Claims ratio and combined ratio have been calculated including internal rent in accordance with the Executive Order on Financial Reports.

Note 6. Gross premiums written - life insurance	2020	2021
Individual policies	266	289
Policies which are part of a tenure	2,860	2,899
Group life	268	262
Regular premiums	3,394	3,450
Individual policies	4,226	3,539
Policies which are part of a tenure	3,361	3,371
Single premiums	7,587	6,910
Gross premiums	10,981	10,360
Unit-linked products not eligible for bonus	10,216	9,691
With-profit products	765	669
	10,981	10,360
Premiums by the policyholders' location:		
Denmark	10,920	10,298
Other EU-countries	56	52
Other countries	5	10
	10,981	10,360

Notes to the financial statements • Group

(DKKm)	2020	2021
Note 6. Gross premiums written - life insurance - continued		
Investment contracts (recognised in the balance sheet):		
Regular premiums	38	27
Single premiums	325	610
	363	636
Number of policyholders at 31 December:		
Insurance contracts:		
Individual policies	95,384	99,823
Policies which are part of a tenure	59,707	58,816
Group life	83,879	80,141
Investment contracts:		
Individual policies	8,442	8,904
Policies which are part of a tenure	838	986
The investment contracts do not have guarantees.		
Note 7. Claims and benefits paid - life insurance		
Claims payable on death	204	198
Claims payable on invalidity	1	1
Claims payable on maturity	185	262
Pension and annuity payments	582	583
Surrenders	5,263	7,738
Bonuses paid in cash	158	173
Claims and benefits paid	6,393	8,955
Note 8. Change in the life insurance provisions		
With-profit products	440	859
Unit-linked products	(9,279)	(9,970)
Change in life insurance provisions	(8,839)	(9,111)
Note 9. Income from investment properties		
Rental income	281	282
Operating expenses from properties rented out	(79)	(60)
Operating expenses from properties not rented out	(1)	0
Gross profit	201	222
Administrative expenses	(10)	(17)
Income from investment properties	191	206
Tenancy agreements may include a period of non-terminability for the tenant.		
Future rental income in the period of non-terminability:		
Up to 1 year	260	277
2 to 5 years	329	266
Over 5 years	124	113
Total	712	656
This year's rental income from non-terminable contracts	281	282
Note 10. Revaluations		
Held for trading:		
Equity investments	64	860
Unit trusts	7	2
Bonds	(269)	(703)
Derivatives	668	(405)
Total held for trading	469	(246)

Notes to the financial statements • Group

(DKKm)	2020	2021
Note 10. Revaluations - continued		
Deposits with credit institutions	(46)	24
Investment assets related to unit-linked products:		
Equity investments	1,486	6,037
Unit trusts	33	94
Bonds	(808)	50
Derivatives	2,576	2,411
Investment assets related to unit-linked products	3,288	8,592
Total designated at fair value	3,241	8,616
Revaluations of financial assets and liabilities at fair value through profit or loss	3,710	8,369
Of which revaluation of derivatives transferred to claims incurred	153	(434)
Investment properties	161	646
Liquid funds	(45)	5
Other	2	2
Revaluations	3,981	8,588
Note 11. Return and revaluations of non-life insurance provisions		
Amortisation		
Provisions for unearned premiums and profit margin	6	6
Reinsurers' share of provisions for unearned premiums	(1)	(1)
Provisions for claims	(25)	(39)
	(20)	(33)
Revaluations		
Provisions for unearned premiums and profit margin	(22)	36
Provisions for claims	(334)	503
Risk margin	(1)	3
Reinsurers' share of the provisions for claims	2	(5)
	(354)	537
Return and revaluations of non-life insurance provisions	(374)	503
Note 12. Other expenses		
Holding expenses	46	52
Other	13	7
Other expenses	59	59
Note 13. Taxation		
Current tax	345	638
Change in deferred tax	(12)	(42)
Prior year adjustment	1	1
Tax for the year	334	597
Of which tax in shareholders' equity	(5)	7
Tax	329	604
Calculated tax on profit for the year, 22%	320	603
Adjusted for the tax effect of:		
Returns on shares etc. not liable to tax	(6)	5
Non-deductible expenses/non taxable income	14	(5)
Prior year adjustment	0	1
	329	604
Note 14. Earnings per share		
Profit for the year	1,124	2,138
Average number of shares ('000)	87,266	87,703
Diluting impact of options ('000)	210	245
Average number of shares, diluted ('000)	87,475	87,948
EPS (DKK)	12.9	24.4
EPS, diluted (DKK)	12.9	24.3

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(DKKm)

Note 15. Intangible assets

	Goodwill	Software	Completed development projects	Development projects under construction	Total
2020					
Cost at 1 January	441	223	1,258	196	2,119
Additions	0	6	0	296	302
Transferred	0	0	79	(79)	0
Cost at 31 December	441	229	1,337	414	2,421
Impairment and amortisation at 1 January	0	(213)	(615)	0	(828)
Amortisation for the year	0	(7)	(101)	0	(108)
Impairment and amortisation at 31 December	0	(220)	(716)	0	(936)
Intangible assets 2020	441	9	621	414	1,486
2021					
Cost at 1 January	441	229	1,337	414	2,421
Additions	0	1	0	277	278
Transferred	0	0	529	(529)	0
Disposals	0	0	0	(5)	(5)
Cost at 31 December	441	230	1,867	157	2,694
Impairment and amortisation at 1 January	0	(220)	(716)	0	(936)
Amortisation for the year	0	(5)	(112)	0	(118)
Impairment and amortisation at 31 December	0	(225)	(828)	0	(1,053)
Intangible assets 2021	441	5	1,038	157	1,641

All development projects are internally generated with assistance from external consultants.

Goodwill and development projects under construction are subjected to an impairment test at the end of the year.

Goodwill:

Goodwill relates primarily to the purchase of non-life insurance companies in 1999.

The future cash flows are based on three years' expected technical result and a terminal value of the private segment to which goodwill relates.

The expected technical results are calculated as part of an ongoing, quarterly forecast process.

Primary assumptions:

The calculation of premiums earned is based on the insurance portfolio adjusted to reflect the expected effect of business decisions and market development. The portfolio is indexed by the wage and salary index. Claims incurred are based on the current levels adjusted to reflect the normalised level of weather and large-scale claims. Furthermore, in general, the expected development in the level of claims and the effect of loss prevention activities are included. The levels of claims are adjusted to reflect the expected inflation. Expenses are calculated by projecting the expenditure base by the expected changes in activities and pay increases obtained through collective agreement, changes in taxes and duties etc. The reinsurance result is calculated in accordance with the current reinsurance programme and adjusted to reflect known and expected changes in prices and the size of cover. The calculation of the terminal value includes a growth rate of 0% (2020: 0%).

The pre-tax discount rate is 7.7% (2020: 7.7%) and the post-tax rate 6.0% (2020: 6.0%).

It is believed that there are no scenarios in which a probable change in the assumptions of the expected technical result or the discount rate will result in a situation where the carrying amount of goodwill exceeds its recoverable amount for the private segment.

Development projects:

Completed development projects primarily comprise the policy administration system for life, DKK 546m, and the new customer and core system for non-life, DKK 424m. The remaining expected useful lifetime of the life system is 7½ years. The first completed elements of the non-life system were taken into use during 2021.

All elements will be amortised over an expected life-time of 10 years.

Completed development projects are assessed for impairment end of year and at indications of impairment. The assessment showed no need for write-downs.

Development projects under construction mostly comprise elements of the new customer and core system for non-life. The impairment test did not show any need for write-downs.

Amortisation of intangible assets is primarily included in claims incurred and operating expenses.

Notes to the financial statements • Group

(DKKm)

Note 16. Tangible assets

	Operating equip- ment	Owner- occupied properties	Total
2020			
Cost at 1 January	349	834	1,183
Additions, improvements	35	3	38
Disposals	(9)	0	(9)
Revaluation taken to other comprehensive income	0	1	1
Transferred on revaluation	0	(1)	(1)
Cost at 31 December	375	837	1,212
Impairment and depreciation at 1 January	(236)	0	(236)
Depreciation for the year	(35)	(1)	(36)
Transferred on revaluation	0	1	1
Reversal of total impairment and depreciation of assets sold or withdrawn from operations during the year	4	0	4
Impairment and depreciation at 31 December	(266)	0	(266)
Tangible assets 2020	108	837	946

2021

Cost at 1 January	375	837	1,212
Additions, improvements	15	0	15
Disposals	(6)	0	(6)
Revaluation taken to other comprehensive income	0	1	1
Revaluation taken to income statement	0	(27)	(27)
Transferred on revaluation	0	(1)	(1)
Cost at 31 December	384	810	1,194
Impairment and depreciation at 1 January	(266)	0	(266)
Depreciation for the year	(31)	(1)	(32)
Transferred on revaluation	0	1	1
Reversal of total impairment and depreciation of assets sold or withdrawn from operations during the year	5	0	5
Impairment and depreciation at 31 December	(293)	0	(293)
Tangible assets 2021	91	810	902

2020 2021

Owner-occupied properties are measured at a revalued amount corresponding to fair value (level 3).

The weighted average of the rates of return on which fair value of individual properties was based

5.3% 5.0%

An increase in the required rate of return of 0.5pp will reduce the total fair value by

75 73

Carrying amount if the properties had been valued at cost less depreciations

717 716

Note 17. Investment properties

Fair value at 1 January	4,932	5,281
Additions, acquisitions	197	285
Additions, improvements	60	8
Disposals	(68)	(29)
Fair value revaluation for the year taken to revaluations	161	662
Fair value at 31 December	5,281	6,207
Investment properties are recognised in the balance sheet as follows:		
Investment properties	3,934	2,927
Investment assets related to unit-linked products	1,347	3,280
The weighted average of the rates of return on which fair value of individual properties was based	4.8%	4.5%

Notes to the financial statements • Group

(DKKm)

Note 17. Investment properties - continued

	Private residence		Office property	
	2020	2021	2020	2021
Fair value DKKm	1,595	1,839	3,489	3,885
Weighted average rate of return	4.1%	3.8%	5.2%	4.8%
Area (1,000 square meters)	60	59	226	224
Price per square meter (DKK 1,000)	26	31	15	17
Number of properties	7	6	20	19
Investment properties are measured at fair value (level 3).				
			2020	2021
The basis of the measurement, e.g. management's estimate of the fair value, is an expected annual operating return and a required rate of return.				
Rate of return			(4.0%-8.0%)	(3.5%-7.5%)
An increase in the required rate of return of 0.5pp will reduce the total fair value by			490	570
The fair value includes properties under construction of			197	482

Note 18. Equity investments in associates and joint ventures

Investments in associates and joint ventures mainly include holdings within property and property development. None of the associates and joint ventures are material to the Group.

Investment

Associates	549	957
Joint ventures	1,192	1,367
Equity investments in associates and joint ventures	1,741	2,324

Share of results

Associates	13	393
Joint ventures	79	195
Income from associates and joint ventures	92	588

Note 19. Investment assets related to unit-linked products

Equity investments	20,844	26,085
Unit trusts	665	740
Bonds	22,141	38,044
Investment properties	1,347	3,280
Investment assets related to unit-linked contracts	44,997	68,149

Note 20. Reinsurers' share of the provisions for unearned premiums

1 January	95	96
Change in accrued commissions	(1)	0
Ceded reinsurance premiums	592	604
Earned reinsurance premiums	(589)	(601)
Amortisation	(1)	(1)
Reinsurers' share of the provisions for unearned premiums at 31 December	96	99
Net present value of expected future cashflows	21	20
Profit margin	75	79

Notes to the financial statements • Group

(DKKm)

2020

2021

Note 21. Reinsurers' share of the provisions for claims

1 January	478	440
Reimbursement of claims relating to previous years	(193)	(179)
Change in expected income relating to previous years (run-off)	(38)	(6)
Reimbursement of claims relating to this year	(99)	(109)
Expected income relating to this year	289	434
Revaluation	2	(5)
Reinsurers' share of the provisions for claims at 31 December	440	576

Note 22. Deferred tax

	2019	2020	2021
Properties	57	76	93
Operating equipment	7	(16)	(62)
Liabilities provided	(7)	(7)	(6)
Other	(11)	(3)	(17)
Deferred tax	46	50	8
Recognised as:			
Deferred tax assets	(25)	(33)	(86)
Deferred tax liabilities	71	83	94
	46	50	8
Change		5	(42)
Deferred tax related to acquisition		(16)	0
Change included in the income statement		(12)	(42)

Note 23. Other subordinated loan capital

	Hybrid core capital	Subordinated loan capital (redeemed 2021)	Subordinated loan capital	Subordinated loan capital
Borrower	Topdanmark A/S	Topdanmark Forsikring A/S	Topdanmark Forsikring A/S	Topdanmark Forsikring A/S
Principal	400	850	500	1.000
Carrying value				
2021	400	-	500	1.000
2020	399	850	500	-
Market value (level 2)				
2021	400	-	500	1.000
2020	400	850	500	-
Date of issue	November 2017	December 2015	December 2020	December 2021
Maturity	Bullet	11 June 2026	30 December 2030	16 December 2031
If permitted by the Danish FSA, the borrower can give notice of termination from	23 November 2022	11 June 2021	30 December 2025	16 December 2026
Interest rate	Cibor 3 months +275bp	Cibor 3 months +270bp	Cibor 3 months +160bp	Cibor 3 months +125bp
			2020	2021
Interest charges			46	33

The market valuation of subordinated loans is based on a mark-to-model method. Future cashflows are discounted by the risk free rate and an appropriate credit spread. The solvency II interest rate curve is used for approximation for risk free rates.

Subordinated loan capital is fully included in the Group's own funds (Capital for solvency purposes).

Notes to the financial statements • Group

(DKKm)

2020

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Note 24. Provisions for unearned premiums and profit margin - non-life insurance

Provisions for unearned premiums at 1 January	1,849	1,590
Profit margin at 1 January	838	1,150
	2,687	2,741
Gross premiums written	9,803	10,282
Gross premiums earned	(9,763)	(10,240)
Change in risk margin	(3)	22
Amortisation	(6)	(6)
Revaluation	22	(36)
Provisions for unearned premiums at 31 December	1,590	1,446
Profit margin at 31 December	1,150	1,316
Provisions for unearned premiums and profit margin at 31 December	2,741	2,762

Note 25. Life insurance provisions with-profit products

Life insurance provisions direct business at 1 January	23,618	23,178
Profit margin at 1 January	79	86
Total insurance provisions at 1 January	23,697	23,263
Collective bonus potential at 1 January	(1,961)	(1,810)
Accumulated revaluation at 1 January	(1,994)	(2,739)
Retrospective provisions at 1 January	19,742	18,714
Gross premiums written	765	669
Addition of return	214	184
Claims and benefits	(1,716)	(1,771)
Expense loading inclusive of expense bonus	(84)	(72)
Risk gain after allocating policyholders' risk bonus	21	(1)
Other	(9)	(4)
Intra-group transfers	(220)	(281)
Retrospective provisions at 31 December	18,714	17,437
Accumulated revaluation at 31 December	2,739	1,884
Collective bonus potential at 31 December	1,810	3,075
Total insurance provisions direct business at 31 December	23,263	22,396
Profit margin at 31 December	(86)	(77)
Life insurance provisions with-profit products	23,178	22,319

Portfolios analysed by guaranteed interest rates	Guaranteed interest rate	Guaranteed benefits	Individual bonus potential	Collective bonus potential	Life insurance provisions
2020					
Interest rate group 9	1%	2,346	67	102	2,515
Interest rate group 10	1%	610	1	57	669
Interest rate group 1	]1%-2%]	8,186	11	195	8,392
Interest rate group 3	]1%-2%]	802	3	83	888
Interest rate group 2	]2%-3%]	2,619	1	160	2,780
Interest rate group 4	]2%-3%]	1,027	5	81	1,113
Interest rate group 5	]3%-4%]	2,399	0	318	2,717
Interest rate group 6	]4%-5%]	2,660	0	476	3,136
Interest rate group 7	5%	27	0	50	76
Risk groups		0	0	288	288
Total contribution		20,677	89	1,810	22,576
Group Life					194
U74-life annuities					112
Other					296
Total 2020		20,677	89	1,810	23,178

Notes to the financial statements • Group

(DKKm)

Note 25. Life insurance provisions with-profit products - continued

Portfolios analysed by guaranteed interest rates	Guaranteed interest rate	Guaranteed benefits	Individual bonus potential	Collective bonus potential	Life insurance provisions
2021					
Interest rate group 11	(0.5%)	20	14	0	34
Interest rate group 9	1%	1,979	134	187	2,300
Interest rate group 10	1%	617	3	91	712
Interest rate group 1	]1%-2%]	7,280	143	715	8,137
Interest rate group 3	]1%-2%]	782	4	151	936
Interest rate group 2	]2%-3%]	2,326	0	335	2,662
Interest rate group 4	]2%-3%]	945	6	177	1,128
Interest rate group 5	]3%-4%]	1,992	0	437	2,429
Interest rate group 6	]4%-5%[	2,428	0	645	3,073
Interest rate group 7	5%	19	0	55	74
Risk groups		0	0	282	282
Total contribution		18,388	305	3,075	21,767
Group Life					187
U74-life annuities					91
Other					274
Total 2021		18,388	305	3,075	22,319

Risk margin (part of guaranteed benefits)	Guaranteed interest rate	2020	2021
Interest rate group 11	(0.5%)	-	0
Interest rate group 9	1%	13	11
Interest rate group 10	1%	0	0
Interest rate group 1	]1%-2%]	37	31
Interest rate group 3	]1%-2%]	2	2
Interest rate group 2	]2%-3%]	13	10
Interest rate group 4	]2%-3%]	5	5
Interest rate group 5	]3%-4%]	21	17
Interest rate group 6	]4%-5%[	34	29
Interest rate group 7	5%	1	0
Total contribution		126	106
U74-life annuities		2	2
Other		1	2
Total risk margin		130	109

Bonus ratio and return	Guaranteed interest rate	Bonus ratio		Return (%)	
		2020	2021	2020	2021
Interest rate group 11	(0.5%)	-	43.7	-	7.3
Interest rate group 9	1%	7.2	15.4	4.2	4.3
Interest rate group 10	1%	9.7	15.3	0.8	5.1
Interest rate group 1	]1%-2%]	2.7	12.1	4.4	4.7
Interest rate group 3	]1%-2%]	11.3	20.5	0.8	5.1
Interest rate group 2	]2%-3%]	7.2	16.2	8.9	3.8
Interest rate group 4	]2%-3%]	9.5	21.2	0.8	5.0
Interest rate group 5	]3%-4%]	17.2	26.9	6.7	3.1
Interest rate group 6	]4%-5%[	25.8	36.5	6.8	3.1
Interest rate group 7	5%	238.2	356.2	0.8	5.1

Notes to the financial statements • Group

(DKKm)	2020	2021	
Note 25. Life insurance provisions with-profit products - continued			
Risk groups			
Risk result after addition of risk bonus	9	15	
Risk result after addition of risk bonus (%)	0.0	0.1	
Cost groups			
Customers' share of administration expenses after addition of expense bonus	57	53	
Insurance operating expenses	(239)	(184)	
Result of sales and administration	(182)	(131)	
Result of sales and administration (%)	(0.8)	(0.6)	
Return on customer funds after expenses before tax (%)	4.1	3.1	
Note 26. Life insurance provisions unit-linked products			
	Insurance contracts	Investment contracts	Total
2020			
Gross provisions at 1 January	42,515	4,141	46,656
Profit margin at 1 January	234	16	250
Retrospective provisions at 1 January	42,749	4,157	46,906
Gross premiums written	10,216	363	10,578
Addition of return	3,387	287	3,675
Claims and benefits	(4,677)	(508)	(5,185)
Expense loading inclusive of expense bonus	(95)	(9)	(104)
Risk gain after addition of risk bonus	(20)	0	(20)
Other	1	0	2
Intra-group transfers	211	9	220
Retrospective provisions at 31 December	51,773	4,299	56,072
Profit margin at 31 December	(266)	(15)	(281)
Gross provisions 31 December 2020	51,506	4,284	55,790
2021			
Gross provisions at 1 January	51,506	4,284	55,790
Profit margin at 1 January	266	15	281
Retrospective provisions at 1 January	51,773	4,299	56,072
Gross premiums written	9,691	636	10,327
Addition of return	7,761	718	8,479
Claims and benefits	(7,185)	(647)	(7,832)
Expense loading inclusive of expense bonus	(107)	(9)	(116)
Risk gain after addition of risk bonus	(19)	0	(19)
Other	1	2	3
Intra-group transfers	281	0	281
Retrospective provisions at 31 December	62,197	5,000	67,197
Profit margin at 31 December	(1,369)	(78)	(1,447)
Gross provisions 31 December 2021	60,828	4,922	65,749
	2020	2021	
Return on customer funds after expenses before tax (%)	8.3	17.3	

Note 27. Profit margin, life insurance and investment contracts

With-profit products	86	77
Unit-linked products	281	1,447
Profit margin, life insurance and investment contracts	367	1,525

Notes to the financial statements • Group

(DKK m)

2020

2021

Note 28. Provisions for claims

Gross

Provisions at 1 January	13,071	13,364
Claims paid relating to previous years	(3,192)	(2,906)
Change in expected claims payments relating to previous years (run-off)	(201)	(211)
Claims paid relating to this year	(3,308)	(3,250)
Expected claims payments relating to this year	6,788	7,026
Inflation hedging	(153)	434
Amortisation	25	39
Revaluation	334	(503)
Provisions for claims	13,364	13,994

Net of reinsurance

Provisions at 1 January	12,593	12,924
Claims paid relating to previous years	(2,998)	(2,727)
Change in expected claims payments relating to previous years (run-off)	(164)	(205)
Claims paid relating to this year	(3,209)	(3,141)
Expected claims payments relating to this year	6,499	6,592
Inflation hedging	(153)	434
Amortisation	25	39
Revaluation	332	(498)
Provisions for claims, net of reinsurance	12,924	13,418

Provisions net of reinsurance for business lines being settled in whole or partly as annuities:

Workers' compensation insurance	6,085	6,135
Average period of settlement	6 years	6 years
Illness and accident insurance, administered by Topdanmark Livsforsikring	2,631	2,860
Average period of settlement	12 years	12 years

Notes to the financial statements • Group

(DKKm)

Note 28. Provisions for claims - continued

Claims liabilities analysed by claims year

Gross	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
End of year	6,414	7,549	6,652	6,599	6,468	5,928	6,400	6,527	6,814	7,000	65,495
1 year later	6,439	7,755	6,715	6,685	6,448	6,043	6,568	6,701	6,583		
2 years later	6,455	7,771	6,691	6,592	6,367	6,059	6,650	6,704			
3 years later	6,402	7,742	6,646	6,589	6,346	6,147	6,697				
4 years later	6,321	7,646	6,472	6,547	6,159	6,069					
5 years later	6,303	7,571	6,376	6,426	6,131						
6 years later	6,229	7,478	6,312	6,367							
7 years later	6,215	7,442	6,288								
8 years later	6,214	7,457									
9 years later	6,198										
Less paid incl. inflation hedging	5,818	7,026	5,837	5,845	5,577	5,325	5,663	5,446	4,627	3,242	54,406
Provisions before discounting at 31 December	380	430	452	522	555	744	1,034	1,259	1,955	3,758	11,089
Discounting	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(3)	(4)	(12)
	380	430	451	522	553	743	1,033	1,257	1,953	3,755	11,077
Provisions relating to previous years at 31 December											2,917
Gross provisions at 31 December 2021											13,994

Net of reinsurance

End of year	6,028	6,387	6,259	6,183	6,007	5,736	6,016	6,281	6,525	6,566	61,056
1 year later	6,098	6,461	6,301	6,270	6,027	5,832	6,175	6,424	6,274		
2 years later	6,115	6,476	6,288	6,190	5,942	5,855	6,257	6,437			
3 years later	6,066	6,449	6,242	6,179	5,924	5,945	6,301				
4 years later	5,990	6,354	6,069	6,097	5,733	5,870					
5 years later	5,972	6,279	5,964	6,050	5,678						
6 years later	5,898	6,179	5,900	6,001							
7 years later	5,886	6,143	5,908								
8 years later	5,877	6,160									
9 years later	5,861										
Less paid incl. inflation hedging	5,489	5,736	5,459	5,483	5,194	5,126	5,292	5,196	4,436	3,133	50,544
Provisions before discounting at 31 December	372	425	449	518	484	743	1,009	1,241	1,838	3,433	10,512
Discounting	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(2)	(3)	(10)
	372	425	449	517	483	743	1,008	1,240	1,836	3,430	10,502
Provisions relating to previous years at 31 December											2,916
Provisions, net of reinsurance, at 31 December 2021											13,418
Reconciliation:											
Provisions for claims											13,994
Less reinsurers' share of provisions											(576)
Provisions, net of reinsurance, at 31 December 2021											13,418

Composition of expected payments, net of reinsurance:

Original payment	5,991	6,397	6,199	6,200	6,001	5,728	6,010	6,263	6,495	6,675	61,960
Loss / (gain) on settlement	(320)	(412)	(421)	(322)	(428)	51	219	155	(158)		(1,634)
Amortisation / revaluation											
workers' compensation and illness and accident	169	150	130	88	79	83	74	20	(20)	(22)	750
	5,840	6,135	5,908	5,966	5,652	5,863	6,303	6,439	6,317	6,654	61,077

The table shows the historical development in the estimated final liability (the sum of claims payments and provisions) for each claims year. Significant proportions of the liabilities shown have been calculated without discounting which to a great extent eliminates changes in discounting rates. However, illness and accident administered by Topdanmark Livsforsikring and workers' compensation are included at discounted values.

Notes to the financial statements • Group

(DKKm) 2020 2021

Note 29. Technical basis for risk allowance and shadow account

Customers' share of technical basis for risk allowance	(95)	1,315
Share of technical basis for risk allowance allocated to shareholders' equity	(17)	294
Insurance technical result	(112)	1,609

The allocation of the technical basis for risk allowance to policyholders is in accordance with the executive order on the contribution principle.

Shadow account at 1 January	57	91
Depreciation	(5)	0
Provided	39	54
Shadow account at 31 December	91	144

Note 30. Expenses

Expenses in the income statement presented by nature:

Staff costs (excl. commissions)	1,951	1,965
Executive Board	28	33
Board of Directors	6	6
Other staff costs	57	56
Commissions non-life	230	210
Commissions life	41	39
Premises costs etc.	104	122
IT operations and maintenance	336	368
Amortisation and depreciation	144	150
Other expenses	289	291
Total expenses	3,186	3,240

Note 31. Auditors' fee

	EY 2020	KPMG 2021
Fee to the auditors elected at the Annual General Meeting		
Fee for statutory audit of the annual accounts	4.2	4.3
Fee for other assurance engagements*	0.2	0.4
Fee for tax advice	0.0	0.2
Fee for services, other than audit work	0.3	1.0
	4.8	5.8

*Fee for other assurance engagements includes fee for issuance of reports to the Danish Tax Authority and other public authorities. Fee for services, other than audit work, includes general accounting advisory.

Note 32. Staff costs

Salaries	1,568	1,547
Pensions	257	261
Social security costs	32	42
Payroll tax	274	290
Employee shares	57	60
Share options	8	8
STI-Bonuses	0	3
	2,195	2,211

Average number of full-time employees	2,460	2,417
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Employee shares

For the period November 2020 to October 2021, Topdanmark has allotted 184,387 shares at a value of DKK 63m for a salary cut.

For the period November 2019 to October 2020, Topdanmark has allotted 228,556 shares at a value of DKK 59m for a salary cut.

Notes to the financial statements • Group

(DKKm)

Note 32. Staff costs - continued

Share options programme (LTI)

Topdanmark's long-term option-based LTI-programme comprises the Executive Board and senior executives. The strike price has been fixed at 110% of the market price on the last trading date, prior year (average of all trades). The options may be exercised 3-5 years subsequent to the granting. The scheme is settled by shares (equity instruments).

There are no other earnings conditions to the option scheme than employment in the full year of allocation. Options are allocated at the beginning of the year and in connection with resignation in the year of allocation a proportional deduction in the number of allocated options is made.

Total number of options ('000) (categorised by the option holders' standing end of year)		Strike price	Executive Board	Senior executives	Resigned	Total
2020						
Outstanding at 1 January		230	178	648	260	1,086
Granted		362	58	188	1	247
Transferred			0	(120)	120	0
Exercised		168	(11)	(118)	(67)	(195)
Forfeited		324	0	0	(7)	(7)
Outstanding at 31 December 2020		260	224	598	308	1,130
Fair value at 31 December 2020			10	22	18	50
Fair value of granting 2020			2	8	0	10
Average current price on date of exercise 2020		300				
2021						
Outstanding at 1 January		260	224	598	308	1,130
Granted		291	78	228	0	306
Transferred			(171)	103	67	0
Exercised		169	(23)	(165)	(115)	(302)
Forfeited		285	0	0	(12)	(12)
Outstanding at 31 December 2021		270	108	765	249	1,121
Fair value at 31 December 2021			9	74	30	113
Fair value of granting 2021			2	7	0	10
Average current price on date of exercise 2021		308				
Per granting:		Exercise period				
2017	January 2020 - January 2022	135	1	52	38	91
2018	January 2021 - January 2023	234	9	108	115	232
2019	January 2022 - January 2024	290	30	172	58	259
2020	January 2023 - January 2025	334	29	189	25	243
2021	January 2024 - January 2026	271	40	243	13	296

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a price of DKK 264.37 (2020: DKK 329.05) per share, an interest rate corresponding to the zero coupon rate based on the swap curve end of December the previous year, future volatility of 22% (2020: 22%) p.a. and a pattern of exercise similar to Topdanmark's previous granting of share options, resulting in an average life of the options of approximately 4 years. The volatility has been calculated on the basis of previous years' volatility, which continues to be Management's best estimate of future volatility. The stated strike prices for outstanding options are reduced by dividend distributions.

	2020	2021
Number of options which could be exercised on 31 December ('000)	331	324

Bonus programme (STI)

Topdanmark's short-term cash and share based STI-programme comprises the Executive Board and senior executives. The programme is tied up with the completion of a number of predefined goals for each member of the programme. Bonuses are mainly paid with 50% cash and 50% shares in Topdanmark A/S. Costs in 2021 comprise bonuses earned in 2021 and 2020.

Severance pay

Severance pay has been described in "Severance pay" in "Management's review".

Notes to the financial statements • Group

(DKKm)

Note 33. Related parties

Possessing an ownership interest of 49.44% of the shares outstanding, Sampo plc, Fabianinkatu 27, Helsinki, Finland has a controlling interest in Topdanmark A/S.

Related parties with material influence comprise the Board of Directors, the Executive Board and their related parties.

Remuneration of the Board of Directors

Directors' fees adopted by the AGM were DKK 6,458m (2020: DKK 5,871m).

The fee includes DKK 318 thousands (2020: DKK 289 thousands) concerning Topdanmark Forsikring A/S.

The board counts nine members.

(DKK '000)	2020	2021
Ricard Wennerklint	1,733	1,906
Jens Aaløse	962	1,059
Elise Bundgaard	385	424
Anne Louise Eberhard	578	635
Mette Jensen	481	529
Cristina Lage	578	635
Ole Lomholt Mortensen	385	424
Petri Niemisvirta	385	424
Morten Thorsrud	385	424
Total fee paid	5,871	6,458

For Ricard Wennerklint, social charges of DKK 377 thousands (2020: DKK 344 thousands) have additionally been paid.

The Board of Directors solely receives a fixed remuneration.

Remuneration of the Executive Board

	Peter Lars Kufall Hermann Beck (From 10 August)	Thomas Erichsen	Brian R. Jacobsen	Lars Thykier (To 10 August)	Total
2021					
Salaries etc.	7.3	2.0	5.4	6.4	24.9
Pensions		0.2			0.2
Fixed remuneration	7.3	2.2	5.4	6.4	25.0
Share options	0.7	0.0	0.5	0.6	2.3
STI-bonus	3.2	0.4	1.0	0.8	5.9
Variable remuneration	4.0	0.4	1.6	1.4	8.2
Salaries earned	11.3	2.5	7.0	4.7	33.2

Remuneration for Lars Thykier is included up until his resignation from the Executive Board on 10 August 2021.

Brian R. Jacobsen and Lars Thykier have successively accrued remuneration equal to 18 months' salary to be paid on expiry of the employment. Any regulation of the amount is included in the fixed remuneration.

Lars Thykier is paid one year's salary up until 10 August 2022, of which DKK 2.7m has been paid in 2021.

The remaining part has been accrued in the annual report for 2021.

Brian R. Jacobsen receives remuneration during the period of notice up until 30 April 2023.

STI-Bonus includes bonus for 2020 and 2021.

	Peter Hermann	Thomas Erichsen	Brian R. Jacobsen	Lars Thykier	Total
2020					
Salaries etc.	7.3	5.2	5.9	5.9	24.5
Remuneration*			0.4	0.4	0.8
Fixed remuneration	7.3	5.2	6.4	6.3	25.3
Share options	0.7	0.5	0.6	0.6	2.3
Variable remuneration	0.7	0.5	0.6	0.6	2.3
Salaries earned	8.0	5.7	6.9	6.9	27.6

*Brian R. Jacobsen and Lars Thykier have successively earned a remuneration equivalent to 18 months' salary which is to be paid by the termination of the employment. The stated amount under Remuneration is regulation of the obligation.

Notes to the financial statements • Group

(DKKm)	2020	2021
Note 33. Related parties - continued		
Material risk takers		
In addition to the Executive Board, another 27 (2020: 27) employees have material influence on Topdanmark's risk profile.		
Fixed remuneration	58.6	58.5
Variable remuneration	10.3	18.5
	68.9	77.0

The number of material risk takers are calculated as a weighted average.

Number of shares held by the Board of Directors and the Executive Board

The information relates to the Board of Directors and the Executive Board notified on 31 December.

<i>Board of Directors</i>		
Ricard Wennerklint	2,000	2,000
Jens Aaløse	50	50
Elise Bundgaard	1,458	1,789
Anne Louise Eberhard	100	100
Mette Jensen	1,125	1,270
Cristina Lage	450	450
Ole Lomholt Mortensen	1,221	1,564
Petri Niemisvirta	500	500
Morten Thorsrud	500	500
<i>Executive Board</i>		
Peter Hermann	4,776	8,031
Lars Kufall Beck	-	0
Thomas Erichsen	4,070	5,943
Lars Thykier	3,835	-
Brian Rothemejer Jacobsen	15,073	17,725

(DKKm)		
Subordinated notes held by Sampo Group entities		
Sampo plc holds:		
Subordinated notes in Topdanmark Forsikring A/S	270	0
If P&C Insurance Ltd. holds:		
Subordinated notes in Topdanmark Forsikring A/S	500	1,500
Subordinated notes in Topdanmark A/S	133	133

Associates and joint ventures

For a joint venture with another institutional investor, the Group has granted a call loan of DKK 227m in connection with the construction of residential property. Today, the property is fully let. The loan is non interest bearing and is amortised periodically. The solvency ratio of the debtor is 65% by the end of 2021.

Notes to the financial statements • Group

(DKKm)	2020	2021
Note 34. Financial assets		
Financial assets at fair value through profit and loss		
Held for trading:		
Equity investments	4,751	5,085
Unit trusts	2	16
Bonds	41,776	32,995
Loans guaranteed by mortgages and other loans	6	5
Derivatives	1,405	127
	47,939	38,228
Designated at fair value:		
Deposits with credit institutions	4,989	2,620
Investment assets unit-linked products excl. property:		
Equity investments	20,844	26,085
Unit trusts	665	740
Bonds	22,141	38,044
	43,650	64,869
Designated at fair value, total	48,639	67,489
Total financial assets at fair value through profit and loss	96,578	105,717
Loans and receivables at amortised cost		
Receivables from policyholders	283	313
Receivables from insurance companies	71	105
Other receivables	584	311
Liquid funds	846	1,136
Other	272	307
	2,056	2,172
Accrued interest and rent	415	423
Total financial assets	99,050	108,312

	Quoted prices Level 1	Observable inputs Level 2	Non- observable inputs Level 3	Total
Financial assets at fair value				
2020				
Held for trading:				
Equity investments	3,312	1,439		4,751
Unit trusts		2		2
Bonds	37,853	2,484	1,439	41,776
Loans guaranteed by mortgages and other loans		6		6
Derivatives		1,405		1,405
Designated at fair value:				
Deposits with credit institutions		4,989		4,989
Equity investments	20,844	0		20,844
Unit trusts		665		665
Bonds	15,651	651	5,839	22,141
Investment assets related to unit-linked products	36,496	1,315	5,839	43,650
Total financial assets at fair value	77,660	11,640	7,278	96,578
2021				
Held for trading:				
Equity investments	3,554	1,531		5,085
Unit trusts		16		16
Bonds	29,174	3,740	80	32,995
Loans guaranteed by mortgages and other loans		5		5
Derivatives	3	125		127
Designated at fair value:				
Deposits with credit institutions		2,620		2,620
Equity investments	26,085			26,085
Unit trusts		740		740
Bonds	29,766	8,278		38,044
Investment assets related to unit-linked products	55,851	9,018		64,869
Total financial assets at fair value	88,582	17,055	80	105,717

Notes to the financial statements • Group

(DKKm) 2020 2021

Note 34. Financial assets - continued

Financial assets recorded at fair value based on non-observable input (level 3):

1 January	371	7,278
Purchases	583	664
Revaluations on assets transferred to level 2	0	270
Transferred from level 2	6,628	0
Transferred to level 2	0	(7,463)
Repayments	(327)	(689)
Revaluations (unrealised)	22	6
Revaluations (realised)	1	15
	7,278	80

Due to the COVID-19 situation, end of March 2020 Topdanmark transferred structured products as CLOs of DKK 6,628m from level 2 to level 3 implying valuation models based on non-observable inputs.

In Q2 2021, management assessed that, in general, the markets for structured credit products (CLOs) could be defined as active again in accordance with the definition in IFRS 13. Therefore, according to the applied accounting policies, these assets were transferred back from level 3 to level 2.

The portfolio end 2021 (DKK 80m), consists of bonds for which current return depends on payment on life annuity contracts.

	2020	2021
Group companies have agreed to lend equities against security:		
Carrying value of equities lent	1,596	474
Fair value of bonds received as security for the loan	1,888	651
Outline of equity investments can be obtained on application.		

Note 35. Financial liabilities

Financial liabilities at fair value through profit and loss

Held for trading:

Derivatives	983	605
Designated at fair value:		
Amounts due to credit institutions	1,350	451
Total financial liabilities at fair value (observable inputs level 2)	2,333	1,055

Financial liabilities at amortised cost

Other subordinated loan capital	1,749	1,900
Deposits received from reinsurers	33	11
Debt relating to direct insurance operations	165	180
Debt relating to reinsurance operations	23	42
Current tax liabilities	60	84
Other debt	1,727	2,468
Total financial liabilities at amortised cost	3,757	4,684
Total financial liabilities	6,089	5,739

Notes to the financial statements • Group

(DKKm)

Note 35. Financial liabilities - continued

	Other subordinated loan capital	Amounts due to credit institutions
Liabilities concerning financing activities		
Beginning 2020	1,747	155
<i>Cash flow from financing</i>		
Redemption/net change	(500)	1,195
Issue	500	0
<i>Other changes</i>		
Amortisation	1	0
End 2020	1,749	1,350
<i>Cash flow from financing</i>		
Redemption/net change	(850)	(899)
Issue	1,000	0
<i>Other changes</i>		
Amortisation	1	0
End 2021	1,900	451

Note 36. Collateral relating to financial assets and liabilities

	Gross position	Offsetting	Carrying value	Collateral Bonds	Cash	Net position
2020						
Assets						
Derivatives, investment assets	1,405	0	1,405			
Derivatives hedging inflation, other assets	7	0	7			
	1,412	0	1,412	0	(1,031)	381
Liabilities						
Repos debt	(257)	0	(257)	257		(0)
Derivatives	(983)	0	(983)		2,651	1,668
	(1,240)	0	(1,240)	257	2,651	1,668
2021						
Assets						
Derivatives, investment assets	127	0	127			
Derivatives hedging inflation, other assets	66	0	66			
	193	0	193	0	(59)	134
Liabilities						
Repos debt	(386)	0	(386)	382		(4)
Derivatives	(605)	0	(605)	1,211	1,174	1,781
	(991)	0	(991)	1,593	1,174	1,777

Note 37. Cash flow statement

2020

As at 1 April 2020, the Group acquired the company Rådhuskontorene ApS for DKK 81m cash.

The purchase price was compounded as follows:

Investment properties (land)	112
Deferred tax liabilities	(16)
Other debt	(15)
	81

Notes to the financial statements • Group

(DKKm)

Note 38. Analysis of assets and their return - life insurance

Assets related to with-profit products	Carrying value		Return (%)*
	1 January	31 December	
Land and buildings	3,360	3,528	15.6
Listed equity investments	2,411	2,655	23.3
Unlisted equity investments	1,288	1,244	21.0
Total equity investments	3,699	3,899	22.6
Government and mortgage bonds	15,062	11,592	(2.0)
Index-linked bonds	934	859	(2.7)
Credit bonds and emerging market bonds	1,498	1,510	15.7
Total bonds	17,494	13,961	(0.6)
Associates and joint ventures	319	591	78.8
Other investment assets	(1,789)	791	0.0
Derivatives to hedge against the net change in assets and liabilities	575	30	

* Annual return as a percentage before pension return tax (PAL) and corporation tax.

Assets related to unit-linked products			
Land and buildings	2,017	3,036	15.6
Listed equity investments	15,772	19,310	22.8
Total equity investments	15,772	19,310	22.8
Government and mortgage bonds	11,941	18,019	(0.4)
Credit bonds and emerging market bonds	6,510	7,892	14.1
Total bonds	18,452	25,911	4.4
Other investment assets	3,056	(1,916)	0.0

2020 2021

The exposure in listed equity investments has been adjusted by means of financial derivatives and amounts to 20,398 24,781

Liquidity not bound in equity investments due to the use of financial derivatives is mainly invested in government and mortgage bonds and amounts to 7,170 5,471

Assets related to unit-linked products do not include assets chosen by policy holders.

When calculating yield rates, the return of derivatives is allocated in proportion to the exposure in the underlying asset.

Note 39. Return and risk - unit-linked products

Selected age points in relation to time of retirement		Years to retirement	Percentage of average provisions	Return in percentage before PAL	Risk
2020					
	Life cycle:				
		30 years	1.1	5.1	5.75
		15 years	2.9	4.2	5.25
		5 years	1.3	3.4	4.50
		5 years later	0.0	3.5	4.25
	Non life-cycle		31.9	6.1	5.75
2021					
	Life cycle:				
		30 years	1.0	18.8	5.50
		15 years	2.9	14.9	4.75
		5 years	1.4	10.9	4.50
		5 years later	0.0	9.4	4.25
	Non life-cycle		32.5	22.8	5.75

Notes to the financial statements • Group

(DKKm) 2020 2021

Note 40. Number of shares

Reconciliation of the number of shares ('000)		
Shares issued at 1 January	90,000	90,000
Own shares at 1 January	(2,933)	(2,509)
Number of shares at 1 January	87,067	87,491
Shares sold	424	487
Shares issued at 31 December	90,000	90,000
Own shares at 31 December	(2,509)	(2,022)
Number of shares at 31 December	87,491	87,978

Note 41. Own shares

	Number of shares '000	Nominal value DKKm	Percentage of share capital	Proceeds on sale DKKm
Held at 1 January 2020	2,933	3	3.3	
Sold in 2020	(424)	(0)	0.5	(92)
Held at 31 December 2020	2,509	3	2.8	
Sold in 2021	(487)	(0)	0.5	(114)
Held at 31 December 2021	2,022	2	2.2	

Number of shares held to cover the granting of options and STI-bonuses: 1,135 thousands (2020: 1,130 thousands).
Own shares are held by the parent company.

Note 42. Collateral

	2020	2021
The Life insurance company has registered the following assets as security for technical provisions:		
Equity investments in associates and joint ventures	382	591
Unit trusts	2	16
Equity investments	3,670	2,661
Bonds	27,092	18,296
Deposits with credit institutions	1,300	725
Investment assets related to unit-linked products	44,997	68,149
Accrued interest	331	339
Equity investments in and receivables from group entities eliminated in the consolidated accounts	4,963	3,743
Registered assets	82,736	94,520
Bonds provided as security for loans in accordance with standard repo-contracts for Danish mortgage and government bonds	257	0

Note 43. Contingent liabilities

Contract liabilities	501	222
Adjustments to VAT liabilities	136	121
Other liabilities	1	1
Capital commitments made to loan funds and private equity funds etc.	356	413

All companies in the Topdanmark Group and other Danish companies and branches in the Sampo Group are jointly taxed with Topdanmark A/S being the management company. Pursuant to the specific rules on corporation taxes etc. in the Danish Companies Act, the companies are liable for the jointly taxed companies and for any obligations to withhold tax on interest, royalties and dividend for companies concerned.

In connection with the implementation of a new customer and core system, Topdanmark Forsikring A/S has undertaken to provide support to specific suppliers to fulfil Topdanmark EDB IV ApS' obligations in accordance with the contracts.

Notes to the financial statements • Group

Note 44. Group companies

Name	Registered office	Activity
Topdanmark A/S	Ballerup	Holding
Non-life:		
Topdanmark Forsikring A/S	Ballerup	Insurance
TDP.0007 A/S	Ballerup	Property
Topdanmark EDB A/S	Ballerup	IT services
Topdanmark EDB IV ApS	Ballerup	IT services
E. & G. Business Holding A/S	Ballerup	Holding
Topdanmark Holding S.A.	Luxembourg	Holding
Risk & Insurance Services S.A.	Luxembourg	Administration
Life:		
Topdanmark Liv Holding A/S	Ballerup	Holding
Topdanmark Livsforsikring A/S	Ballerup	Insurance
Topdanmark Kapitalforvaltning A/S	Ballerup	Asset management
Topdanmark EDB II ApS	Ballerup	IT services
Topdanmark Ejendom A/S	Ballerup	Property
TDE.201 ApS	Ballerup	Property
Rådhuskontorerne ApS	Ballerup	Property
Other companies:		
Topdanmark Invest A/S	Ballerup	Investment
Topdanmark Ejendomsadministration A/S	Ballerup	Property
All of the companies are 100% owned (2020: 100%).		

Note 45. Other disclosures

The five-year summary, in accordance with Section 91(a) of the Danish Executive Order on Financial Reports for Insurance Companies is presented as first page in the annual financial statements for the Group.
Sensitivity information according to Section 126 is part of "Risk Scenarios" in Management's review.

There have been no events in the period from 31 December 2021 until the presentation of the consolidated financial statements which could change the assessment of the annual report.

Notes to the financial statements • Group

Note 46. Risk factors

The following description of risks in the Topdanmark Group elaborates on risk management.

Non-life insurance Personal, liability and property insurance for the private, SME, and agricultural markets.		
Most important risks	Risk preferences	Risk reducing activities
<p>Underwriting risk</p> <ul style="list-style-type: none"> • Acceptance policy • Follow-up policy. <p>Reserve risk:</p> <ul style="list-style-type: none"> • Provisions for outstanding claims • Provisions for unearned premiums. <p>Catastrophe risks:</p> <ul style="list-style-type: none"> • Storm and cloudburst • Fire • Terror • Workers' compensation. <p>Cumulative risk.</p>	<p>Profit on both product and customer level.</p> <p>Spread of risk on different types of insurance/customer groups.</p> <p>Limited effect on results from individual claims events by means of reinsurance.</p>	<p>Advanced risk-based price models.</p> <p>Clear rules for new business.</p> <p>Risk equalisation through extensive reinsurance programme.</p> <p>Systematic follow-up on profitability.</p> <p>High data quality.</p> <p>Use of statistical models for calculation of provisions.</p>

Life insurance Life insurance contracts with bonus entitlement, unit-linked contracts with no investment guarantees and group life.		
Most important risks	Risk preferences	Risk reducing activities
<p>Limited loss-absorbing buffers in the event of low interest rates.</p> <p>Disability, which is the risk of increasing disability intensity or declines in the rates of resumption of work.</p> <p>Lifetime, where customers with life dependent policies live longer than expected.</p> <p>Pandemic, which affects the group life portfolio.</p>	<p>For with-profit insurance contracts, we aim at balancing return and risk so that ordinary risks are covered by the related bonus potential.</p> <p>The calculation of profit is viewed as a risk return on shareholders' equity where fluctuations are adjusted via bonus potential.</p>	<p>All policies are classified by the guaranteed benefit, and the investment policy is intended to ensure the ability to meet the benefits guaranteed.</p> <p>The market risk is freely adjustable in relation to each customer group's risk capacity.</p> <p>Normal fluctuations in investment return and risk results are provided for by the bonus potential per contribution group.</p> <p>Individual bonus potential is protected by loss participation schemes.</p> <p>Catastrophe and pandemic reinsurance.</p> <p>In all interest rate groups, movements in interest rates are followed and risk reducing actions are performed as required.</p> <p>Prices relating to death and disability are regularly adjusted to the market situation and the observed claims record.</p> <p>The basis of new business is changed as needed.</p>

Market		
Most important risks	Risk preferences	Risk reducing activities
<p>Interest rate risk</p> <p>Equity risk</p> <p>Property risk</p> <p>Credit spread risk</p> <p>Concentration risk</p> <p>Currency risk</p> <p>Inflation risk</p> <p>Liquidity risk.</p>	<p>Topdanmark's policy is to accept a certain level of market risk to profit from the Group's strong liquid position and its high, stable earnings from insurance operations.</p> <p>To improve the average investment return and limit the overall market risk, Topdanmark invests in a wide range of asset categories.</p>	<p>Topdanmark's Board of Directors has set limits on the acceptance of market risks in the form of risk limits.</p> <p>Compliance with these limits is checked regularly.</p>

Counterparty		
Most important risks	Risk preferences	Risk reducing activities
Reinsurance	To obtain efficient and secure reinsurance cover, which is price competitive, a certain level of counterparty concentration is required.	Counterparty risk is limited by mainly buying hedging from reinsurance companies which, as a minimum, have a rating of A-.
Investment.	A certain level of counterparty risk is accepted as an element of generation of return.	Counterparty risk is limited by diversification both geographically and in terms of type of debtor. Counterparty risk on financial contracts is limited by the required security when overall risk on any given counterparty reaches a relatively low threshold value.

Operational risks		
Most important risks	Risk preferences	Risk reducing activities
IT	Generally, operational risks are to be reduced to an acceptable level.	Group information security function. Risk assessment, information security policy, prioritisation of risks, guidelines, controls and IT contingency plans based on ISO27001. IT Security Committee/Cyber Security Board. Policy for procedures, system and process descriptions, controls and division of duties. Special department for insurance fraud and deceit. Incident register. Digitalisation/automation.
Errors in internal processes, human errors, insurance fraud and deceit		
Pandemic.		Contingency plan in the event of a pandemic escalating. The contingency plan concerns both Topdanmark internally and in relation to changed risk factors for non-life, life- and market risk.

Compliance		
Most important risks	Risk preferences	Risk reducing activities
Insufficient knowledge of current or future legislation and rules	Generally, the area of compliance risks is to be reduced to an acceptable level.	The compliance function issues rules for identification, management and control of compliance risks.
Violation of legislation and rules.		The compliance function exercises control and provides counselling to ensure that the Group's divisions and service departments observe relevant legislation and internal rules.

Climate		
Most important risks	Risk preferences	Risk reducing activities
Storm and cloudburst	Generally, the area of climate risk is to be reduced to an acceptable level.	Risk equalisation through an extensive reinsurance programme.
Investments in companies that emit a negative climate footprint		Opting out of investments with a disproportionately large negative climate impact
Investments property.		Formålspensjon (Purpose pension) investments in new / newer properties as well as maintenance of existing properties Topdanmark follows the UN Global Compact Focus on measuring and reporting ESG factors.

Strategic risks		
Most important risks	Risk preferences	Risk reducing activities
In generally, strategic risks are related to the Company's business model, political conditions, reputation, collaboration partners' and competitors' conduct as well as macroeconomic conditions.	Low strategic risk due to strong business model.	Topdanmark's business model stands strong against strategic risks. The results of the Company will, to a very high degree of probability, be positive even in the event of another collapse in the financial markets as in 2008. The Company's result will also be positive if it is hit by a storm like the 1999-hurricane, which was the largest storm event in the Company's history. The COVID-19 pandemic that occurred in 2020 has also shown the robustness of Topdanmark's business model.

The following description of risks in the Topdanmark Group elaborates on the above matrix.

Non-life insurance

Underwriting risk

Acceptance policy

Topdanmark's acceptance policy is based on a strategy to make a profit from both products and customers.

Topdanmark varies the pricing of its products depending on the relevant risk criteria, the competitive situation and the costs of administering those products.

Topdanmark's pricing has been aligned with the individual markets and types of customer. In the private and commercial markets, prices are mostly based on standardised rates, while major commercial customers are offered more individualised charges.

Danish insurance companies do not cover damage arising from floods or the cost of replanting forests following storms, industrial diseases, war or warlike acts, earthquake or other natural disasters and with certain exceptions damage due to nuclear energy or radioactivity.

Follow-up policy

In order that both products and customers are profitable, Topdanmark systematically acts upon changes in its customer portfolios.

Customer scoring is used in the private market. The customers are divided into groups according to the expected level of profitability. The customer scoring helps ensure the balance between each customer's price and risk. This intends to ensure that no customer pays too much to cover losses on customers who pay too little.

The historical profitability of major SME customers with individual insurance schemes is monitored using customer assessment systems.

General insurance rates are re-calculated on a regular basis.

Provisions are generally calculated on a monthly basis across all lines of business. The claims trend is assessed monthly and followed up by any necessary price changes.

Topdanmark continues to improve its administration systems to achieve more finely meshed data capture, which in turn enables it to identify the claims trends at an earlier point in time and compile information on the constituent parts of the various types of claims.

Claims handling

To ensure uniform and efficient claims handling, Topdanmark has grouped the handling of all types of claims into one operational unit.

The claims handling is intended to make the customers feel "well-helped" and safe while at the same time ensure efficient management and control of the claims incurred.

Topdanmark helps its customers when they need assistance

Focus is on the customer experience, ensuring that the individual customer finds Topdanmark delivering an excellent service.

Customers' satisfaction with visits and email-, telephone- and internet contact is monitored daily to act immediately on each dissatisfied customer enabling us to help the customer and as well as learn from the incident.

Efficient management of claims incurred

Topdanmark is continuously focusing on making its claims handling processes more efficient under the following three main headings:

- Promptness
- Better claims procurement
- Quality.

Promptness

It is important to promptly obtain an overall impression of the size of a claim, implement any damage controlling actions and/or commence the repair. Prompt attention not only reduces the compensation paid but also provides a better experience for the customer.

Typically, the claims department operates with day-to-day management of claims notifications and other claims

handling, so the value of the claim does not increase. Customers increasingly report of claims online. Turnaround times are continuously monitored.

Better claims procurement

Topdanmark always seeks to optimise procurement for the benefit of both customers and shareholders.

Quality

Topdanmark has developed procedures for all major claims processes to ensure that they are handled in a uniform and controlled manner. These are supplemented by rules governing the level of professional and financial competence expected of each of the employees in the claims department.

The overall professionalism is controlled by regular quality assessment of a random sample of claims. For example, it is investigated whether the cover, reason for the claim and provisioning are correct, the recourse possibilities have been tested and that the deductible, VAT etc. have all been charged.

Claims handling supported by Topdanmark's claims handling system

Topdanmark's claims handling system supports professional accuracy, and Topdanmark continuously works to optimise its systems in order to improve the claims handling processes through automation.

The claims organisation works with the version of the Lean concept used by the service organisations, based on the customer's needs and focusing on providing the right help in the first contact with the customer.

In addition to improved customer satisfaction, the correct assessment of the damage also reduces the claims handling time and the average compensation.

Contingency plan

Topdanmark has a contingency plan to ensure that prompt, correct and targeted action is taken on a major weather event such as storm, hurricane, cloudburst or flood. The contingency programme consists of several levels, and this enables a proportional response depending on the size of the event. Topdanmark has appointed emergency helpers throughout the company whose claims handling knowledge is regularly kept up-to-date by training targeted at the knowledge level of the individual emergency helper. Furthermore, automation technology and robot processes are being implemented on an ongoing basis to improve the scalability of the contingency programme.

Loss prevention and loss limitation

Topdanmark focuses on loss prevention and loss limitation by investing in, among others, IoT-solutions and machine learning. The main objective is to incline customers towards pro-active risk handling so that they themselves can keep abreast of reducing their vulnerability. By doing this, Topdanmark ensures security for the customer and reduces its own risk at the same time.

Provisioning risk

Provisions for outstanding claims

Traditionally, the insurance classes are divided into short-tail i.e. those lines where the period from notification until settlement is short and long-tail, i.e. those lines where the period from notification until settlement is long.

Examples of short-tail lines are buildings, personal property and comprehensive motor insurance. Long-tail lines relate to personal injury and liability such as workers' compensation, accident, motor third-party insurance and commercial liability.

Composition of Topdanmark's overall provisions for outstanding claims:

Distribution of provisions for outstanding claims	2020		2021	
	%	Duration	%	Duration
Short-tail	13	1	14	1
Annuity provisions in workers' compensation	26	10	24	11
Other claims provisions in workers' compensation	21	2	22	2
Accident	29	10	30	9
Motor personal liability	6	2	6	2
Commercial liability	4	2	5	2

The much higher provisioning risk in long-tail than in short-tail lines is due to the longer period of claims settlement. It is not unusual that claims in long-tail lines are settled three to five years after notification and in rare cases up to 10-15 years.

During such a long period of settlement, the levels of compensation could be significantly affected by changes in legislation, case-law or practice in the award of damages adopted by, for example, the Danish Labour Market Insurance which awards compensation for injury

and loss of earnings capacity in all cases of serious industrial injuries. The exposure to industrial injuries has been reduced substantially over the past five years.

The practice adopted by the Danish Labour Market Insurance also has some impact on the levels of compensation for accident and personal injury within motor, liability and commercial liability insurance.

The provisioning risk represents mostly the ordinary uncertainty of calculation and claims inflation, i.e. an increase in the level of compensation due to the annual increase in compensation per policy being higher than the level of general indexation or due to a change in judicial practice/legislation.

The sufficiency of the provisions is tested in key lines by calculating the provisions using alternative models as well, and then comparing the compensation with information from external sources, primarily statistical material from the Danish Labour Market Insurance and the Danish Road Sector/Road Directorate.

The actuarial team is continuously in dialogue with the claims departments on any changes in the practices stemming from new legislation, case law or compensation awards as well as the impact of such changes on the procedures used to calculate individual provisions.

The provision risk is described mathematically in Topdanmark's internal model and is quantified in the calculation module in the internal model. From this is known the probability of loss / gain of a given size, including Topdanmark's 200-year provision risk, i.e. a negative run-off that is so large that it will only occur in one of 200 financial years. The 200-year provision risk is included in the calculation of the capital requirement for operating Topdanmark's insurance business.

Provisions for unearned premiums

Premium provisions are measured based on an estimate of future payments for incidents in the remaining period of cover. A significant uncertain and estimated assessment is involved in the determination thereof. Premium provisions must be seen in connection with the profit margin as an increase in the estimated cashflow will be absorbed by the profit margin up to a combined ratio of 100. Financial estimates and assessments with effect on the result of the year and shareholders' equity are therefore primarily relevant within businesses with combined ratio of 100 or more, where premiums are insufficient for covering expected payments and a risk margin, and consequently provisions to cover losses must be made.

Catastrophe risks

Topdanmark limits its insurance risk on significant events through a comprehensive reinsurance programme.

Storm and cloudburst

Reinsurance covers storm claims of up to DKK 5.1bn with a retention of DKK 100m. Snow load, snow thawing and cloudbursts are also covered. Reinstatement for the proportion of the cover used is activated by payment of a reinstatement premium. In the event of another storm within the same year, there is cover of a further DKK 5.1bn with a retention of DKK 100m. In the event of a third and fourth storm, there is cover of up to DKK 670m with a retention of DKK 20m if the events occur within the same calendar year. To this should be added the cover not already hit twice by the first two storms. The cover of a third or fourth storm is dependent on the storm programme not having been hit previously by two individual storms each exceeding DKK 2.9bn. The storm programme is renewed on 1 July.

Specific reinsurance cover of DKK 100m for cloudbursts takes effect if accumulated annual cloudburst claims exceed DKK 50m. For a claim to be accumulated, the single event must exceed DKK 10m. The maximum retention in the event of an extreme cloudburst is DKK 75m plus reinstatement premiums.

Fire

Topdanmark has a proportional reinsurance programme structure for fire with a maximum retention of DKK 30m per claim on any one business.

Terrorism

With certain restrictions, terrorism is covered by the reinsurance contracts.

The NBCR terrorism risks are covered by a public organisation financed by fees on insurance covers if a claims event take place. This is according to an act on NBCR terror in force as at 1 July 2019.

Workers' compensation

In workers' compensation, up to DKK 1bn is covered with a retention of DKK 50m.

Cumulative risk

Known cumulative risk is where it has been recognised prior to the event that several policyholders could be affected by the same event. In personal lines, Topdanmark's retention is DKK 15m for the first claim, DKK 5m for the subsequent claims up to a total aggregated amount of DKK 50m. DKK 15m for further claims after exhausting of the aggregate cover of DKK 50m. The retention is a maximum of DKK 25m in the SME line. Unknown cumulative risk is where several policyholders could be affected by the same individual event (conflagration damage) without the common risk being recognised prior to the event occurring. The retention is a maximum of DKK 50m.

Life insurance

Loss absorbing buffers in the event of low interest rates

Customers' individual and collective bonus potential is the loss absorbing buffers in life insurance against any losses incurred by customers on investment activities.

Low interest rates mean that the market value of the guarantees granted is high, and that the related bonus potential is low. The lower the bonus potential, the higher the risk of any losses being wholly or partially borne by shareholder's equity. If interest rates are high, the same losses could, to a larger degree, be absorbed by the bonus potential.

Declines in the collective bonus potential are most frequently due to the investment return being lower than the addition of interest to deposits. Declines in collective bonus potential are also possible if interest rates are relatively high.

In order to protect shareholders' equity, it will in general be relevant to reduce market risks in the event of low interest rates. All policies have been split into contribution groups according to the guaranteed benefit scheme. In each contribution group, the investment policy is intended to ensure the ability to meet the guaranteed benefits, and the market risk is adjusted in accordance with the risk capacity of the contribution groups. The movements in interest rates are followed in order that risk reducing actions may be taken when needed.

Disability

Disability risk is the risk of increasing disability intensity or declines in the rates of resumption of work, in that the benefits have been guaranteed until expiry. Losses may incur due to an increase in disability frequency or due to inadequate health evaluation when the policy is written.

Extra costs due to a permanent change in disability risk will be partially covered by individual and collective bonus potential. The remainder affects profit/loss for the year and consequently shareholders' equity.

Longevity

Longevity risk is the risk that customers with life dependent policies, primarily annuities, live longer than expected, which will increase provisions for lifetime products.

Extra costs due to longer lifetimes will be partially covered by individual and collective bonus potential. The remainder affects profit/loss for the year and consequently shareholders' equity.

Pandemic risks

Extraordinary losses as a result of a pandemic affecting the age groups insured in the company's group life portfolio must be financed by shareholders' equity.

Market

Market risk represents the risk of losses due to changes in the market value of the Group's assets, liabilities and off-balance items as a result of changes in market conditions. Market risk includes interest rate, equity, property, credit spread, concentration, currency, inflation and liquidity risk.

The limits for these financial risks are set by Topdanmark's Board of Directors. In practice, Topdanmark Kapitalforvaltning (asset management) handles the investment, finance and risk alignment processes. Compliance with the limits set by the Board of Directors is regularly controlled. The result of this is reported to the Board of Directors.

Market risks	Risk reducing activities
Interest rate risk Topdanmark is exposed to an interest rate risk due to provisions for outstanding claims in non-life insurance and guaranteed benefits in life insurance.	<p>Generally, the interest rate risk is limited and controlled by investing in interest-bearing assets in order to reduce the overall interest rate exposure of the assets and liabilities to the desired level.</p> <p>With regard to cover of interest-bearing assets, supplementary hedging by interest rate swaps will be bought as required.</p>
Equity risk Topdanmark is exposed to an equity risk from direct investments as well as investments made via derivatives.	The equity risk is alleviated by trades in the market and by derivatives.
Property risk Topdanmark is exposed to a property risk from investments in properties rented out for business or private residence.	The risk on the property portfolio is limited by a strategy focusing on Copenhagen and Aarhus. Topdanmark invests preferably in well-situated properties within the segments of housing and flexible office properties.
Credit Spread risk Topdanmark is exposed to a credit spread risk from bonds and other investments where prices are dependent on counterparty creditworthiness.	The credit spread risk is alleviated by focusing predominantly on bonds etc. with very high creditworthiness and by a spread on counterparties.
Concentration risk Concentration risk is a risk that increases when investments are consolidated with individual issuers, whereby dependence on these issuers' solvency grows.	The concentration risk is limited by ensuring that investment size reconciles with counterparty creditworthiness.
Currency risk Topdanmark's currency risk relates in practice only to investments.	The currency risk is alleviated by derivatives.
Inflation risk Future inflation is implicitly included in a number of the models Topdanmark uses to calculate its provisions. Workers' compensation and illness/accident insurance differ from the general principles regarding the inclusion of an allowance for inflation. The provisions in workers' compensation insurance are calculated on the basis of the expected future indexation of wages and salaries, and those in illness and accident insurance on the basis of the expected net price index.	<p>An expected higher future inflation rate would generally be included in the provisions with a certain time delay, while at the same time the result would be impacted by higher future indexation of premiums.</p> <p>In order to reduce the risk of inflation within workers' compensation and illness and accident insurance, Topdanmark uses index-linked bonds and derivatives hedging a significant proportion of the expected cash flows.</p>
Liquidity risk In insurance companies the liquidity risk is very limited as premiums are paid prior to the beginning of the risk period. Topdanmark's liquidity risk is therefore primarily related to the parent company.	Topdanmark performs an ongoing monitoring of the liquidity risk based on scenario-based stress reporting.

The liabilities of the Group's insurance companies are primarily technical provisions on which the payment

obligation is met by means of the cash flow from operations.

Expected cash flows (DKK m)	Carrying amount	Cash flows years					
		1	2-6	7-16	17-26	27-36	>36
Provisions for claims							
2020	13,364	4,075	5,231	2,655	1,001	363	80
2021	13,994	4,468	5,465	2,973	1,153	445	105
Life insurance provisions with-profit							
2020	23,178	2,018	6,994	9,153	3,833	1,142	304
2021	22,319	2,119	7,346	9,430	3,720	1,041	284
Bond portfolio including interest derivatives							
2020	39,651	16,240	16,950	11,782	4,917	0	0
2021	31,058	11,527	11,026	14,087	3,729	0	0

Life insurance provisions for unit-linked products are covered by investments. The provisions and related bonds are therefore not included.

The expected cash flows of the bond portfolio are calculated based on option adjusted durations that are used to measure the duration of the bond portfolio. The option adjustment relates primarily to Danish mortgage bonds and reflects the expected duration capturing the shortening effect of the borrower's option to cause the bond to be redeemed through the mortgage institution at any point in time.

The Group uses derivatives to hedge investment risks. The hedging of currency risk often results in significant positive or negative balance values.

Topdanmark pays or receives cash security for any changes in value. The extent of these daily changes is limited so that there is no challenge to liquidity.

In general, there are no maturity concentrations on derivative contracts.

The Group's insurance companies may raise money market loans as part of the day-to-day liquidity management. Typically, the maturity of such loans is less than a month. Both the subordinated loans raised by Topdanmark Forsikring and any outstanding money market loans will be repaid from the cash generated from operations.

Furthermore, the Group has a significant liquidity base of high-quality liquid bonds.

minimises this risk by spreading and primarily buying reinsurance cover from reinsurance companies with a minimum rating of A-. Accordingly, almost 100% of its storm cover has been placed with such reinsurance companies.

Investment

Topdanmark may suffer losses due to its counterparties' inability to meet their obligations on bonds, loans and other contracts including derivatives. The majority of Topdanmark's interest bearing assets comprise of Danish mortgage bonds. In order to minimise the risk to a single debtor, Topdanmark strives to always have a well-diversified portfolio of bonds not only in regard to a debtor but also geographically.

Interest-bearing assets by rating (%)	2020	2021
>A+	81	80
A+, A, A-	4	4
<BBB-	11	13
Money market deposits	5	3

Counterparty risk

Counterparty risk, also known as credit risk, is the risk of losses caused by one or more counterparties' full or partial breach of their payment obligations. Topdanmark is exposed to credit risks in both its insurance and investment business.

Reinsurance

Within insurance the reinsurance companies' ability to pay is the most important risk factor. Topdanmark

To limit the counterparty risk of financial contracts, including derivative contracts, the choice of counterparties is restrictive, and security is required when the value of the financial contracts exceeds the predetermined limits. The size of the limits depends on the counterparty's credit rating and the term of the contract.

Operational risk

Operational risk includes the risk of losses incurred due to errors and deficiencies in internal processes, human errors, fraud, system errors, breakdowns of IT systems and the risk of losses incurred due to external events.

Topdanmark regularly develops and improves IT systems, routines, and procedures. The responsible business units are also responsible for the risk management of this development.

Projects are to carry out a risk assessment with a description of the risks, possible consequences and measures to limit these risks.

New IT systems will not be put into production until completion of an extensive test procedure.

IT

The department Group Security is responsible for Topdanmark's general information security.

Risk assessment

Risk assessments of each operational IT risk are made regularly. Group Security reports on risks and events to management on a quarterly basis.

Topdanmark's IT risk assessment, information security policy, prioritisation of risks and IT contingency strategy, are based on ISO27001, revised each year and approved by the Board of Directors.

Cybercrime risk

In general, Topdanmark handles the risk via an IT Security Committee/Cyber-Security Board that regularly assesses the threat and the preventive actions necessary to secure the required security level.

Two external firms possessing special expertise within cyber-crime are members of Topdanmark's IT Security Committee/Cyber-Security Board and thus act as advisers to Topdanmark's Chief Information Security Officer. One of the firms provides consultancy on security solutions to maintain an effective defense against cybercrime while the other firm conducts tests to verify Topdanmark's resilience against critical attacks from outside. The firm also gives advice about vulnerabilities which must be fixed. Topdanmark's IT Security Committee reviews and prioritises the results from these tests.

Within the first month of employment, new employees must complete e-learning courses in e.g. information security and GDPR and all employees and consultants in Topdanmark must undergo an e-learning course annually on information security.

Outsourcing is increasingly used in Topdanmark.

Consequently, Topdanmark investigates and evaluates the information security with new cooperation and service partners. Topdanmark also monitors the information security with existing partners to prevent cybercrime.

Topdanmark's technical IT security is based on several layers of protection (Defense in Depth) and Technology & Solutions also tests infrastructure and new applications, among others. Relevant employees have been trained to use the tools to conduct such tests.

IT contingency plan

The IT contingency plan includes plans for re-establishing the IT environment if the systems suffer breakdowns. The IT contingency plan is tested regularly. Topdanmark's business critical systems can be inaccessible for 24 hours without causing larger business consequences. In order to reduce the probability of breakdowns of the IT systems and limit their duration, Topdanmark has for example, emergency power plants with a diesel generator, disk mirroring, alarms and automatic firefighting equipment. Critical IT equipment is in duplicate and placed in two physically separated machine rooms. Back-up of systems and data is made, and a duplicate of the back-up is kept with an outsourcing partner.

Accessibility

Topdanmark's goal is for the accessibility of its main systems to be no less than 99.5%.

The mainframe platform has a higher average accessibility level than the decentralised systems, because these often depend on the mainframe platform.

Digitisation/automation

Topdanmark is working continuously on digitisation and automation to ensure efficient business and a good customer experience. Focus is on automation of a number of processes, which will help to reduce the risk of human errors. Digitisation is not only robots of which Topdanmark has introduced some so far. Topdanmark also needs to focus on the future and what it requires to navigate in an increasingly and rapidly changing technological development going forward. Topdanmark therefore continues its plan to secure its competitiveness by accelerating the digital transformation to the next level. The company must to a much greater extent deliver individualised, digital customer experiences on the basis of customer insights, simplified insurance and services as well as automated processes.

In order to control the operational risk connected to processes based on algorithms, machine learning and artificial intelligence, robots are tested regularly in order to prevent and eliminate possible programming and system errors. Tests are always carried through prior to new releases and in case of breakdowns of operation.

The robot handling bad weather damage is tested regularly to ensure that it works properly in case of major events.

The robots are working according to the specified rules. In case that the correct parameters have not been implemented in the robot enabling it to find and register the required information, the task is channeled to the relevant employee. Subsequently, the employee will ensure that the parameters are updated.

The algorithms saved in the robots' software are based on the experience of expert employees within the subject area. For example, the software calculating prices is adjusted as actuarial adjustments of the tariff in question are made.

Thus, Topdanmark has been assessed to have the proper rules of procedure and competencies to detect and handle technology related risks.

Errors in internal processes, human errors, insurance fraud and deceit

Topdanmark's well-documented routines, procedures and efficient control environment minimise these risks. It has made contingency plans for the most significant areas.

Internal Audit

The routines and procedures in all critical areas are regularly checked by the auditors to assess the risks and recommend measures to limit each individual risk.

Central Claims

Central Claims is a department solely dealing with cases where fraud is suspected. Topdanmark believes that honest customers should not have to pay for the dishonest customers. Therefore, we owe it to our customers to examine any suspicion of insurance fraud.

Incident register

Topdanmark monitors and reports on operational risks so the organisation will learn from its mistakes.

Consequently, a process has been established including a tool to register incidents, which are then collected centrally in an incident log and communicated onwards in the management system.

Pandemic risk

Topdanmark has a robust business model with a high degree of diversification between the business activities, a very low liquidity risk and a solid capital base. In case of a pandemic like the COVID-19 escalating, Topdanmark will operate with an effective contingency plan. The contingency plan concerns both Topdanmark internally and the changed risk factors for non-life, life- and market risks.

Compliance risk

At Topdanmark, compliance comprises compliance with all statutory and managerial requirements for Topdanmark's corporate governance.

Compliance risk is the risk that Topdanmark does not have sufficient knowledge of current or future rules. Additionally, compliance risk is the risk of contravention of rules and the losses this might cause Topdanmark and Topdanmark's customers. Such losses can be direct financial losses or indirect losses in the form of sanctions or bad publicity as a consequence of not acting in compliance with the rules.

Rules comprise all rules, internal rules of Topdanmark's policies and the relevant guidelines as well as all relevant legislation and its sub-rules. Furthermore, rules comprise fixed business practices for the performance of activity in Topdanmark.

Accordingly, compliance comprises compliance with the rules which are necessary and required to ensure that Topdanmark's business is conducted in an appropriate and, in terms of business, proper way. Documentation of compliance for Topdanmark's stakeholders is part of compliance.

The compliance function's work

The compliance function is intended to:

- issue rules for identification, management and control of compliance risks
- exercise control and advise the Group on compliance with legislation and internal rules.

Topdanmark's compliance function exercises control and provides advice to ensure that the Group's divisions and service departments comply with relevant legislation and internal rules. The compliance function's work is part of Topdanmark's overall control environment, which covers the procedures, control and organisation ensuring observance of rules.

The compliance function's work comprises the following principal tasks:

- Control of compliance
- Annual status with all of the Group's divisions and service departments
- Reporting on compliance risks to the Executive Board and the Board of Directors
- Administration and updating of the compliance function's procedures and tools.

Incident register

The compliance function administers Topdanmark's incident register.

Climate risk

Risks due to climate change include both insurance and investment risks. Insurance risks in Topdanmark non-life related to climate are especially relating to storm and cloudburst. The company includes these risks in underwriting and hedges the assumed risk in the reinsurance programme. Stress tests show that a storm event on the company's current insurance portfolio will only, in one out of 900 stormevents, exceed the reinsurance coverage of DKK 5.1 billion.

Stress tests regarding cloudburst events cause significantly less damage, e.g. as a result of the local authorities' efforts against floods. Overall, the company has hedged the climate risks of non-life insurance satisfactorily.

Topdanmark Livsforsikring does not have significant climate-related insurance risks. Investment risks for the companies related to climate mainly comprise the

property portfolios and are hedged through investments in new / newer properties as well as maintenance of existing properties. In addition, the investment policies include an exclusion list which i.a. includes companies with activities within tar sands and thermal coal. In Topdanmark's active investment management, there is a focus on acquiring attractive investment opportunities in "green companies" and opting out of investments in companies that have a disproportionately large negative climate impact

Formålspension (Purpose pension) has become the standard recommendation to Topdanmarks new customers. In 2021, half of the new customers have chosen the purpose "Green transformation", and exactly this investment profile has yielded some of the absolute best returns in the industry throughout the year.

Overall, Topdanmark has the necessary focus on climate conditions in relation to the investment company.

Notes to the financial statements • Group

Note 47. Accounting policies

Topdanmark Group's 2021 Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional Danish disclosure requirements of the Danish Financial Business Act on annual reports prepared by listed financial services companies.

Topdanmark Group has implemented the IFRS standards and interpretations that take effect from 2021. None of these has affected recognition or measurement in 2021.

Accounting policies remain unchanged compared with 2020.

Changes in accounting estimates

Profit margin life insurance

The model for calculation of profit margin in life insurance has been updated, and the effect of the transfer of the asset management company to the life insurance company has been included in the calculation.

Profit margin related to unit-linked products has increased from DKK 281m end of 2020 to DKK 1,447m end of 2021, while profit margin related to with-profit contracts is basically unchanged.

Other changes

Expenses for loss-preventing activities have been reclassified from administrative expenses to claims incurred due to a change in the Danish FSA's Executive Order on Financial Reports for Insurance Companies. The change has had no significant effect.

The allocation of costs between acquisition costs and administrative expenses in life insurance has been reviewed, with the effect that app. DKK 50m has been reallocated from administrative expenses to acquisition costs. Comparatives have been restated.

Future accounting standards

IFRS

The IASB has issued a number of new and revised standards and interpretations, which have not yet taken effect and/or been approved by the EU of which the most significant are:

IFRS 9 "Financial instruments" came into force on 1 January 2018. However, under certain conditions, insurance groups may postpone IFRS 9 to 2023 at the time where IFRS 17 "Insurance contracts" is expected to come into force. Topdanmark Group meets these conditions and has postponed the implementation of IFRS 9 to the implementation of IFRS 17. The standard is not expected to substantially affect the presentation of accounts for the Group.

IFRS 17 "Insurance Contracts"

This standard defines the principles for recognition and measurement of insurance contracts. IFRS 17 is expected to come into force on 1 January 2023. Topdanmark has initiated an analysis of the standard. The financial effect has not yet been clarified.

Accounting estimates and judgements

In the preparation of Topdanmark's financial statements, estimates and judgements have been made which affect the size of assets and liabilities and consequently the results and shareholders' equity in this and subsequent financial years.

The most significant estimates and judgements are made in the calculation of insurance provisions and investment properties.

Significant management's judgements include:

- Determination of methods and models valuation
- Determination of yields assumption
- Future cash flows expectations
- Assessment of data and information obtained from external parties as well as Management's determination of specific risks affects the fair value.

Provisions for claims

Provisions for claims incurred, but not yet paid, have been calculated as the best estimate at the end of any given year. As all necessary information is not available, there will be deviations between the actual claims paid and the provisions made in the form of either run-off losses (provisions too low) or run-off profits (provisions too high).

The provisioning risk is significant, particularly in lines with a long period of claims settlement such as workers' compensation, accident, commercial and motor liability. The levels of compensation could be significantly affected by any changes in legislation, case-law or the practice in the award of damages adopted by, for example, the Danish Labour Market Insurance.

Provisions for unearned premiums

Premium provisions are measured based on an estimate of future payments for incidents in the remaining period of cover. A significant uncertain and estimated assessment is involved in the determination thereof. Premium provisions must be seen in connection with the profit margin as an increase in the estimated cashflow will be absorbed by the profit margin up to a combined ratio of 100. Financial estimates and assessments with effect on the result of the year and shareholders' equity are therefore primarily relevant within business lines with

combined ratio of 100 or more, where premiums are insufficient for covering expected payments and a risk margin, and consequently provisions to cover losses must be made.

Life insurance provisions

The uncertainty related to the value of the life insurance provisions is based on a number of actuarial estimates of disability, lifetime etc., and the frequency concerning surrenders and termination of premiums which may have a significant effect on the size of the life insurance provisions.

Investment properties

A return model based on market-determined net earnings and rates of return with various parameters such as location, idleness, quality of tenants etc. is used for determining the fair value of investment properties.

General

Consolidated financial statements

The consolidated financial statements include the parent company Topdanmark A/S and all of the companies that are controlled by the parent company.

The income statement and balance sheet are presented in accordance with the Danish FSA's IFRS-compatible Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds.

Consolidation

The consolidated financial statements have been prepared by aggregating items within the financial statements of the parent company and the subsidiaries on a line-by-line basis. The same accounting policies are applied by the subsidiaries as by the parent company.

Properties owned by the subsidiaries and used by the group have been re-classified from investment properties to owner-occupied properties.

Intra-group income and expenses, shareholdings, balances and dividends as well as gains and losses on intra-group transactions have all been eliminated.

Companies acquired during the year have been included in the consolidation from the date of assumption of control and those companies sold during the year, until the date of relinquishment of control.

Measurement of fair value

Fair value is the price which would be achieved on the sale of an asset or paid for the transfer of a liability in a normal transaction between the market players at the time of measurement.

The IFRS defines a hierarchy of three levels for measurement of fair value:

Level 1

The calculation of fair value should always be based on the listed prices of transactions in active markets whenever possible. If there is no listed price, another public price is used, which is believed to be the most appropriate. If the transaction on the open market is limited or if there is no closing price, prices from banks/brokers can be used if these are calculated based on fully updated market data and are deemed to be in accordance with the closing price.

Level 2

If the transaction on the open market is limited or if listed prices are not set on the market, indicative prices from banks/brokers specifying the non-forced sale value can be used. If this is not possible, valuation methods in which input is based on publicly available information are used.

Level 3

If the valuation of the investment asset cannot be based on publicly available market information alone, valuation models that could imply the use of estimates of both the future and the nature of the current market situation are used.

The accounting policies for measurement of properties are described below under "Owner-occupied properties" and "Investment properties" respectively.

Insurance and investment contracts – classification

The Topdanmark Group writes contracts which transfer insurance risk, investment risk or both.

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate if a specified uncertain future event adversely affects the policyholder. Insurance risk is always considered to be significant in non-life insurance. In life insurance, it is considered to be significant when it covers disability including premium waiver or when the contract is with profit.

The classification is carried out on contract level.

Contracts with related joint and several premium waiver or group products are considered insurance contracts in full.

An investment contract is one in which the insurance risk is not sufficient for it to be classified as an insurance contract. Payments received and made on investment contracts have been recognised directly in the life insurance provisions for investment contracts.

Currency

As the predominant rule, DKK is the Group companies' functional currency and the presentation currency of the Annual Report.

The initial recognition of transactions in currencies other than DKK is made at the exchange rates prevailing at the date of the transactions. Debts and receivables, and other monetary items which have not been settled on the financial position date, are translated at the closing exchange rates. Translation differences are recognised in Revaluations in the Income Statement.

Expenses

Expenses are recognised in the Group's income statement classified by function. The allocation of expenses, which do not directly relate to a function, is based on an assessment.

Share options programme (LTI)

The Executive Board and Senior Executives participate in a long-term incentive programme based on share options.

The fair value, on the date the option is granted, is included as staff costs in the income statement, with a set-off in shareholders' equity. The fair value is calculated using the Black & Scholes model.

The options are primarily settled with own shares. Any strike amount received on the exercise of the options is taken to shareholders' equity.

Bonus programme (STI)

The Executive Board and Senior Executives participate in a short-term incentive programme based on cash and shares in Topdanmark A/S.

The cash and fair value of the shares are included in the income statement; the shares with a set-off on shareholders' equity.

Employee shares

Topdanmark has established an employee share scheme implying a pay cut. The value of the shares is included as staff costs in the income statement with a set-off on shareholders' equity.

Calculation of profit in life insurance

The calculation of profit in life insurance is regulated by the Danish Financial Business Act. Topdanmark's policy on the calculation of the profit for the year has been reported to the Danish FSA.

The result of life insurance comprises unconditional and conditional profit elements.

The unconditional profit elements comprise the return on assets allocated to shareholders' equity, acquisition cost result and the profit on contracts outside of contribution.

The conditional profit elements comprise the risk return which is calculated for each contribution group. The risk return for each contribution group (cost, risk and interest rate groups) has been based on their estimated risk on shareholders' equity and on the profit margin determined by the company for the year.

The risk return is transferred to shareholders' equity if it can be covered by individual and collective bonus potentials.

Shareholders' equity must contribute to the financing of a potential negative result for each contribution group if it cannot be covered by collective bonus potential and individual bonus potential. A deficit which is not covered by the bonus potentials is assigned to a shadow account for the group which can be restored at a later time when bonus potential is sufficient.

Segment information

The Topdanmark Group's insurance business is segmented into three:

Private offers non-life insurance policies to individual households in Denmark. This segment also includes illness and accident insurance offered through the life company.

SME offers non-life insurance policies to Danish-based agricultural and SME businesses.

Life offers products within life insurance and pension funds to both private and SME customers in Denmark.

Recognition and measurement in the segments follow the same accounting policies as those applied by the Group.

Management reporting for non-life segments comprises reporting on technical results.

Topdanmark conducts insurance business only in Denmark and, therefore, no specific geographical segmental information is provided.

Cash flow statement

The cash flow statement of the group has been prepared in accordance with the direct method disclosing cash flow from operations, investments and financing. Cash and cash equivalents comprise liquid funds as well as deposits with credit institutions.

Income statement

Premiums earned

Gross premiums in non-life insurance comprise those premiums which are due within the financial year. Premiums earned net of reinsurance are recognised in line with the distribution of risk over the period of cover. For onerous insurance contracts, the expected loss is included when the contracts are underwritten or when the contracts become onerous.

As premium provisions and profit margin are calculated at a discounted basis, an element of interest is included in premiums earned. In life insurance, gross premiums comprise those premiums for insurance contracts, which are due within the year.

Allocated investment return net of reinsurance in life insurance

Allocated investment return is calculated as the overall investment return in life insurance net of return relating to illness and accident insurance and shareholders' equity in accordance with the definition of profit reported to the Danish FSA.

Pension return tax

Pension return tax comprise individual tax on pension returns, calculated on the interest accrued on policyholders' savings, and tax on return allocated to collective bonus potential and accumulated revaluations etc.

The tax rate is 15.3%.

Claims incurred and benefits paid

Claims incurred in non-life insurance comprise claims relating to the year as well as any adjustments to the claims provided for the year before. Furthermore, claims incurred comprise direct and indirect expenses on claims handling. The effect on change in provisions for outstanding claims due to discounting is transferred to Return and revaluations non-life insurance provisions. Revaluation of derivatives partially hedging the provisions for workers' compensation and annuities in illness and accident insurance against changes in future wage and price indexation is included in claims incurred.

In life insurance, claims and benefits paid comprise payments relating to claims, pensions and annuities, surrenders and cash bonuses.

Bonuses and rebates

Bonuses and rebates include those premiums that have been or will be paid back to policyholders where the amount is calculated based on the claims trend using criteria determined prior to the beginning of the financial year, or when the insurance contracts were written.

Operating expenses

Technical operating expenses which relate, either directly or indirectly, to the acquisition and renewal of the portfolios are included in acquisition costs. Sales commission is generally recognised in the income statement on the date the insurance contract takes effect. Administrative expenses comprise other costs incurred in the administration of the portfolios which relate to the financial year, and which have been accounted for on accruals basis. Commission received from reinsurers has been accounted for on accruals basis over the reinsurance contracts' period of cover.

Investment return

Income from associates and joint ventures comprises a share of the post-tax results of the associates and joint ventures, calculated in accordance with the Group's accounting policies. Income from investment properties comprises the operating results excluding interest charges and revaluations. Interest income and dividends etc. comprise all earned interest income and dividends received in the year. Realised and unrealised gains and losses on investment assets, exchange rate adjustments, and realised gains and losses on owner-occupied properties are included in revaluations. Administrative expenses on investment activities comprise the cost of asset management including transaction costs.

Return and revaluation of non-life insurance provisions

Return and revaluation of non-life insurance provisions include amortisation and revaluation of premium provisions, claims provisions, profit margin and risk margin, net of reinsurance.

Other income and expenses

Income and expenses that do not relate to the administration of insurance portfolios or investment assets are included in other income and expenses.

Taxation

The tax charge for the year comprises the current corporation tax for the year and any changes in deferred tax. The tax charge related to profit for the year is included in the income statement, and the share related to other comprehensive income and shareholders' equity are taken to other comprehensive income and shareholders' equity respectively. The current tax for the year is calculated using the tax rates and rules applicable on the financial position date.

Topdanmark A/S is jointly taxed with all the Danish companies of the Topdanmark Group and all Danish companies and affiliates in the Sampo Group. As the management company of the joint taxation, Topdanmark A/S settles all corporation tax payments with the tax authorities.

The joint tax contributions are distributed to the jointly taxed companies on a proportionate basis relative to their taxable income. Furthermore, those companies with tax losses receive joint tax contributions from those companies which have been able to use this loss to reduce their own taxable income.

Assets

Intangible assets

Goodwill relates to the acquisition of non-life insurance companies in 1999. Goodwill is tested for impairment on a yearly basis.

Acquired software licences are measured at cost and amortised on a straight-line basis over the expected useful life of a maximum of three years.

Development projects which are clearly defined and definable are measured at costs incurred and amortised over the expected useful life of a maximum of 10 years. Impairment of the assets is assessed end of year.

Development projects under construction are subjected to an impairment test on a yearly basis.

Tangible assets

Operating equipment

Operating equipment is measured at cost less depreciation on a straight-line basis over the expected useful life with respect of the residual value, which is annually revalued. Impairment is assessed end of year.

IT equipment, other equipment and cars as well as improvements of rental properties are depreciated over their expected useful life of up to five years. Solar cell plants are depreciated over their expected useful life of 25 years.

Owner-occupied properties

Owner-occupied properties are those properties used for the Group's own operations. The properties are measured at a revalued amount being the fair value on the date of revaluation. The buildings are depreciated on a straight-line basis, given an expected life of 50 years and an annually re-assessed residual value. Land is not depreciated. The fair value of owner-occupied properties is assessed continuously as for investment properties. Any revaluation surplus is included in other comprehensive income unless the revaluation is a reversal of a previous impairment. Impairments are included in the income statement unless the impairment is a reversal of previous revaluation included in other comprehensive income.

Investment properties

The initial recognition of investment properties is made at cost, which comprises the purchase price of the properties plus any directly related initial expenditure.

In accordance with the guidelines of the Danish FSA, the subsequent measurement of the investment properties is made at fair value representing the estimated amount at which the property could be sold within a reasonable time frame to an independent buyer. The fair value is calculated, using the return model, as the calculated capital value of the expected cash flow from each property.

The expected cash flow is based on the assumed net earnings for the next year adjusted to reflect normal earnings, including the current market rent. Adjustments are made for factors which are not reflected in normal earnings, for example, major renovation works, expected idleness etc.

The calculation of the capital value uses a rate of return which is set for each property on the basis of the current market conditions on the balance sheet date for the type of property concerned, the location of the properties, the quality of the tenants etc. with the effect that the rate of return is estimated to reflect the market's current rates of return for corresponding properties.

The properties are continuously assessed by the Group's own valuers. Market trends and the rates of return of the market are regularly analysed.

The calculated fair values are tested to other valuation models and by use of external valuers on a regular basis.

Associates and joint ventures

Associates are companies over which the Group has substantial influence through a significant shareholding and representation on the board of the company.

Joint ventures are companies in which Topdanmark has joint control and right to the net asset.

Equity investments in associates and joint ventures are measured according to the equity method, in accordance with the Group's accounting policies.

Financial assets

Financial assets are classified at the time of their initial recognition as:

- Financial assets measured at fair value with any value adjustment through profit and loss or,
- Loans and receivables measured at amortised cost.

Financial assets at fair value with any value adjustment through profit and loss are financial assets which are either included in a trading portfolio, are derivatives or at

their first recognition are designated in this classification, because the assets are managed and measured on a fair value basis, or because this eliminates or significantly reduces accounting inconsistency.

All financial assets included in "Other financial investments assets" and "Investment assets related to unit-linked products" are measured at fair value with any value adjustment through profit and loss.

The initial recognition of financial instruments is made at fair value on the date of settlement. Any changes in the value between the trade and settlement dates are included in the balance sheet under the heading Derivatives. Direct expenses on the acquisition or issue of financial instruments which are measured at fair value with any revaluation of the fair value taken to the income statement are included in expenses on investment activities, when incurred. However, financial instruments which, subsequent to the initial recognition, have been measured at amortised cost are recognised at fair value adjusted for direct expenses on the acquisition or issue of the financial instrument.

True sale and repurchase transactions and true purchase and resale transactions (repo/reverse transactions) are recognised and measured as secured loans.

Receivables at amortised cost

On initial recognition receivables are measured at fair value, and subsequently at amortised cost. The receivables are regularly assessed for impairment and written down to a lower recoverable amount.

Reinsurers' share of insurance provisions

Reinsurers' share of the provisions for unearned premiums represents the proportion of reinsurance premiums paid, net of commission received, which based on the spread of risk during the period of cover, relate to the period after the end of the financial year.

Reinsurers' share of the provisions for claims represents the amounts expected to be received from reinsurance companies according to the reinsurance contracts concluded. Expected future payments are discounted using an interest rate structure. The reinsurers' share is regularly assessed for impairment and written down to a lower recoverable amount.

Shareholders' equity

Security fund reserves

The security funds are special funds under shareholders' equity. Prior to 1989, they were transferred to shareholders' equity for capital adequacy and were tax-deductible.

The security funds can only be used for strengthening the technical provisions or otherwise for the benefit of policyholders and only if permitted by the Danish FSA.

Other reserves

Other reserves comprise a reserve at net asset value relating to non-life insurance.

Proposed dividend

Dividend forms part of shareholders' equity until the adoption at the annual general meeting. From the time of adoption, the dividend is recognised as a liability.

Liabilities

Other subordinated loan capital

The initial recognition of other subordinated loan capital is made at fair value less transaction costs and, subsequently, measured at amortised cost. Any difference between the proceeds (less transaction costs) and the nominal value is recognised in the income statement over the loan period based on an effective interest rate.

Provisions for insurance and investment contracts

Provisions for unearned premiums

Premium provisions are calculated as the best estimate of expected payments for future insurance events covered by insurance contracts concluded.

Premiums for insurance contracts concluded comprise due and undue premiums for insurance contracts for which the Group is committed on the reporting day.

Topdanmark's insurance contracts are mostly written for a 1-year period, and the provisions are calculated based on the prognosis for combined ratio for the next 12 months. The prognosis is based on analyses of the trend in premiums, claims and expenses and for change of ownership also statistical analyses of trend in claims notification in relation to the time when the insurance contracts were written.

Expected payments are calculated at present value discounted by the volatility adjusted interest rate curve.

Best estimate of undue premiums for insurance contracts concluded is deducted, considering expected customer defection.

Changes in provisions due to a change in the interest rate curve used and amortisation are transferred to "Return and revaluation of non-life insurance provisions".

Profit margin on non-life insurance contracts

Profit margin is the expected profit during the remaining part of the period of cover for insurance contracts concluded.

Profit margin is calculated as the difference between expected premiums for future periods of cover for insurance policies concluded and present value of the expected payments included in premium provisions.

Changes in the value due to changes in the interest rate curve used and amortisation are transferred to "Return and revaluation non-life insurance provisions".

The share of the risk margin related to settlement of premium provisions is deducted from the profit margin.

Profit margin for a portfolio of insurance contracts with similar risks cannot be lower than zero.

Life insurance provisions

Life insurance provisions for with-profit products are measured at fair value. Accordingly, the liabilities are calculated based on market value independent of the original technical base. The fair value of the life insurance provisions is based on the realistically expected future premiums to be received, benefit payments to be made and administrative expenses incurred on the contracts written.

The future payments to be received and made have been based on the assumed incidents of death, disability, resumption of work, renewal and premium expiry. The mortality rate is calculated by considering the Danish FSA's population mortality rate and Topdanmark's own observed mortality rate. Furthermore, the Danish FSA's assessed improvement in future life expectancy is applied. The other parameters stated are best estimates based on Topdanmark's observations.

The life expectancy for a 60-year-old man and a 60-year-old woman is as follows:

Life expectancy	60 year old man	60 year old woman
Topdanmark Livsforsikring	26,7	29,6
Danish FSA's benchmark	26,6	29,2

The provisions include amounts to cover the expected expenses on the future administration of the insurance contracts written. These expenses have been calculated using annual indexation of 2%.

The present value of the expected future payments has been calculated using an interest rate curve determined in Solvency II (EIOPA interest rate curve). The interest rate curve is volatility adjusted and for contracts subject to

pension return tax - each interest rate used is reduced by the tax rate of 15.3%.

The provisions include a risk margin corresponding to the percentage which would be demanded by an independent purchaser of the company's portfolio of life insurance policies to compensate for the risk of fluctuations in the expected payments. The risk margin is calculated as the increase in guaranteed benefits stressing the biometric risks.

Life insurance provisions are calculated as the sum of a best estimate for guaranteed benefits, best estimate for unguaranteed benefits and the risk margin.

Best estimate for guaranteed benefits is measured as the present value of current, guaranteed benefits plus future administration expenses and deduction of present value of agreed premiums. Guaranteed benefits are calculated considering amendments of the insurance contracts to paid-up policies and surrender.

Best estimate for unguaranteed benefits is calculated at contribution group level as the group's collective bonus potential adjusted for risk margin and positive values of the difference between, on the one hand, the accumulation of the insurance contracts (retrospective provisions) and on the other hand, best estimate of guaranteed benefits of these insurance contracts.

Collective bonus potential is used for equalisation of each year's bonus allocations. Thus, in years where the investment and insurance results are better than the allocated bonus, transfer to collective bonus potential will be made, while in years when the result is insufficient to finance the allocated bonus, funds will be transferred from the collective bonus potential.

Life insurance provisions for unit-linked products are calculated at fair value corresponding to the assets related to the insurance contracts less the profit margin.

Profit margin on life insurance and investment contracts

Profit margin is the expected future profit for the company from contracts concluded and when possible, profit margin for products with guarantees and profit sharing is financed by the individual bonus potential and secondarily by the collective bonus potential. The value is calculated as an interest margin in accordance with the going concern principle.

Provisions for claims

Claims provisions must cover future payments of claims incurred and their administration.

Claims provisions are assessed for each line of business, either on a claim-by-claim basis (individual provisions), or

by using statistical methods (collective as well as incurred but not reported (IBNR) and incurred but not enough reported (IBNER) provisions). Claims exceeding a fixed amount, dependent on the line of business, are assessed individually, and provisions for smaller claims are assessed collectively. IBNR provisions cover expenses on post-notified large claims. IBNER provisions cover extra expenses on claims already reported for which the individually assessed provisions are not sufficient due to, for example, inadequate information at the time of assessment. The collective provisions are calculated using de Vylder's credibility model adjusted for each line of business. The IBNR and IBNER provisions are calculated using models developed in-house. In agricultural and commercial lines, claims are assessed individually. IBNR and IBNER provisions are also included in the total provision. In personal lines, claims not exceeding DKK 100,000 are assessed collectively while larger claims, and all claims on change of ownership policies are assessed individually. IBNR and IBNER provisions are also included in the total provision. In motor and accident lines, total provisions comprise the sum of the collective and individual provisions. Individual provisions are the result of an assessment where the claims handler has assessed the total claim payment to exceed DKK 1.5m, and the case is estimated to exceed the amount paid out. Large claims and claims relating to previous years are individually assessed within personal liability in motor insurance.

IBNR provisions for illness and accident insurance are calculated using models developed in-house.

Inflation is taken into account when calculating the value of the provisions as future inflation is implicitly included in a number of the statistical models used. Therefore, an expected higher future inflation rate would generally be included in the provisions with a specific time delay.

The annuity reserves for disability in illness and accident insurance are calculated using an inflationary structure. Provisions for claims in workers' compensation insurance comprise provisions for annuities and other provisions for claims and benefits. The assessment of the future annuities is based on the annuities in force including the expected wage and salary indexation, and a rate of mortality corresponding to G82 with monthly age write-downs on annuities based on the act on accidents and an adjusted G82 rate of mortality on annuities on the act on workers' compensation amended to comply with Topdanmark's experience base within death intensity for annuitants. Workers' compensation claims are often paid as the capitalised value of an annuity. The capitalisation rate at the time of capitalisation is to be calculated as a moving average of the most recent five years' interest rate on leading mortgage bonds less tax. The capitalisation rate is calculated as the forward swap rates

plus 0.85% p.a. and less a deduction for tax corresponding to the base tax rate.

The assessment of other provisions for claims relating to injuries, loss of provider and expenses is based on traditional actuarial triangulation models. Due to the special conditions surrounding payments on disability claims, it is not possible to use traditional actuarial triangulation models for this type of provisions. Topdanmark, therefore, uses a model developed in-house, which, among other things, takes into account the stage each claim has reached. The calculation includes an allowance for the expected wage and salary indexation.

Provisions for claims already incurred for disability in illness and accident insurance are calculated using an in-house statistical model that is based on the relationship between the possibility of resumption of work and the period passed since the occurrence of the claim.

Topdanmark has purchased derivatives partially hedging the provisions for workers' compensation and annuities in illness and accident insurance against changes in future wage and price indexation. Gains and losses on these derivatives are included in claims incurred.

The provisions for claims and benefits include the amounts that are expected to be included to cover direct and indirect expenses on settlement of the liabilities.

All provisions have been measured at present value by discounting the expected future payments using an interest rate curve determined in Solvency II (EIOPA interest rate curve). The interest rate curve is adjusted for volatility.

In illness and accident administered by the life insurance company, interest rates are reduced by the tax rate of 15.3%.

Risk margin for non-life insurance contracts

Risk margin is calculated as the amount which would be demanded by a purchaser of the company's insurance portfolio for taking on the risk that actual expenses deviate from best estimate relating to settlement of the insurance provisions.

Topdanmark Forsikring calculates risk margin by means of the "Cost of Capital" model using a cost of capital rate of 6% in addition to the risk-free interest rate. For illness and accident insurance administered by the life company a proprietary model stressing the biometric risks is used.

Provisions for bonuses and rebates

Provisions for bonuses and rebates are the amounts payable to policyholders as the result of a favourable claims trend.

Other liabilities

Provisions for pensions and similar liabilities

Provisions for anniversary bonuses and retirement benefits are built up on an on-going basis over the period of employment. The liability is calculated taking into account the expected level of staff reduction based on the Company's experience. The liability is measured at present value by discounting the expected future payments using the interest rate structure.

Corporation tax and deferred tax

Current tax liabilities and tax receivable, including joint tax contributions, are included in the balance sheet as calculated tax on taxable income for the year adjusted for tax on previous years' taxable income and prepaid tax on account. Deferred tax on temporary differences between the accounting, and tax value of assets and liabilities is charged in accordance with the balance sheet liability method. Deferred tax on investments in subsidiaries and associates is not included where the Group controls the timing of the reversal of the temporary difference, and where it is probable that the temporary difference will not be reversed within the foreseeable future. The calculation of deferred tax is based on the planned use of each asset and the settlement of each liability, using the tax rates expected to be in force when the deferred tax is expected to crystallise as current tax, based on the tax rates and rules in force on the financial position date.

Deferred tax on security funds comprises deferred tax on untaxed amounts transferred to the security funds under shareholders' equity. The security funds will be taxed in the proportion of 10% for every 10pp decline in technical provisions net of reinsurance from the level at 31 December 1994. A decline of 10% from the 1994 level is considered improbable as long as Topdanmark Forsikring, in which the transfers were made, continues its current operations. Therefore, the security funds will only be taxed if the insurance portfolio is transferred or the company ceases to conduct insurance business.

Deposits received from reinsurers

Deposits received from reinsurers represent amounts deposited to cover reinsurers' liabilities to the company.

Debt

Amounts due to credit institutions and derivatives are measured at fair value. The fair value of amounts due to credit institutions usually corresponds to their nominal value. The fair value of derivatives is calculated on the same basis as financial assets.

Other loans are measured at amortised cost.

Ratios

Ratios in Financial highlights and Five-year summary have been calculated in accordance with the Danish FSA's Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pensions Funds.

Financial ratios

Post-tax profit as a percentage of shareholders' equity/return on shareholders' equity (%)

$\frac{\text{Profit for the year} * 100}{\text{Shareholders' equity (average)}}$

Post-tax EPS (DKK)

$\frac{\text{Profit for the year}}{\text{Number of shares (average)}}$

Post-tax EPS diluted (DKK)

$\frac{\text{Profit for the year}}{\text{Number of shares (average), diluted}}$

Share buy-back per share, diluted (DKK)

$\frac{\text{Share buy-back for the year}}{\text{Number of shares (average), diluted}}$

Dividend per share issued, proposed (DKK)

$\frac{\text{Proposed dividend}}{\text{Number of shares issued end of year}}$

Net asset value per share, diluted (DKK)

$\frac{\text{Shareholders' equity end of year}}{\text{Number of shares, diluted}}$

The average Shareholders' equity is calculated as a time-weighted average. Number of shares is the number of issued shares less the number of own shares. Number of shares, diluted, is adjusted for the effect of potentially diluting share options.

Non-life insurance ratios

Gross claims ratio

$\frac{\text{Gross claims incurred} * 100}{\text{Gross premiums earned}}$

Net reinsurance ratio

$\frac{\text{Reinsurance result} * 100}{\text{Gross premiums earned}}$

Gross expense ratio

$\frac{\text{Gross operating expenses} * 100}{\text{Gross premiums earned}}$

Combined ratio

Gross loss ratio + net reinsurance ratio + gross expense ratio

Relative run-off, net of reinsurance (%)

$\frac{\text{Run-off on own account} * 100}{\text{Claims provisions on own account 1 January}}$

Gross premiums earned comprise the line items "Gross premiums written", "Change in the provisions for unearned premiums", "Change in profit margin and risk margin" and "Bonuses and rebates". Gross claims incurred comprise the line items "Gross claims paid", "Change in the provisions for claims" and "Change in risk margin". Gross operating expenses comprise "Administrative expenses" and "Acquisition costs". Reinsurance result comprises reinsurer's share of the abovementioned line items.

The run-off result is due to claims provisions at the beginning of the year being settled or reassessed through the current year at amounts other than expected and provided for in last year's accounts. The run-off result, gross, is included in claims incurred regardless of income or expense. Run-off result on own account is net of reinsurance's share.

Life insurance ratios

Rate of return related to with-profit products (%)

$\frac{\text{Return with-profit products} * 100}{\text{Life insurance provisions with-profit products (average)}}$

Rate of return related to unit-link products (%)

$\frac{\text{Return unit-linked products} * 100}{\text{Life insurance provisions unit-linked products (average)}}$

Risk on return related to unit-linked products

The ratio is based on the standard deviation of the monthly return related to unit-linked products over the past 36 months. The standard deviation is converted to a risk category in a scale from 1 (low risk) to 7 (high risk).

Expense ratio of provisions (%)

$\frac{\text{Insurance operating expenses} * 100}{\text{Life insurance provisions + profit margin (average)}}$

Cost per policyholder (DKK)

$\frac{\text{Insurance operating expenses}}{\text{Number of policyholders (average)}}$
(Group life customers weighted by 10 percent)

Annual Financial Statements - Parent company

Income statement • Parent company

(DKKm)	Note	2020	2021
Income from subsidiaries	1	1,168	2,197
Revaluations	2	0	(7)
Interest charges		(11)	(11)
Total investment return		1,157	2,179
Other expenses	3	(46)	(52)
PRE-TAX PROFIT		1,112	2,127
Taxation	4	12	11
PROFIT FOR THE YEAR		1,124	2,138
Proposed appropriation of profit for the year:			
Dividend		1,800	3,105
Transfer to net revaluation reserve at net asset value		1,168	2,197
Transfer from profit carried forward		(1,844)	(3,164)
		1,124	2,138

Statement of comprehensive income • Parent company

Profit for the year	1,124	2,138
Other comprehensive income from subsidiaries	1	0
Other comprehensive income	1	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,125	2,138

Balance sheet • Parent company

(DKK m)	Note	2020	2021
Assets			
Operating equipment	5	3	3
TOTAL TANGIBLE ASSETS		3	3
Equity investments in subsidiaries	6	6,816	7,169
Total investment in subsidiaries		6,816	7,169
Equity investments		4	1
Total other financial investment assets		4	1
TOTAL INVESTMENT ASSETS		6,820	7,170
Receivables from subsidiaries		913	998
Other receivables		48	62
TOTAL RECEIVABLES		961	1,059
Liquid funds		1	1
TOTAL OTHER ASSETS		2	1
TOTAL ASSETS		7,785	8,233
Shareholders' equity and liabilities			
Share capital	7	90	90
Other reserves		3,067	3,440
Total reserves		3,067	3,440
Profit carried forward		2,228	1,069
Proposed dividend		1,800	3,105
TOTAL SHAREHOLDERS' EQUITY		7,185	7,705
OTHER SUBORDINATED LOAN CAPITAL	8	399	400
Amounts due to subsidiaries		133	35
Current tax liabilities		60	83
Other debt		8	11
TOTAL DEBT		201	129
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		7,785	8,233
Related parties	9		
Own shares	10		
Contingent liabilities	11		
Other note disclosures	12		
Accounting policies	13		

Statement of changes in equity • Parent company

(DKK m)

	Share capital	Other reserves	Profit carried forward	Proposed dividend	Total
2020					
Shareholders' equity at 31 December previous year	90	2,682	2,401	1,530	6,703
Reduction of proposed dividend previous year			765	(765)	0
Profit / (loss) for the year		1,168	(1,844)	1,800	1,124
Other comprehensive income in subsidiaries		1			1
Total comprehensive income for the year		1,169	(1,844)	1,800	1,125
Dividend paid				(765)	(765)
Dividend, own shares			24		24
Dividends received from subsidiaries		(840)	840		0
Other movements in capital of subsidiaries		55			55
Share-based payments			10		10
Exercise of share options			33		33
Transactions with owners		(785)	907	(765)	(643)
Shareholders' equity at 31 December 2020	90	3,067	2,228	1,800	7,185
2021					
Shareholders' equity at 31 December previous year	90	3,067	2,228	1,800	7,185
Profit / (loss) for the year		2,197	(3,164)	3,105	2,138
Other comprehensive income in subsidiaries		0			0
Total comprehensive income for the year		2,197	(3,164)	3,105	2,138
Dividend paid				(1,800)	(1,800)
Dividend, own shares			48		48
Dividends received from subsidiaries		(1,872)	1,872		0
Other movements in capital of subsidiaries		49	25		73
Share-based payments			10		10
Exercise of share options			50		50
Transactions with owners		(1,823)	2,005	(1,800)	(1,619)
Shareholders' equity at 31 December 2021	90	3,440	1,069	3,105	7,705

Notes to the financial statements • Parent company

(DKKm)	2020	2021
Note 1. Income from subsidiaries		
Topdanmark Forsikring A/S	1,098	2,170
Topdanmark Kapitalforvaltning A/S (until June 30, 2021)	73	24
Topdanmark Invest A/S	(3)	3
Income from subsidiaries	1,168	2,197
Note 2. Revaluations		
Equity investments	0	(7)
Revaluations	0	(7)
Note 3. Other expenses		
Holding expenses	46	52
Other expenses	46	52
Note 4. Taxation		
Current tax	12	12
Prior year adjustment	0	(1)
Taxation (income)	12	11
Pre-tax profit excl. income from subsidiaries	(57)	(70)
Calculated tax on profit for the year, 22%	12	15
Adjusted for the tax effect of:		
Non-deductible expenses / income not liable to tax	(0)	(2)
Tax in subsidiaries	0	(1)
Prior year adjustment	0	(1)
	12	11
Note 5. Operating equipment		
Cost	3	3
Operating equipment	3	3
Note 6. Equity investments in subsidiaries		
Topdanmark Forsikring A/S	6,672	7,114
Topdanmark Invest A/S	51	54
Topdanmark Kapitalforvaltning A/S	92	-
Equity investments in subsidiaries	6,816	7,169
For detailed information please see note 44 to the financial statements for the Group.		
Note 7. Share capital		
Each of Topdanmark's 90,000,000 shares has a nominal value of DKK 1 and has one vote.		
No share enjoys any special rights. The shares are freely negotiable. All shares are fully paid.		

Notes to the financial statements • Parent company

(DKK m)

Note 8. Other subordinated loan capital

Principal	DKK 400m	
Date of issue	November 2017	
Maturity	Bullet	
If permitted by the Danish FSA, the debtor can give notice of termination from	23 November 2022	
Interest rate	Cibor 3 months +275bp	
	2020	2021
Carrying value	399	400
Market value (level 2)	400	400
Interest charges	10	10

Note 9. Related parties

Possessing an ownership interest of 49.44% of the shares outstanding, Sampo plc, Fabianinkatu 27, Helsinki, Finland has a controlling influence on Topdanmark A/S.

Related parties with material influence comprise the Board of Directors, the Executive Board and their related parties.

Remuneration and shareholdings in Topdanmark appear from note 33 to the financial statements for the Group.

Sampo plc holds:

Subordinated notes in Topdanmark Forsikring A/S	270	0
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If P&C Insurance Ltd holds:

Subordinated notes in Topdanmark A/S	133	133
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Subordinated notes in Topdanmark Forsikring A/S	500	1,500
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Expenses charged from subsidiaries	32	38
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Dividends received from subsidiaries	840	1,872
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Average effective interest rate on Group internal balances is 0,01% (2020: 0.00%).

Topdanmark A/S has transferred Topdanmark Kapitalforvaltning A/S to Topdanmark Livsforsikring A/S at a market value corresponding to net asset value.

Note 10. Own shares

The number of own shares held by the parent company appear from note 41 to the financial statements for the Group.

Note 11. Contingent liabilities

All companies in the Topdanmark Group and other Danish companies and affiliates in the Sampo Group are jointly taxed with Topdanmark A/S being the management company. Pursuant to the specific rules on corporation taxes etc. in the Danish Companies Act, the companies are liable for the jointly taxed companies and for any obligations to withhold tax on interest, royalties and dividend for companies concerned.

Note 12. Other disclosures

The five-year summary, in accordance with Section 91(a) of the Danish Executive Order on Financial Reports for Insurance Companies, is included in financial highlights.

Risk disclosures in accordance with Section 91(b) are included in "Management's review" in "Risk management" and in note 46 "Risk factors".

There have been no events in the period from 31 December 2021 until the presentation of the financial statements which could change the assessment of the annual report.

Notes to the financial statements • Parent company

Note 13. Accounting policies

The annual financial statements of the parent company Topdanmark A/S have been prepared in accordance with the Danish Financial Business Act, including the executive order issued by the Danish FSA on financial reports for insurance companies and multi-employer occupational pension funds.

The accounting policies remain unchanged from 2020.

The company's accounting policies for recognition and measurement are in accordance with the Group's accounting policies with the following amendment:

Equity investments in subsidiaries are recognised and measured according to the equity method. If the net asset value exceeds the recoverable amount, the investment is written down to this lower amount. The share of the post-tax results of subsidiaries is included in the income

statement under income from subsidiaries less any write-downs. Where investments in subsidiaries are revalued to net asset value, the net revaluation reserve is included in shareholders' equity. The share of the changes in other comprehensive income items and equity of subsidiaries is included directly in other comprehensive income items and shareholders' equity respectively.

The net asset value of subsidiaries is calculated without providing for deferred tax on security funds, unless it is probable that a situation creating such a tax liability will arise within the foreseeable future.

Other

Generally, all the amounts in the report are disclosed in whole numbers of DKKm. The amounts have been rounded, and consequently the sum of the rounded amounts and totals may differ slightly.

Disclaimer

This annual 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 annual report. Such factors could be, for example, cyclical movements, changes in the financial markets, the financial effect of unexpected events such as acts of terrorism 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 → Investors → [Risk management](#).

The above description of risk factors is not exhaustive. Investors and others, who may base decisions relating to Topdanmark on statements in relation to the future, should give their own careful consideration to these and other factors of uncertainty.

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

Statement by Management on the Annual Report

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Topdanmark A/S for 2021.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU, and the annual financial statements for the parent company are presented in accordance with the Danish Financial Business Act. Further, the Annual Report is presented in accordance with additional Danish disclosure requirements for listed financial services companies.

In our opinion, the consolidated financial statements and annual financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2021 as well as of the Group's and the parent company's

activities and the Group's cash flow for the financial year 1 January to 31 December 2021.

We believe that the management review contains a fair review of the development of the Group's and parent company's activities and financial position, together with a description of the most material risks and uncertainties by which the Group and the parent company can be affected.

In our opinion, the annual report of Topdanmark A/S for the financial year 1 January to 31 December 2021 with the file name TOPDANMARK-2021-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend the Annual Report for adoption at the Annual General Meeting.

Ballerup, 24 February 2022

Executive Board:

Peter Hermann
(CEO)

Lars Kufall Beck

Thomas Erichsen

Board of Directors:

Ricard Wennerklint
(Chairman)

Jens Aaløse
(Deputy Chairman)

Elise Bundgaard

Anne Louise Eberhard

Mette Jensen

Cristina Lage

Ole Lomholt Mortensen

Petri Niemisvirta

Morten Thorsrud

Independent auditor's report

To the shareholders of Topdanmark A/S

Report on the audit of the consolidated financial statements and parent company financial statements

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 January - 31 December 2021. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the Board or Directors and the Audit Committee.

Audited financial statements

Topdanmark A/S' consolidated financial statements and parent company financial statements for the financial year 1 January - 31 December 2021 comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark.

Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in Article 5(1) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

We were appointed auditors of Topdanmark A/S for the first time on 25 March 2021 for the financial year 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the 2021 financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in the forming of our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided on that context.

Key audit matter

How our audit addressed the key audit matter

Measurement of Provisions for insurance and investment contracts

Subjective valuation and inherent uncertainty

Insurance and investment contract provisions that mainly include life insurance and non-life insurance provisions represent the largest liability for the Company.

Total provisions for insurance and investment contracts amount to DKK 106,695m at 31 December 2021 (2020: DKK 95,797m) and mainly comprise of:

- Provisions related to non-life insurance contracts, DKK 17,102m (2020: DKK 16,462m)
- Provisions related to life insurance, with-profit products, DKK 22,396m (2020: DKK 23,263m)
- Provisions related to unit-linked contracts, DKK 67,197m (2020: DKK 56,072m).

With the exception of provisions related to unit-linked products, the measurement of these liabilities is highly judgemental because they require a number of management estimates to be made with high estimation uncertainty related to the expected future cash flows.

Future cash flows regarding non-life insurance provisions include among other things the following significant management estimates:

- Future inflation and wage rate development (workers' compensation)
- Expected future payments for claims that occurred before the balance sheet date and expected closing settlement of claims, especially within workers' compensation, accident and liability, including claims handling expenses.

Significant management estimates regarding life insurance provisions also include:

- Mortality, disability and reactivation rates
- Future inflation and wage rate development.

The interest rate curve applied in measuring the provisions for insurance and investment contracts is also material to the value.

The determination and application of the methodology and models and performance of the calculations are also complex.

With the assistance of our actuarial specialists, our procedures included:

Assessment of control environment:

We have assessed the governance of the provisioning process. Our assessment has included evaluating the qualifications and experience of those responsible for reviewing the provisions and examining the output of the reviews by assessing the scope and depth of these processes.

Our evaluation of the methodologies and key assumptions for the most significant and subjective provisions has also supported our assessment of the quality of the Company's provisioning process.

Test of controls:

Evaluation and testing of that key controls are designed and implemented to ensure the integrity and completeness of the data used in the actuarial provisioning process including both current and prior year provision data.

We tested controls through inspecting or re-performing the Company's reconciliations of data.

Test of completeness and accuracy of data:

We have tested reconciliations between the claims data recorded in the insurance systems and the data used in the actuarial provision calculations to test completeness and accuracy of data used.

We also compared samples of individual claims provisions to appropriate documentation in order to test the valuation of individual claims provisions.

Replications and independent re-estimation:

We have carried out replications and independent re-estimations of the gross claims provisions covering the lines of business with the most material risks. A replication of the provisions is performed by applying identical methods and assumptions as the Company uses in our internal reserving tool.

Independent re-estimation is performed by calculating

Key audit matter

Based on the above we consider the audit of the following part of the provisions for insurance and investment contracts to be a key audit matter:

- Profit margin (life & non-life)
- Insurance provisions related to with-profit products
- Provisions for claims
- Risk margin, non-life insurance contracts.

Information on provisions for insurance and investment contracts is disclosed in notes 24 and 28 (provisions regarding non-life insurance contracts) and notes 25-27 (provisions regarding life insurance contracts).

In addition, specified risks, assumptions, etc., related to the estimates of the insurance and investment contract provisions are described in "Provisioning risk" and "Life insurance" in note 46 Risk Factors and in "Accounting estimates and judgements" in note 47 Accounting policies.

Completeness and accuracy of data

The valuation of the insurance contract provisions depends on complete and accurate data covering the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities or for forming judgements of key assumptions is not complete and accurate, then material impacts on the valuation of insurance liabilities may arise.

How our audit addressed the key audit matter

the level of the provisions using KPMG's own parameters and assumptions.

Sector experience and benchmarking:

Using our sector knowledge and experience we assessed the Company's applied provision methodologies and assumptions used on probability of mortality, disability, reactivation, and expected loss experience by comparing with the Company's historical experience and market practice. Our assessment focused on the largest changes compared to last year including the run-off results (non-life insurance) and interest, risk and cost results (life insurance).

Key audit matter

Measurement of unlisted investments

Unlisted investments amount to DKK 19,867m at 31 December 2021 (2020: DKK 17,879m), corresponding to 17% of the Group's total investment assets at 31 December 2021 (2020: 17%). Unlisted investments include among other things, investment properties, unlisted securities, loans, derivatives and CLOs.

Measurement of unlisted investments involves management estimates which materially affect the carrying amount.

We consider the audit of the following part of the unlisted investments to be a key audit matter, due to the high degree of estimate on the carrying value:

- Investment properties
- Unlisted bonds
- CLO's / CDO's

Information on unlisted investments is disclosed in notes 17 and 34.

In addition, specified judgements, assumptions, etc., related to the measurement of unlisted investments are described in "Accounting estimates and judgements" in note 47 Accounting policies.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management's review.

Management's responsibility for the financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions and the parent company financial statements in accordance with the Danish Financial Business Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

How our audit addressed the key audit matter

With the assistance of our valuation specialists, our procedures included:

Test of controls:

We have assessed key controls in valuation processes for investment properties, unlisted securities, loans and derivative instruments. This has included testing controls related to recording and monitoring market information and valuation reports obtained from external parties.

Test of valuations:

Our audit has included assessing and testing models, methods, assumptions and data applied by Management in connection with the measurement of the fair value of unlisted investments.

In addition, we have tested and verified the calculations of fair value to underlying documentation on a sample basis.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and parent company financial statements of Topdanmark A/S we performed procedures to express an opinion on whether the annual report of Topdanmark A/S for the financial year 1 January - 31 December 2021 with the file name TOPDANMARK-2021-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited consolidated financial statements.

In our opinion, the annual report of Topdanmark A/S for the financial year 1 January - 31 December 2021 with the file name TOPDANMARK-2021-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 24 February 2022

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Anja Bjørnholt Lütthcke
State Authorised
Public Accountant
mne26779

Kim Schmidt
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Topdanmark 