



Topdanmark A/S Annual Report 2019

Topdanmark A/S • Borupvang 4 • DK-2750 Ballerup
Tel +45 44 68 33 11 • CVR no. 78040017
topdanmark@topdanmark.dk • www.topdanmark.com

TOPDANMARK'S EQUITY STORY

The Topdanmark share is a value case – not a growth case

Focused strategy

- Danish player
- Stable insurance risks
- Low expense ratio
- Limited financial risk
- Synergy between life and non-life insurance
- Efficient capital management
- Limited top line growth
- Profitable growth - in that order
- High net result
- No protection against take-over in the Articles of Association

Watch the video or see the presentation of Topdanmark's equity story on www.topdanmark.com → Investors → shareprofile

Read also about value creation in Topdanmark on www.topdanmark.com → Investors → Investment case → Value creation

TOPDANMARK ANNUAL REPORT FOR 2019

20 February 2020, Announcement No. 03/2020

Key figures 2019

- Post-tax profit of DKK 1,547m (2018: DKK 1,331m)
- The profit of DKK 1,547m was better than assumed in the interim report for Q1-Q3 2019 in which the profit from the forecast model was DKK 1,300-1,400m
- EPS was DKK 17.7 (2018: DKK 15.4)
- Combined ratio: 83.7 (2018: 83.6)
- Combined ratio excluding run-off: 88.3 (2018: 87.5)
- Premiums increased by 2.9% in non-life insurance and 9.8% in life insurance
- Profit on life insurance was DKK 327m (2018: DKK 228m)
- After return on non-life insurance provisions, the investment return was DKK 179m (2018: DKK 16m).

Q4 2019

- Post-tax profit of DKK 431m (Q4 2018: 259m)
- EPS was DKK 4.9 (Q4 2018: 3.0)
- Combined ratio: 88.3 (Q4 2018: 81.7)
- Combined ratio excluding run-off: 92.1 (Q4 2018: 88.1)
- Premiums increased by 4.4% in non-life insurance and 0.9% in life insurance
- Profit on life insurance was DKK 36m (Q4 2018: DKK 45m)
- After return on non-life insurance provisions, the investment return was DKK 230m (Q4 2018: DKK 116m loss).

Dividend distribution for 2019

- The Board of Directors will recommend to the AGM that a dividend of DKK 1,530m be distributed for 2019, representing DKK 17 per share. This represents a payout ratio of 98.9 and a dividend yield of 5.4.

Profit forecast model for 2020

- Compared with the profit forecast model for 2020 in the interim report for Q1-Q3 2019, the assumed combined ratio for 2020 remains unchanged at about 90 excluding run-off
- The expected premium growth in non-life also remains unchanged at about the same level as in 2019 (2.9%)
- The post-tax profit forecast model for 2020 amounts to DKK 950-1,050m, excluding run-off.

Please direct any queries to:

Peter Hermann
Chief Executive Officer
Direct tel.: +45 4474 4450

Lars Thykier
Chief Financial Officer
Direct tel.: +45 4474 3714

Steffen Heegaard
Group Communications and IR Director
Direct tel.: +45 4474 4017, mobile tel.: +45 4025 3524

Contents

Management's review

1	Key figures
3	Financial highlights
4	Results for 2019
4	Results for Q4 2019
4	Non-life insurance in 2019
6	Non-life insurance in Q4 2019
8	Life insurance in 2019
9	Life insurance in Q4 2019
9	Investment activities
11	Parent company etc.
11	Taxation
11	Profit forecast model
12	Risk management
14	Solvency calculation and capital requirements
14	Capital structure and ownership
15	Board of Directors and Articles of Association
16	Severance pay
17	Remuneration structure
18	Distribution of dividend for 2019
18	Corporate Governance
18	CSR
18	Annual General Meeting
18	Financial calendar
19	Company announcements
20	Board of Directors
25	Executive Board

Annual financial statements • Group

26	Five-year summary
27	Income statement
28	Statement of comprehensive income
29	Assets
30	Shareholders' equity and liabilities
31	Cash flow statement
32	Statement of changes in equity
33	Notes to the financial statements
69	Accounting policies

Annual financial statements • Parent company

79	Income statement
79	Statement of comprehensive income
80	Balance sheet
81	Statement of changes in equity
82	Notes to the financial statements

Disclaimer

Statement by Management on the Annual Report

Independent auditor's report

Financial highlights

						Q4	Q4
(DKKm)	2015	2016	2017	2018	2019	2018	2019
Premiums earned:							
Non-life insurance	8,967	8,858	8,985	9,135	9,397	2,249	2,347
Life insurance	6,320	7,430	8,525	10,111	11,106	2,964	2,991
	15,287	16,288	17,510	19,247	20,502	5,213	5,338
Results:							
Non-life insurance	1,325	1,712	1,909	1,420	1,601	256	486
Life insurance	174	189	249	228	327	45	36
Parent company etc.	31	41	77	54	60	30	29
Pre-tax profit	1,530	1,942	2,235	1,702	1,987	331	551
Tax	(360)	(407)	(502)	(371)	(441)	(71)	(120)
Profit	1,170	1,536	1,733	1,331	1,547	259	431
Run-off profits, net of reinsurance	381	470	344	353	433	143	90
Shareholders' equity of parent company at 1 January	5,371	4,948	5,009	6,497	6,322	6,048	6,251
Profit	1,170	1,536	1,733	1,331	1,547	259	431
Dividend paid	0	0	0	(1,710)	(1,350)	0	0
Dividend own shares	0	0	0	73	50	0	0
Share buy-back	(1,667)	(1,524)	(410)	0	0	0	0
Share-based payments	76	50	166	131	148	14	21
Other movements in shareholders' equity	(3)	(1)	0	1	(14)	0	0
Shareholders' equity of parent company end of period	4,946	5,009	6,497	6,322	6,703	6,322	6,703
Deferred tax on security funds	(306)	(306)	(306)	(306)	(306)	(306)	(306)
Shareholders' equity of Group end of period	4,640	4,702	6,191	6,016	6,397	6,016	6,397
Total assets, parent company	5,653	5,779	7,114	6,873	7,274		
Total assets, Group	67,654	73,476	80,958	83,224	98,442		
Provisions for insurance and investment contracts:							
Non-life insurance	16,286	16,264	16,091	16,056	16,175		
Life insurance	40,537	47,351	54,198	56,519	70,603		
Financial ratios (parent company)							
Post-tax profit as a % of shareholders' equity	22.3	30.2	30.5	21.8	24.8	4.2	6.7
Post-tax EPS (DKK)	11.7	16.8	20.2	15.4	17.8	3.0	5.0
Post-tax EPS, diluted (DKK)	11.6	16.7	20.2	15.4	17.7	3.0	4.9
Share buy-back per share, diluted (DKK)	16.6	16.6	4.8				
Dividend per share issued, proposed (DKK)			19.0	15.0	17.0		
Net asset value per share, diluted (DKK)	51.5	57.3	75.6	72.9	76.7		
Listed share price end of period	196.0	179.3	268.1	303.0	328.4		
Number of shares end of period ('000)	95,672	87,216	85,876	86,432	87,067		
Average number of shares ('000)	99,971	91,465	85,700	86,242	86,824	86,410	87,035
Average number of shares, diluted ('000)	100,461	91,721	85,873	86,637	87,229	86,807	87,367
Ratios non-life insurance (%)							
Gross loss ratio	69.0	67.2	61.5	66.2	65.1	63.9	70.0
Net reinsurance ratio	1.9	1.4	4.3	1.2	2.5	1.2	1.4
Claims trend	70.9	68.7	65.8	67.5	67.6	65.0	71.5
Gross expense ratio	15.9	16.4	16.1	16.1	16.0	16.7	16.8
Combined ratio	86.8	85.1	82.0	83.6	83.7	81.7	88.3
Combined ratio excl. run-off profits	91.1	90.4	85.8	87.5	88.3	88.1	92.1

Results for 2019

Topdanmark's post-tax profit for 2019 was DKK 1,547m (2018: DKK 1,331m).

Pre-tax profit was DKK 1,987m (2018: DKK 1,702m).

The technical result increased by DKK 35m to DKK 1,534m. The increase is impacted by higher run-off (DKK 80m) and, compared with 2018, by an improved claims trend in the SME and agricultural business. On the other hand, the result from illness and accident deteriorated by 87m excluding run-off. Furthermore, the yield curve used for discounting the reserves was lower compared with 2018, thus having a negative effect of DKK 90m. (DKK 60m excluding the impact on illness and accident, which is included in the deterioration mentioned above).

The investment return adjusted for return on non-life insurance provisions increased by DKK 145m to DKK 66m. The investment return was impacted by the change in the method for calculating the volatility adjustment (VA) at the end of Q1 2019 which had a one-off negative effect of approx. DKK 200m. In Q2-Q4 2019, market conditions increased the VA by 4bp, thus having a positive effect on the investment return of approx. DKK 25m. Consequently, the VA had a negative impact on the investment return for 2019 of approx. DKK 175m.

The profit on life insurance increased by DKK 99m to DKK 327m due to a higher investment return and an improved risk result.

Results and profit forecast model		Forecast 2019			Results
(DKKm)	Results 2018	as in Q1-Q3 2019 interim report			Results 2019
Non-life insurance					
- Technical result	1,499	1,450	–	1,500	1,534
- Investment return after return and revaluations of non-life insurance provisions etc.	(79)	(130)	–	(80)	66
Profit on non-life insurance	1,420	1,320	–	1,420	1,601
Life insurance	228	320	–	350	327
Parent company etc.	54	40	–	50	60
Pre-tax profit	1,702	1,680	–	1,820	1,987
Taxation	(371)	(380)	–	(420)	(441)
Profit for the year	1,331	1,300	–	1,400	1,547

Results for Q4 2019

The profit for Q4 2019 was DKK 431m (Q4 2018: DKK 259m).

Pre-tax profit increased by DKK 220m to DKK 551m.

The technical result decreased by DKK 136m to DKK 275m negatively impacted by illness and accident excluding run-off (DKK 18m), and by a higher level of small water claims on houses (DKK 23m), as well as by discounting (DKK 40m/DKK 25m excluding illness and accident) and lower run-off DKK 53m.

After return on non-life insurance provisions, the investment return in non-life insurance increased by DKK 367m to DKK 212m. The higher investment return was primarily due to a higher return on equities (DKK 223m) and due to the VA increasing by 13bp (DKK 60m).

The profit on life insurance decreased by DKK 9m to DKK 36m as a result of higher administration costs.

Trend in profit (DKKm)	Q4 2018	Q4 2019
Non-life insurance		
- Technical result	411	275
- Investment return after return and revaluations of non-life insurance provisions etc.	(155)	212
Profit on non-life insurance	256	486
Life insurance	45	36
Parent company etc.	30	29
Pre-tax profit	331	551
Tax	(71)	(120)
Profit	259	431

Non-life insurance in 2019 Premiums earned

Premiums earned increased by 2.9% to DKK 9,397m. Premiums were negatively impacted by the termination of the distribution agreement with Danske Bank (0.5pp). The private segment accounted for a 1.1% increase, and the SME segment accounted for a 5.0% increase.

Claims trend

The claims trend was 67.6 in 2019 compared with 67.5 in 2018.

The run-off profit, net of reinsurance, was DKK 433m (2018: DKK 353m), representing a 0.8pp favourable effect on the claims trend. Run-off was primarily generated in motor third-party liability, in workers' compensation, and in illness and accident.

In 2019, weather-related claims defined as such (above DKK 4.5m) amounted to DKK 70m (2018: DKK 9m), representing a 0.6pp deterioration of the claims trend. Thereby the level of weather-related claims in 2019 was DKK 100m below the normal level.

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) decreased by DKK 76m to DKK 52m in 2019, representing a 0.8pp improvement of the claims trend. The large-scale claims were DKK 48m below the normal level of DKK 100m.

Claims trend	Q4 2018	Q4 2019	2018	2019
Claims trend	65.0	71.5	67.5	67.6
Run-off	6.4	3.8	3.9	4.6
Weather-related claims	(0.4)	(0.6)	(0.1)	(0.7)
Large-scale claims	(1.1)	(0.6)	(1.4)	(0.6)
Other	0.6	(0.4)	0.3	0.2
Claims before run-off, weather, large-scale claims and other	70.5	73.7	70.2	71.1

The claims trend adjusted for run-off, weather-related claims, large-scale claims and other positions including change of risk margin deteriorated by 0.9pp to 71.1 in 2019.

Compared with 2018, the adjusted claims trend was negatively impacted by illness and accident (0.7pp) and by the yield curve used for discounting the reserves (1.0pp/0.7pp excluding illness and accident).

Illness and accident is the entry product selling pension schemes, and the market participants typically offer the product at loss-making prices. The claims level has increased in recent years while the price level has remained low.

Furthermore, the claims trend in the private segment was negatively impacted by many small water claims on houses owing to a record high level of rain and due to burst waterpipes.

On the other hand, the adjusted claims trend was impacted by fewer claims in the SME and agricultural segment.

Expense ratio

The expense ratio was 16.0 compared with 16.1 in 2018.

The payroll tax imposed on Danish financial businesses increased from 14.5% in 2018 to 15.0% in 2019, representing a 0.1pp adverse impact on the expense ratio. In addition, the general trend of wages and salaries impacted the expense ratio by 0.2pp.

Combined ratio

The combined ratio was 83.7 in 2019 (2018: 83.6). Excluding run-off, the combined ratio was 88.3 (2018: 87.5).

Financial highlights – Non-life insurance (DKKm)	Q4 2018	Q4 2019	2018	2019
Gross premiums earned	2,249	2,347	9,135	9,397
Claims incurred	(1,436)	(1,644)	(6,051)	(6,121)
Expenses	(376)	(395)	(1,475)	(1,507)
Net reinsurance	(26)	(34)	(111)	(234)
Technical result	411	275	1,499	1,534
Investment return after return and revaluations of non-life insurance provisions	(157)	210	(85)	64
Other items	2	2	6	2
Profit on non-life insurance	256	486	1,420	1,601
Run-off profits, net of reinsurance	143	90	353	433
Gross loss ratio (%)	63.9	70.0	66.2	65.1
Net reinsurance ratio (%)	1.2	1.4	1.2	2.5
Claims trend (%)	65.0	71.5	67.5	67.6
Gross expense ratio (%)	16.7	16.8	16.1	16.0
Combined ratio (%)	81.7	88.3	83.6	83.7
Combined ratio excl. run-off profits (%)	88.1	92.1	87.5	88.3

Non-life insurance in Q4 2019

Premiums earned in Q4 2019 increased by 4.4% to DKK 2,347m.

Illness and accident has been affected by premium regulations related to unexpired risks in 2018 as well as in 2019. Adjusted for these, premiums earned increased by 2.4%.

Premiums in the private segment increased by 2.9%. Adjusted for premium regulations in illness and accident, premiums earned declined 0.5pp affected by a declining illness and accident portfolio.

Premiums earned in the SME segment increased by 6.2%.

The claims trend was 71.5 in Q4 2019 (Q4 2018: 65.0), representing a 6.5pp deterioration.

Large-scale claims amounted to DKK 15m in Q4 2019, which is a decrease of DKK 10m compared with Q4 2018. This represents an improvement of the claims trend of 0.4pp.

Weather-related claims were DKK 14m in Q4 2019. In Q4 2018, the weather-related claims were DKK 9m, representing a deterioration of the claims trend of 0.2pp.

The claims trend was affected by lower run-off profits of DKK 53m, representing a 2.3pp deterioration.

The claims trend adjusted for run-off, weather-related claims, large-scale claims and change of risk margin deteriorated 3.2pp to 73.7 in Q4 2019.

The deterioration of the adjusted claims trend of 3.2pp is primarily due to a negative claims trend in illness and

accident (1.7pp), and by the fact that the yield curve used for discounting the reserves was lower compared with Q4 2018 having a negative impact on the claims trend of 1.8pp (1.2 pp excluding illness and accident). Furthermore, the claims trend was adversely impacted by a higher level of rain and burst waterpipes claims in house insurance (2.2pp).

The claims trend was positively impacted by a lower level of claims in the SME segment.

The expense ratio was 16.8 in Q4 2019 (Q4 2018: 16.7).

The combined ratio was 88.3 in Q4 2019 (Q4 2018: 81.7). Excluding run-off profits, the combined ratio was 92.1 (Q4 2018: 88.1).

Segment reporting

Private

The private segment offers policies to individual households in Denmark.

Premiums earned increased by 1.1% to DKK 5,114m. Premiums were negatively impacted by the termination of the distribution agreement with Danske Bank at the end of Q2 2019 (0.9pp). Furthermore, premiums were negatively impacted by illness and accident (0.5pp).

The technical result was DKK 686m in 2019, representing a decrease of DKK 157m compared with 2018. The technical result was negatively impacted by 183m on illness and accident of which DKK 96m is due to run-off.

The claims trend deteriorated by 3.5pp to 70.9. Compared with 2018, the claims trend before run-off was primarily negatively influenced by a higher claims level on illness and accident (1.2pp). House insurance was

negatively impacted by many small water claims and burst water pipes (1.6pp). Moreover, the discounting effect due to the lower interest rates had a negative impact. Finally, run-off profits of DKK 221m were DKK 14m below 2018, corresponding to a negative impact on the claims trend of 0.3pp.

On the other hand, the claims trend was influenced by a positive development in personal injuries within motor insurance and theft.

The expense ratio improved to 15.7 from 15.9 in 2018.

The combined ratio was 86.6 (2018: 83.3).

Excluding run-off, the combined ratio deteriorated to 90.9 2019 (2018: 88.0).

Private (DKK m)	Q4 2018	Q4 2019	2018	2019
Gross premiums earned	1,230	1,266	5,056	5,114
Claims incurred	(829)	(993)	(3,327)	(3,555)
Expenses	(205)	(212)	(806)	(802)
Net reinsurance	(26)	(12)	(79)	(70)
Technical result	170	48	843	686
Run-off profits, net of reinsurance	80	32	235	221
Gross loss ratio (%)	67.4	78.5	65.8	69.5
Net reinsurance ratio (%)	2.1	0.9	1.6	1.4
Claims trend (%)	69.5	79.4	67.4	70.9
Gross expense ratio (%)	16.7	16.8	15.9	15.7
Combined ratio (%)	86.2	96.2	83.3	86.6
Combined ratio excl. run-off profits (%)	92.7	98.7	88.0	90.9

SME

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

Premiums earned increased by 5.0% to DKK 4,302m. The growth in premiums was favourably impacted by indexation of premiums in workers' compensation of approx. 9%. Topdanmark continues to have strong momentum in new sales to SMEs and agricultural businesses.

The technical result increased by DKK 192m to DKK 848m in 2019.

The claims trend improved by 3.8pp to 63.8. The improvement mainly derives from larger run-off profits (2.2pp). The claims trend in the agricultural business returned to a more normal level following 2018, which was negatively impacted by an unusually high level of fire

claims due to dry weather. Furthermore, the claims trend in 2019 was favourably impacted by a lower level of large-scale claims. However, the claims trend was adversely impacted by a higher level of weather-related claims, and a lower discounting effect.

Run-off profits were DKK 212m in 2019 (2018: DKK 118m).

The expense ratio was 16.4, and thus unchanged from 2018.

The combined ratio improved to 80.3 in 2019 (2018: 84.0).

Excluding run-off, the combined ratio improved to 85.2 in 2019 (2018: 86.9).

SME (DKKm)	Q4 2018	Q4 2019	2018	2019
Gross premiums earned	1,023	1,086	4,097	4,302
Claims incurred	(611)	(655)	(2,739)	(2,583)
Expenses	(171)	(183)	(671)	(707)
Net reinsurance	0	(22)	(32)	(164)
Technical result	241	226	656	848
Run-off profits, net of reinsurance	64	58	118	212
Gross loss ratio (%)	59.7	60.3	66.9	60.0
Net reinsurance ratio (%)	(0.0)	2.0	0.8	3.8
Claims trend (%)	59.7	62.3	67.6	63.8
Gross expense ratio (%)	16.7	16.9	16.4	16.4
Combined ratio (%)	76.4	79.2	84.0	80.3
Combined ratio excl. run-off profits (%)	82.6	84.5	86.9	85.2

Distribution agreement with Nordea

Topdanmark's previous distribution agreement with Danske Bank was terminated at the end of Q2 2019.

From 1 January 2020, Topdanmark and Nordea have started a non-life agreement for distribution on the Danish market. It is a referral concept in which Nordea will refer costumers to Topdanmark, which will provide the final guidance and sale.

The terminated distribution agreement with Danske Bank is expected to have a negative impact of approx. 1pp on Topdanmark's total non-life premium growth in 2020.

However, the distribution agreement with Nordea is expected to compensate for the loss in growth by approx. 0.5pp in 2020.

From 2021, it is expected that the Nordea agreement in terms of premiums will compensate fully for the terminated distribution agreement with Danske Bank.

So far, the distribution agreement with Nordea is off to a good start.

Life insurance in 2019

The result from life insurance was a profit of DKK 327m in 2019 (2018: profit of DKK 228m).

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

Result of life insurance (DKKm)	Q4 2018	Q4 2019	2018	2019
Investment return on shareholders' equity	21	23	110	186
Sales and administration	(9)	(23)	(20)	(22)
Insurance risk	3	1	(2)	23
Risk return on shareholders' equity	30	35	140	141
Profit on life insurance	45	36	228	327

Developments in 2019

The profit improvement of DKK 99m comes primarily from investment return on shareholders' equity and insurance risk. Equity investment return improved as a result of developments in the financial markets, and the result of insurance risk has been improved owing to non-recurring adjustments and gains resulting from disability results better than expected.

Sales and administration were positively impacted by DKK 17m in Q3 as reserves for future expenses were reduced.

Trend in premiums

Gross premiums increased by 9.8% to DKK 11,106m in 2019, of which premiums on unit-linked pension schemes were DKK 10,027m, representing a 14.4% increase compared to 2018.

Regular premiums increased by 14.7% to DKK 3,275m in 2019. Single premiums were DKK 7,831m in 2019, representing a 7.9% increase.

Adjusted for the termination of the distribution agreement with Nykredit, gross premiums increased by 11.1% and regular premiums by 17.2%.

Premiums on investment contracts are not included in the gross premiums in the income statement but recognised in the balance sheet representing DKK 747m (2018: DKK 1,415m), which is a decrease of 47.2%.

The total gross premiums within life insurance, including premiums on investment contracts represent DKK 11,852m (2018: DKK 11,526m), which is an increase of 2.8%.

Life insurance in Q4 2019

The lower result in Q4 2019 is due to a lower result in sales and administration derived from costs connected to the implementation of the new life administration system launched in 2019.

Gross premiums increased by 0.9% to DKK 2,991m in Q4 2019 of which premiums on unit-linked pension schemes were DKK 2,757m, a 6.0% increase compared with Q4 2018.

Regular premiums increased by 21.1% to DKK 874m in Q4 2019 whereas single premiums decreased by 5.6% to DKK 2,118m.

Sources of gross premiums (DKKm)	Q4 2018	Q4 2019	2018	2019
With-profit products	144	134	493	466
Unit-linked products	550	692	2,040	2,540
Group life	27	47	322	269
Regular premiums	721	874	2,855	3,275
With-profit products	192	53	532	344
Unit-linked products	2,051	2,065	6,725	7,487
Single premiums	2,243	2,118	7,257	7,831
Gross premiums	2,964	2,991	10,111	11,106

Investment activities Topdanmark Group excl. life insurance

The investment return of the Topdanmark Group excluding life insurance was DKK 794m in 2019 (2018: DKK 102m) while return on non-life insurance provisions represented a loss of DKK 616m in 2019 (2018: loss of DKK 86m).

The investment return adjusted for return on non-life insurance provisions was DKK 179m, and thus DKK 117m higher than the assumed return for 2019 when calculated using Topdanmark's forecast model for

Q3 2019. The higher return was primarily due to the VA and the equity portfolios. The mismatch between the mortgage bond portfolio and the liabilities improved results in Q4, and thereby the overall gain in Q4 more than offset the loss in Q3.

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

The investment return in 2019 on the most significant classes of assets is shown in the table below:

Investment return	Portfolio 31 Dec									
	2018	2019	Return Q4 2018		Return Q4 2019		Return 2018		Return 2019	
	(DKKbn)		(DKKkm)	%	(DKKkm)	%	(DKKkm)	%	(DKKkm)	%
Danish equities	0.2	0.3	(33)	(12.8)	29	11.1	(34)	(13.1)	60	26.6
Foreign equities	0.6	0.8	(105)	(15.0)	50	6.8	(73)	(10.8)	174	28.7
Unlisted equities and hedge funds	0.3	0.4	(0)	(0.1)	6	1.6	15	4.7	21	6.4
Government and mortgage bonds	14.4	16.5	43	0.3	(212)	(1.2)	71	0.4	350	2.1
Credit bonds	0.0	0.0	(2)	(5.0)	0	1.5	(3)	(6.1)	3	6.8
Index linked bonds	0.3	0.3	4	1.3	(16)	(5.1)	9	3.3	18	6.8
CDOs	0.6	0.6	(14)	(2.6)	(2)	(0.3)	29	4.7	22	4.0
Properties	1.2	1.3	12	1.0	8	0.6	47	4.2	83	6.9
Money markets etc.	3.0	1.3	(11)	(0.4)	(5)	(0.3)	(15)	(0.6)	(9)	(0.6)
Subordinated loan capital	(1.7)	(1.7)	(12)	(0.7)	(11)	(0.6)	(47)	(2.6)	(46)	(2.6)
	18.9	19.6	(118)	(0.6)	(153)	(0.7)	(2)	(0.0)	678	3.4
Asset management			39		48		104		116	
Investment return			(79)		(105)		102		794	
Return and revaluations of non-life insurance provisions			(37)		335		(86)		(616)	
Investment return after return on non-life insurance provisions			(116)		230		16		179	

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 equity exposure was DKK 852m excluding associated companies but including the impact of derivatives. The equity portfolios are well diversified with no large individual positions.

The composition of the Danish equity portfolio, representing around 30% of the total equity portfolio as at 31 December 2019, is based on OMXCCAP, while the portfolio of foreign equities is based on MSCI World DC in the original currency.

The class "Unlisted equities and hedge funds" includes private equity positions (DKK 48m) and positions in hedge funds where the investment mandates aim at positioning in the credit market (DKK 215m).

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" comprises primarily 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" should be assessed in connection with return and revaluation of non-life insurance provisions.

The class "Credit bonds" is composed of a minor share of a well-diversified portfolio of credit bonds, primarily issued from businesses in Europe.

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

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

The property portfolio mainly comprises owner-occupied properties (DKK 834m). The properties are valued in accordance with the rules of the Danish FSA (Danish Financial Supervisory Authority) i.e. at market value taking the level of rent and the terms of the tenancy agreements into consideration. 98% of the property portfolio are currently let when adjusting for properties under construction or being converted for other purposes.

"Money Markets etc." comprises money market deposits, intra-group balances, the result from currency positions and other returns not included in the other classes.

"Subordinated loan capital" comprises subordinated loans issued by the parent company and by Topdanmark Forsikring.

Topdanmark uses the Solvency II discount curve with volatility adjustment (VA) for assessing insurance provisions. The VA-component comprises a corrective element for the development in pricing of Danish mortgage bonds, as well as a corrective element for the development in pricing of European business credits. EIOPA revised the methodology for the calculation of the Danish VA commencing at the end of Q1 2019.

At the end of Q1 2019, the changed methodology reduced the Danish VA by approx. 30bp compared with a VA calculated with the former methodology. The VA was 45bp at the beginning of the year and 15bp at the end of Q1 2019.

The Danish VA fell further throughout Q2 2019 to 6bp by the end of first half-year and stayed at that level during Q3. Realignment of the underlying mortgage index lifted the VA in October and after having gained some additional bp it ended 2019 in 19 bp. The revised methodology in assessing the Danish VA makes it positively correlated to changes in the yield curve. The substantial yield curve drop in 2019 and the subsequent prepayment activity on Danish mortgage bonds account for the major part of the difference between the return on government and mortgage bonds, and the return on non-life insurance provisions.

The VA will be floored at zero.

Parent company etc.

The parent company, Topdanmark, does not perform any independent activities. The profit of the parent company etc. includes the profits of subsidiaries not within the insurance business (primarily Topdanmark Asset Management), finance costs and other expenses.

The profit of the parent company increased by DKK 6m to DKK 60m in 2019.

Taxation

The tax charge was DKK 441m of the pre-tax profit of DKK 1,987m, corresponding to an effective tax rate of 22.2% (2018: 21.8%).

Profit forecast model

Traditionally, Topdanmark does 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 the profit in Topdanmark's profit forecast model will already deviate from actual expectations by the time it is published. Therefore, set out at www.topdanmark.com → Investors → Investment case → [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 in the 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 Q3 Report, it was disclosed that Topdanmark assumed premium growth for 2020 in non-life at the same level as the premium growth in 2019. This was based on the following assumptions:

- The termination of the distribution agreement with Danske Bank as at the end of Q2 2019 will have a negative impact on the premium growth of approx. 1pp
- The distribution agreement with Nordea will have a positive impact on premium growth of approx. 0.5pp
- The automatic premium indexing in the private segment will be 2.0% in 2020. Approx. 70% of Topdanmark's premiums earned are comprised by automatic premium indexing. Thus, the premium effect of the automatic premium indexing on non-life insurance is approx. 1.4%.

Topdanmark still assumes premium growth for 2020 in non-life at about the same level as the premium growth in 2019 which was 2.9%.

In the Q3 Report 2019, Topdanmark also assumed a combined ratio for 2020 of about 90, excluding run-off.

This was based on the following assumptions:

- Weather-related claims of DKK 170m. The weather-related claims, broken down by quarter, are assumed to be as follows:
 - Q1: DKK 50m
 - Q2: DKK 25m
 - Q3: DKK 45m
 - Q4: DKK 50m
- Large-scale claims (large-scale claims of a value exceeding DKK 5m after reinsurance) of DKK 100m
- An expense ratio of approx. 16
- A level of interest rates corresponding to the interest rate curve on 30 September 2019.

Since the announcement of the Q3 Report 2019, the discounting rates (including changes in VA) have increased relatively to the guidance for 2020 in the Q3 Report 2019, representing a 0.7pp improvement of the combined ratio.

On the other hand, costs on investing in Topdanmark's digital transformation will be somewhat higher than previously assumed. Consequently, the expense ratio for 2020 is expected to increase slightly from 16.0 in 2019.

Furthermore, the expected claims trend in illness and accident has deteriorated.

The expected additional costs on the digital investments and the deterioration of the claims trend in illness and accident are expected to more or less balance out the positive discounting effect of 0.7pp.

The assumed combined ratio for 2020 therefore remains unchanged at about 90, excluding run-off.

The overall assumed pre-tax result for non-life insurance is DKK 1,040-1,140m.

Life insurance

Topdanmark assumes an increase in regular premiums of about 0% in 2020. At this time of the year, it is pointless to make assumptions about the level of single premiums.

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
- No profit from the shadow account.

Compared with the profit of DKK 327m in 2019, the assumed result in life insurance is negatively impacted due to additional costs on the new core IT system (DKK 25m), one-off gains on sales and administration in Q3 2019 (DKK 17m), and lower assumed investment results (DKK 130m).

Consequently, Topdanmark assumes a pre-tax result for life insurance of DKK 140-170m.

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

Parent company

The profit in the forecast model for the parent company plus subsidiaries outside of the insurance group assumes a pre-tax profit of DKK 40-50m.

Taxation

Given a corporation tax rate of 22%, the tax charge is expected to be DKK 270-310m.

Total Group profit

Topdanmark's overall post-tax profit according to the profit forecast model for 2020 is DKK 950-1,050m representing an EPS of DKK 11.5. 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 2019.

Furthermore, it is assumed that the return on interest-bearing assets hedging 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 1.64% (risk-free interest rate plus 2.0pp).

Profit forecast 2020 (DKKm)	Results 2019	Forecast 2020 30 December 2019		
Non-life insurance				
- Technical result	1,534	950	–	1,000
- Investment return after return and revaluations of non-life insurance provisions etc.	66	90	–	140
Profit on non-life insurance	1,601	1,040	–	1,140
Life insurance	327	140	–	170
Parent company etc.	60	40	–	50
Pre-tax profit	1,987	1,220	–	1,360
Taxation	(441)	(270)	–	(310)
Profit for the year	1,547	950	–	1,050

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 the Company 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 the Company 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 2019, Topdanmark's solvency ratio was 177. Topdanmark assesses that with this solvency ratio, the Company will be able to maintain normal operations and implement planned measures even in the event of, for example, another collapse in the financial markets as in 2008.

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. It is an ongoing consideration process, because both risk-reducing measures will reduce the profitability of the Topdanmark Group.

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. 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, assesses and quantifies 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 and the heads of the primary risk areas, which are: Asset Management, Statistical Services, Reinsurance, Finance and Life Actuarial Services.

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, was considered at a Board Meeting in the autumn of 2019.

On an ongoing basis, the risk management function addresses the rules for solvency calculation and reporting etc. of the Solvency II Directive in order 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
- Strategy.

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

Risk scenarios

The Group's risk factors are illustrated in the following table on 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 the Company's exposure to the risks mentioned.

Risk scenarios (DKKm) after corporate tax and pension return tax				2018	2019
Non-life insurance					
Underwriting risk					
Combined ratio – 1pp increase				(71)	(73)
Provisioning risk					
Provisions on own account – 1% increase				(97)	(98)
Storm claims up to DKK 5,100m (Plus reinstatement premium etc.)				(78)	(78)
Life insurance					
Disability intensity - 35% increase*				(10)	(8)
Mortality intensity - 20% decline				(25)	(25)
Market risk					
Interest-bearing assets	1 pp increase			(480)	(521)
Provisions for claims and benefits etc.	in effective interest rate			504	510
Index-linked bonds	5% loss			(20)	(22)
Equities	10% loss			(71)	(86)
CDOs < AA	10% loss			(56)	(59)
Properties	10% loss			(149)	(144)
Annual currency loss with an up to 2.5% probability (VaR)				(1)	(6)
*35% increase first year, subsequently 25%, coincident with 20% decline in reactivation rates.					

Solvency calculation and capital requirements

Solvency II gives the companies the opportunity to fully or partially develop their own internal risk model for solvency calculation. Topdanmark uses a partial internal model developed in-house to calculate the non-life risk. This model, approved by the Danish FSA, provides the basis for including non-life risks in Topdanmark's solvency calculations.

Own funds

Principal elements of own funds:

Shareholders' equity

- Proposed dividend

+ Deferred tax on security funds

+ Profit margin

- Intangible assets

+ Tax effect

+ Usable share, subordinated loan tier 1

(max. 20% of tier 1-capital)

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

Own funds

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 Topdanmark to redeem the loan as at 23 November 2022.

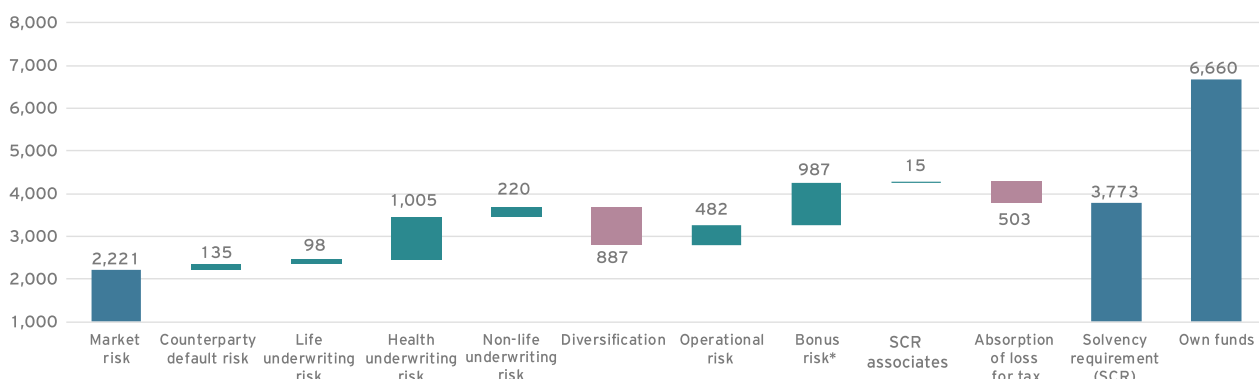
Topdanmark Forsikring has outstanding subordinated tier 2 notes in two tranches:

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

Solvency cover (DKKm)	2016	2017	2018	2019
Own funds*	6,348	6,370	6,509	6,660
Solvency requirement	3,643	3,116	3,322	3,773
Solvency cover (%)	174	204	196	177

*) Proposed dividend has been deducted.

SOLVENCY REQUIREMENT (SCR) AND OWN FUNDS FOR THE TOPDANMARK GROUP (DKKm) 31 DECEMBER 2019



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

Capital model

Topdanmark pursues a policy of keeping its shareholders' equity at a relatively low level. Any amounts in excess of the conservatively estimated shareholders' equity considered necessary to support the underlying business are paid out to shareholders by means of payment of dividend.

The size of the necessary solvency capital, i.e. shareholders' equity reduced by the value of assets not included in the solvency cover, has been calculated at DKK 3,400m. Further solvency cover is ensured through outstanding subordinated notes.

Capital structure and ownership

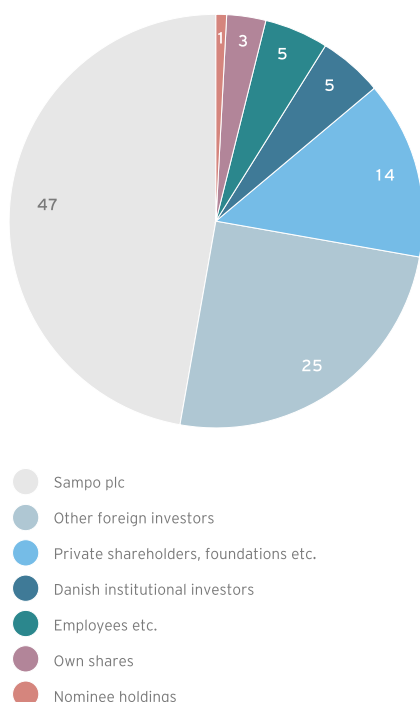
Topdanmark's Board of Directors has an authorisation granted in the Articles of Association to increase the Company's share capital, to raise convertible loans and/or issue warrants. The issues may be with or without pre-emptive rights for the Company's shareholders. The authorisations are limited to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

At the end of 2019, 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 3 February 2020, Topdanmark held 2,812,584 shares representing 3.13% of the share capital.

Shareholders

As at 3 February 2020, Topdanmark had 38,172 shareholders registered by name.

SHAREHOLDER STRUCTURE (%) 3 FEBRUARY 2020



The following shareholder owns more than 5% of the share capital:

Sampo plc
Fabianinkatu 27
FL-00100 Helsinki
Finland

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 beforehand very specific requirements on the Board members, it may prevent the election of an evidently qualified Board candidates, if they do not fully meet the requirements. Topdanmark wants to make an individual decision on each Board candidate based upon 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 ought to possess combined skills within organisation, strategic management, insurance operations, reinsurance, long-tail business, financial and insurance reporting, general statistics, risk management and assessment, sales to the private and commercial markets, marketing/branding, outsourcing, finance, own funds, solvency and minimum capital requirements, rules for internal models, audit, financing, investment, statutory limits, compliance, IT and IT security, digitisation as well as recruitment/HR. 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-mentioned 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" has been published on Topdanmark's website. More information on diversity including "Women in management" is available in the [CSR Report 2019](#).

Evaluation of the Board of Directors

On a regular basis, the Board of Directors evaluates the Board assignments, 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. Normally the Board evaluation is based upon 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, 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. As 5 of the 9 members of the Board joined the Board of Directors in April 2019, it has been decided not to use anonymous questionnaires on the work of the Board, and evaluation of the individual members of the Board and the Executive Board for 2019. Questionnaires and evaluation forms will be reintroduced from and after the Board evaluation 2020. The Chairman of the Board is in charge of the evaluation with no assistance by 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.

Any additional directorships undertaken by the Board members including the significance and extent of each duty are 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 are considered to be overboarded.

Amendments to the Company's Articles of Association

The annual general meeting is Topdanmark's chief decision-making vehicle. 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 unconditional loyalty, focus and performance for the Topdanmark Group up to a potential takeover, Topdanmark has reached an agreement with some members of the Executive Board according to which, 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 made redundant or their post is eliminated in connection with Topdanmark and/or the company in the Topdanmark Group with which the person concerned is employed being taken over by or merged with a company outside of the Group, or if one or more owners take control of Topdanmark and/or the company in the Topdanmark Group with which the person concerned is employed.

For executive service 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 shares. For executive service agreements signed before November 2017, severance pay cannot exceed the value of the remuneration for the past two years.

Additionally, Topdanmark offers severance pay in accordance with legislation, as set out in a contract or in specific cases as has been individually agreed upon, but always adhering closely to the guidelines of the Danish Salaried Employees Act. The maximum amount of the overall severance pay will represent two years' salary.

On 23 September 2013, the EU Commission decided that If P&C Insurance Holding Ltd (publ) was in fact in control of Topdanmark. As a consequence of this special situation, it has been agreed that Topdanmark's Executive Board and some members of the Senior Management earn compensation over three years, representing six months' salary for each qualifying year.

The earning of compensation has taken place. Two members of the present Executive Board and two members of the Senior Management are covered by this agreement, and the compensation will be paid on resignation.

Remuneration structure

Topdanmark's remuneration policy is intended to optimise long-term value creation at a group level. The annual general meeting has adopted "Remuneration policy of the Topdanmark Group including general guidelines for performance-related pay."

In addition to the salary policy, the remuneration policy also includes the general guidelines for performance-related pay, its pension policy and its guidelines for the granting of severance pay. Each of these guidelines is applicable to 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 work. If specifically stated, Topdanmark's remuneration policy also covers its executive team, comprising a number of the heads of business sectors and administrative departments (the Senior Management) and certain other employees, at the discretion of the Board of Directors. The remuneration policy etc., as adopted by the annual general meeting, is available on www.topdanmark.com → About Topdanmark → Corporate Governance → [Remuneration structure](#).

The share price reflects the value creation potential at group level. This is one of the reasons why Topdanmark believes that a general rule on share options encourages the executives to be more holistic in their approach to value creation. The authorisation granted to the Board of Directors to sign individual agreements with one or more members of the Executive Board on individual bonuses dependent on the director's fulfilment of a number of performance goals set by the Board of Directors has in 2019 only been used to a limited extent and only in cases where the Board of Directors wants to support and promote particular and specific efforts in relation to Topdanmark's strategy.

The remuneration package of the Executive Board and the Senior Management is based upon a fixed basic

salary. A fixed share thereof, 10%, is paid as share options. As a partial alternative or a supplement to the fixed basic salary, the Board of Directors may decide to grant individual bonuses for one or more members of the Executive Board, such bonuses being dependent on the Director's fulfilment of a number of performance goals set by the Board of Directors. The maximum variable salary for a Director will represent 50% of the Director's fixed basic salary including pension. The determination of the fixed basic salary paid to the Executive Board and the Senior Management is based on a specific assessment of the employee. In its assessment Topdanmark includes, among other factors, their position, characteristics and performance.

Besides options, which in accordance with the revolving option scheme are paid to the Executive Board and the Senior Management, the Executive Board may grant a total of up to 200,000 options to employees who have made a special effort or otherwise contributed extraordinarily to value creation in the Company.

No special pension contribution is paid to the Executive Board, and, therefore, they are paid a personal allowance of 25% of their cash salary. Consequently, Topdanmark has no pension commitments towards the Executive Board, and no type of pension compensation on retirement is granted. The Senior Management and other significant risk takers receive a pension contribution of up to 25% of their cash salary. The amount is paid to the chosen pension provider and consequently all pension obligations are fully covered.

Reference is also made to the Topdanmark Group's [remuneration report 2019](#).

Share options

For 2020, Topdanmark has granted 172,041 share options to its Executive Board and a number of executives. The strike price of DKK 362 was fixed at 110% of the market price of Topdanmark's shares on 30 December 2019 (average of all trades).

Besides the revolving scheme referred to above, a further 74,500 share options have been granted for 2020 to a number of other executives who have made a special effort or otherwise contributed extraordinarily to value creation in the Company.

Share options granted	Executive Board	Senior Executives	Total
2016	71,860	335,600	407,460
Market value of those options granted (DKKm)	2	8	10
2017	96,416	351,971	448,387
Market value of those options granted (DKKm)	2	8	10
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

The options granted for 2020 are not to be exercised any earlier than subsequent to the publication of the 2022 annual results in 2023, and any later than subsequent to the publication of the 2024 annual results in 2025. 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 329, an interest rate equivalent to the zero coupon rate based on the swap curve of 30 December 2019, future annual volatility of 22%, a pattern of exercise similar to Topdanmark's previous allocations of share options and otherwise in accordance with IFRS 2 on share-based payments.

Including the granted options for 2020, the exposure of the options held by the Executive Board represented 0.3% of the number of outstanding shares.

Topdanmark's Remuneration Report for 2019 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](#).

Distribution of dividend for 2019

Given Topdanmark's solid own funds, the Board of Directors will recommend to the annual general meeting that distribution of dividend for DKK 1,530m from this year's profit of DKK 1,547m will take place representing a payout ratio of 98.9.

The recommended dividend distribution represents a dividend yield of 5.4 and a dividend of DKK 17 per share.

The distribution of dividend will take place immediately after the annual general meeting on 2 April 2020.

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](#).

CSR

Topdanmark's "Statutory report on Corporate Social Responsibility, see Sections 132a and 132b of Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds " is available on www.topdanmark.com → Investors → Reports and presentations → [CSR reports](#).

Furthermore, Topdanmark has prepared its first ESG report. The ESG report is available on www.topdanmark.com → Investors → Reports and presentations → [ESG reports](#).

Annual General Meeting

The Annual General Meeting will be held on 2 April 2020, 15:00 (CET) at:

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

The agenda for the Annual General Meeting will be published in the period 26 February to 11 March 2020.

Financial calendar

AGM	2 Apr 2020
Q1 2020 Interim Report	24 Apr 2020
2020 Half-year Report	17 July 2020
Q1-Q3 2020 Interim Report	23 Oct 2020
Announcement of 2020 Annual Results	22 Jan 2021
2020 Annual Report	18 Feb 2021

Company announcements

Topdanmark submits announcements to Nasdaq Copenhagen A/S with information on material and relevant events in the Group which can 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](#).

2020

23 Jan 02/2020 Topdanmark announcement of 2019 Annual Results

02 Jan 01/2020 Issue of options

2019

24 Oct 13/2019 Topdanmark interim report for Q1-Q3 2019

16 Sep 12/2019 Employee shares

16 Aug 11/2019 Topdanmark enters into cooperation agreement with Nordea

18 Jul 10/2019 Topdanmark half-year report for 2019

25 Apr 09/2019 Topdanmark interim report for Q1 2019

03 Apr 08/2019 Annual General Meeting of Topdanmark – 3 April 2019

02 Apr 07/2019 The change in the method for calculation of the volatility adjustment affects Topdanmark's investment return negatively

22 Mar 06/2019 Employee Election to the Board of Directors of Topdanmark

07 Mar 05/2019 Notice convening the Annual General Meeting on 3 April 2019

21 Feb 04/2019 Topdanmark Annual Report 2018

07 Feb 03/2019 CORRECTION - Proposal for Election of Members for the Board of Directors in Topdanmark

07 Feb 03/2019 Proposal for Election of Members for the Board of Directors in Topdanmark

24 Jan 02/2019 Topdanmark announcement of 2018 Annual Results

02 Jan 01/2019 Issue of options

Board of Directors



Ricard Wennerklint, Chairman

Elected at the AGM.

DOB:

2 September 1969.

Nationality:

Swedish.

Joined Topdanmark's Board of Directors:

2017.

Current position held:

Group Executive Vice President, Chief of Strategy, Sampo plc.

Previous positions held:

1994-1997: Financial Controller, Project Manager and 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
2008-2019: Deputy CEO, 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).

Member of:

- Group Executive Committee of Sampo
- The Audit Committee, Remuneration Committee and Nomination Committee of Topdanmark.

Rate of attendance 2019:

100%.

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 for the private market, sales for the professional market, marketing and branding, outsourcing, finances, own funds, solvency and minimum capital requirements, rules of internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitisation, 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.

DOB:

26 September 1966.

Nationality:

Danish.

Joined Topdanmark's Board of Directors:

2016.

Current position held:

Senior Executive Vice President, TDC A/S.

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.

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) (Deputy Chairman)
- FDM Travel A/S
- Sticks N Sushi (Chairman).

Member of:

- The Remuneration Committee and the Nomination Committee of Topdanmark.

Rate of attendance 2019:

100%.

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, financial and insurance reporting, sales for the private market, sales for the professional market, marketing and branding, outsourcing, finances, own funds, auditing, regulatory environment, compliance, IT and IT security, digitisation, 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.

DOB:

14 January 1968.

Nationality:

Danish.

Joined Topdanmark's Board of Directors:

2019.

Current position held:

Chairman of De Overordnede Forening.

Offices held:

Member of the Board of Directors of:

- Bjatola A/S

Rate of attendance 2019:

71%.



Anne Louise Eberhard

Elected at the AGM.

DOB:

24 April 1963.

Nationality:

Danish.

Joined Topdanmark's Board of Directors:

2019.

Current position held:

Professional Board Member and Senior Advisor.

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
- Law degree, University of Copenhagen.

Offices held:

Member of the Board of Directors of:

- FLSmidt A/S
- Finansiell Stabilitet
- Bavarian Nordic A/S
- Knud Højgaards Fond og Højgaard Ejendomme A/S
- VL52 ApS.

Member of:

- Audit Committee of FLSmidt Group
- Finance, Risk & Audit Committee of Bavarian Nordic A/S
- Advisory Board of Moneyflow Group ApS
- Audit Committee of Topdanmark
- Faculty member at Copenhagen Business School, Board Educations.

Rate of attendance 2019:

81%.

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, financial and insurance reporting, risk management and risk assessment, sales for the private market, sales for the professional market, marketing and branding, outsourcing, finances, own funds, solvency and minimum capital requirements, rules of internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitisation, recruitment and human resources.

Independence:

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

**Mette Jensen**

Elected by employees.

DOB:

20 June 1976.

Nationality:

Danish.

Joined Topdanmark's Board of Directors:

2015.

Current position held:

Chairman of the Staff Association of Topdanmark.

Member of:

The Remuneration Committee of Topdanmark.

Rate of attendance 2019:

100%.

**Cristina Lage**

Elected at the AGM.

DOB:

13 November 1954.

Nationality:

Danish.

Joined Topdanmark's Board of Directors:

2019.

Current position held:

Professional Board Member.

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 Pharma A/S
- LEO Fondet
- C.L. Davids Fond
- Det Obelske Familiefond.

Member of:

- Audit Committee of LEO Pharma
- Investment Committee of LEO Fondet (Chairman)
- Audit Committee of Topdanmark.

Rate of attendance 2019:

72%.

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 for the private market, sales for the professional market, marketing and branding, outsourcing, finances, own funds, solvency and minimum capital requirements, rules of internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitisation, 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.

DOB:

29 June 1957.

Nationality:

Danish.

Joined Topdanmark's Board of Directors:
2019.

Current position held:

Chairman of Assurandørforeningen of Topdanmark.

Rate of attendance 2019:

100%.



Petri Niemisvirta

Elected at the AGM.

DOB:

19 February 1970.

Nationality:

Finnish.

Joined Topdanmark's Board of Directors:
2017.

Current position held:

Managing Director, Mandatum Life Insurance Company Limited.

Previous positions held:

1995-1999: Kaleva Mutual Insurance Company

1999-2000: Sampo Life Insurance Company Limited

2000-2001: Managing Director, Evli Life Ltd.

Education:

- LL.M., University of Turku.

Offices held:

Member of the Board of Directors of:

- Mandatum Life Insurance Company Limited (Finland)
- BenCo Insurance Holding B.V. (Netherlands)
- Kaleva Mutual Insurance Company (Chairman) (Finland)
- Varma Mutual Pension Insurance Company (Finland)
- Finland Chamber of Commerce
- Alma Media Corporation (Deputy Chairman).

Member of:

- Group Executive Committee of Sampo.
- Audit Committee of Alma Media Corporation.

Rate of attendance 2019:

100%.

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 for the private market, sales for the professional market, marketing and branding, finances, own funds, solvency and minimum capital requirements, auditing, financing and investments, regulatory environment, compliance, digitisation, 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.

DOB:

23 December 1971.

Nationality:

Norwegian.

Joined Topdanmark's Board of Directors:

2019.

Current position held:

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

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:

- B.Com., Norwegian School of Management.

Offices held:

Member of the Board of Directors of:

- Finans Norge
- Euronext N.V.

Member of:

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

Rate of attendance 2019:

100%.

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 for the private market, sales for the professional market, marketing and branding, outsourcing, finances, own funds, solvency and minimum capital requirements, rules of internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitisation, 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 Topdanmark's Executive Board on 5 February 2018.

Education:

- M.Sc. in insurance science
- B.Com. (Organisation).

Managerial responsibilities:

- Topdanmark Livsforsikring (life insurance)
- HR
- Communications, IR, CSR
- Group Secretariat, Corporate Legal Matters.

Member of the Board of Directors of:

- Forsikring & Pension.



Lars Thykier

CFO of Topdanmark A/S.

Born 1955, joined Topdanmark in 1986, joined Topdanmark's Executive Board on 1 June 2009.

Education:

- M.Sc. (Economics and Business Administration).

Managerial responsibilities:

- Asset Management
- Finance
- Accounting
- Analytics
- Statistical Services
- Reinsurance
- Tax
- Credits.

Member of the Board of Directors of:

- Green World Society Ltd.



Brian Rothemejer Jacobsen

COO of Topdanmark A/S.

Born 1963, joined Topdanmark in 1988, joined Topdanmark's Executive Board on 1 March 2016.

Education:

- Henley Executive MBA.

Managerial responsibilities:

- Private
- Agricultural & SME
- Claims handling
- Marketing
- Customer Service.

Member of the Board of Directors of:

- Bornholms Brandforsikring A/S
- Forsikringsakademiet A/S
- Finanssektorens Arbejdsgiverforening.



Thomas Erichsen

CTO of Topdanmark A/S.

Born 1972, joined Topdanmark in 2018, joined Topdanmark's Executive Board on 1 October 2018.

Education:

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

Managerial responsibilities:

- Business Development
- Programme Delivery & Execution Leaders
- Technology & Solutions.

Information on the Executive Board's responsibilities, as required by Article 80 of the Danish Financial Business Act, is shown in the Annual Report for Topdanmark Forsikring A/S.

Five-year summary • Group

(DKKm)	2015	2016	2017	2018	2019
NON-LIFE INSURANCE					
Gross premiums earned*	9,029	8,906	9,051	9,197	9,463
Claims incurred	(6,170)	(5,939)	(5,514)	(6,037)	(6,109)
Bonuses and rebates	(62)	(48)	(66)	(62)	(66)
Insurance operating expenses	(1,404)	(1,432)	(1,435)	(1,453)	(1,483)
Net reinsurance	(174)	(126)	(389)	(111)	(234)
TECHNICAL RESULT FROM NON-LIFE INSURANCE	1,220	1,361	1,646	1,534	1,571
LIFE INSURANCE					
Gross premiums written	6,320	7,430	8,525	10,111	11,106
Allocated investment return, net of reinsurance	1,194	3,147	3,372	(2,326)	8,357
Pension return tax	(165)	(501)	(522)	28	(1,094)
Claims and benefits	(3,240)	(3,453)	(4,701)	(4,088)	(4,133)
Change in the life insurance provisions and profit margin	(3,680)	(6,197)	(6,232)	(3,352)	(13,820)
Insurance operating expenses	(406)	(416)	(433)	(420)	(486)
Net reinsurance	(3)	(4)	(2)	(1)	(1)
TECHNICAL RESULT FROM LIFE INSURANCE	19	7	8	(48)	(71)
Profit on investment activities after transfer to technical results	313	619	608	251	526
Other income	20	19	23	23	19
Other expenses	(42)	(64)	(51)	(58)	(57)
PRE-TAX PROFIT	1,530	1,942	2,235	1,702	1,987
Taxation	(360)	(407)	(502)	(371)	(441)
PROFIT FOR THE YEAR	1,170	1,536	1,733	1,331	1,547
Run-off profits, net of reinsurance	381	470	344	353	433
Provisions for insurance and investment contracts:					
Non-life insurance	16,286	16,264	16,091	16,056	16,175
Life insurance	40,537	47,351	54,198	56,519	70,603
Total insurance assets	684	685	574	635	585
Total shareholders' equity	4,640	4,702	6,191	6,016	6,397
Total assets	67,654	73,476	80,958	83,224	98,442
NON-LIFE INSURANCE					
Gross loss ratio	69.0	67.2	61.5	66.2	65.1
Net reinsurance ratio	1.9	1.4	4.3	1.2	2.5
Claims trend	70.9	68.7	65.8	67.5	67.6
Gross expense ratio	15.9	16.4	16.1	16.1	16.0
Combined ratio (operating ratio)	86.8	85.1	82.0	83.6	83.7
Combined ratio excl. run-off profits	91.1	90.4	85.8	87.5	88.3
Relative run-off profits, net of reinsurance (%)	3.0	3.7	2.7	2.8	3.5
LIFE INSURANCE**					
Rate of return related to with-profit products (%)	1.7	5.2	4.6	(0.4)	7.2
Rate of return related to unit-linked products (%)	5.4	10.3	8.6	(6.1)	16.3
Risk on return related to unit-link products	-	4.5	4.5	4.5	4.5
Expense ratio of provisions	1.0	0.9	0.8	0.8	0.8
Cost per policyholder (DKK)	2,719	2,685	2,729	2,758	3,064
Return on shareholders' equity (%)	23.7	32.2	32.2	23.0	26.1

* Before bonuses and rebates.

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

In 2016 the Executive Order on Financial Reports was adapted Solvency II. In 2018 Topdanmark changed the classification of contracts in life insurance. To the extent possible, comparatives were restated.

Income statement • Group

(DKK m)	Note	2018	2019
NON-LIFE INSURANCE			
Gross premiums written	3	9,205	9,494
Ceded reinsurance premiums		(617)	(609)
Change in the provisions for unearned premiums	3	35	1
Change in profit margin and risk margin	3	(43)	(32)
Change in the reinsurers' share of the provisions for unearned premiums		10	4
Premiums earned, net of reinsurance		8,590	8,858
Claims paid		(6,045)	(6,503)
Reinsurance cover received		362	345
Change in the provisions for claims		(23)	376
Change in risk margin		31	18
Change in the reinsurers' share of the provisions for claims		56	(53)
Claims incurred, net of reinsurance	4	(5,619)	(5,817)
Bonuses and rebates		(62)	(66)
Acquisition costs		(952)	(949)
Administrative expenses		(501)	(534)
Reinsurance commission and share of profits		78	78
Insurance operating expenses, net of reinsurance		(1,375)	(1,405)
TECHNICAL RESULT FROM NON-LIFE INSURANCE	5	1,534	1,571
LIFE INSURANCE			
Gross premiums written	6	10,111	11,106
Ceded reinsurance premiums		(1)	(1)
Premiums, net of reinsurance		10,111	11,105
Allocated investment return, net of reinsurance		(2,326)	8,357
Pension return tax		28	(1,094)
Claims and benefits paid	7	(4,088)	(4,133)
Reinsurance cover received		3	4
Claims and benefits paid, net of reinsurance		(4,086)	(4,129)
Change in the life insurance provisions	8	(3,318)	(13,759)
Change in the reinsurers' share		(4)	(4)
Change in the life insurance provisions, net of reinsurance		(3,321)	(13,763)
Change in profit margin		(34)	(61)
Acquisition costs		(143)	(166)
Administrative expenses		(277)	(319)
Insurance operating expenses, net of reinsurance		(420)	(485)
TECHNICAL RESULT FROM LIFE INSURANCE		(48)	(71)

Income statement • Group

(DKKm)	Note	2018	2019
NON-TECHNICAL ACTIVITIES			
Technical result from non-life insurance		1,534	1,571
Technical result from life insurance		(48)	(71)
Income from associates	18	161	165
Income from investment properties	9	45	135
Interest income and dividends etc.		1,803	2,301
Revaluations	10	(3,871)	7,029
Interest charges		(81)	(78)
Expenses on investment activities		(47)	(53)
Total investment return		(1,990)	9,499
Return and revaluations of non-life insurance provisions	11	(86)	(616)
Investment return transferred to life insurance business		2,326	(8,357)
Other income		23	19
Other expenses	12	(58)	(57)
PRE-TAX PROFIT		1,702	1,987
Taxation	13	(371)	(441)
PROFIT FOR THE YEAR		1,331	1,547
EPS (DKK)	14	15.4	17.8
EPS, diluted (DKK)	14	15.4	17.7

Statement of comprehensive income • Group

Profit for the year	1,331	1,547
Items which cannot subsequently be reclassified as profit or loss:		
Revaluation / Reversed revaluation owner-occupied properties	1	(18)
Taxation	(0)	4
Other comprehensive income	1	(14)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,332	1,533

Assets • Group

(DKK m)	Note	2018	2019
INTANGIBLE ASSETS	15	1,091	1,291
Operating equipment		116	113
Owner-occupied properties		853	834
TOTAL TANGIBLE ASSETS	16	969	948
Investment properties	17	3,830	4,034
Equity investments in associates	18	1,678	1,668
Total investments in associates		1,678	1,668
Equity investments		5,412	5,087
Unit trusts		6	6
Bonds		35,118	43,632
Loans guaranteed by mortgages		6	6
Deposits with credit institutions		4,380	2,745
Derivatives		86	198
Total other financial investment assets		45,010	51,675
TOTAL INVESTMENT ASSETS		50,518	57,376
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	19	27,890	36,104
Reinsurers' share of the provisions for unearned premiums	20	92	95
Reinsurers' share of the life insurance provisions		17	12
Reinsurers' share of the provisions for claims	21	527	478
Total reinsurers' share of provisions		635	585
Receivables from policyholders		262	265
Receivables from insurance companies		197	151
Receivables from associates		365	286
Other receivables		281	225
TOTAL RECEIVABLES		1,740	1,512
Current tax assets		39	0
Deferred tax assets	22	17	25
Liquid funds		253	550
Other		199	28
TOTAL OTHER ASSETS		508	603
Accrued interest and rent		310	388
Other prepayments and accrued income		196	219
TOTAL PREPAYMENTS AND ACCRUED INCOME		506	607
TOTAL ASSETS		83,224	98,442

Shareholders' equity and liabilities • Group

(DKK m)	Note	2018	2019
Share capital		90	90
Revaluation reserve		14	0
Security fund		1,146	1,146
Other reserves		67	72
Total reserves		1,213	1,218
Profit carried forward		3,349	3,559
Proposed dividend		1,350	1,530
TOTAL SHAREHOLDERS' EQUITY		6,016	6,397
OTHER SUBORDINATED LOAN CAPITAL	23	1,746	1,747
Provisions for unearned premiums	24	1,819	1,849
Profit margin, non-life insurance contracts	24	807	838
With-profit products	25	23,134	23,618
Unit-linked products	26	33,117	46,656
Total life insurance provisions		56,252	70,274
Profit margin, life insurance and investment contracts	27	268	329
Provisions for claims	28	13,003	13,071
Risk margin, non-life insurance contracts		275	253
Provisions for bonuses and rebates		152	163
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		72,575	86,778
Pensions and similar commitments		27	30
Deferred tax liabilities	22	103	71
Deferred tax on security funds		306	306
TOTAL PROVISIONS		436	407
DEPOSITS RECEIVED FROM REINSURERS		81	69
Debt relating to direct insurance operations		373	194
Debt relating to reinsurance operations		18	26
Amounts due to credit institutions		242	155
Current tax liabilities		1	27
Derivatives		703	679
Other debt		934	1,867
TOTAL DEBT		2,271	2,949
ACCRUALS AND DEFERRED INCOME		98	94
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		83,224	98,442

Cash flow statement • Group

(DKKm)	2018	2019
Cash flow from operations		
Gross premiums	9,214	9,410
Claims	(5,992)	(6,433)
Expenses	(1,352)	(1,373)
Reinsurance ceded	(255)	(162)
Cash flow from non-life insurance	1,615	1,443
Gross premiums	10,164	10,942
Claims and benefits	(4,094)	(4,138)
Pension return tax	(486)	(122)
Expenses	(425)	(457)
Reinsurance ceded	1	32
Cash flow from life insurance	5,160	6,257
Cash flow from insurance activities	6,775	7,700
Payments on investment contracts	1,008	264
Interest income and dividends etc.	1,806	2,347
Interest charges etc.	(124)	(133)
Corporation tax	(402)	(414)
Other items	(135)	42
Cash flow from operations	8,929	9,805
Investments		
Intangible assets, operating equipment	(243)	(291)
Properties	(257)	(467)
Sale of affiliate	124	0
Equity investments in associates	(249)	(0)
Dividends from associates	17	175
Equity investments	147	1,412
Unit trusts	(11)	7
Bonds	626	(8,717)
Loans	(5)	(1)
Derivatives	(427)	(279)
Investment assets related to unit-linked products	(6,537)	(1,765)
Balances with associates	(38)	80
Investments	(6,855)	(9,846)
Financing		
Dividend paid	(1,637)	(1,300)
Exercise of share options	79	88
Amounts due to credit institutions	199	(87)
Financing	(1,359)	(1,299)
Change in cash and cash equivalents	715	(1,340)
Cash and cash equivalents at 1 January	3,941	4,634
Cash and cash equivalents in sold affiliate	(22)	0
Cash and cash equivalents at 31 December	4,634	3,294
Cash and cash equivalents comprise:		
Liquid funds	253	550
Deposits with credit institutions	4,380	2,745
	4,634	3,294

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

Statement of changes in equity • Group

(DKK m)

	Share capital	Revalu- ation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Total
2018							
Shareholders' equity at 31 December previous year	90	13	1,146	64	3,168	1,710	6,191
Profit for the year				3	(23)	1,350	1,331
Other comprehensive income		1					1
Total comprehensive income for the year		1		3	(23)	1,350	1,332
Dividend paid						(1,710)	(1,710)
Dividend, own shares					73		73
Share-based payments					48		48
Exercise of share options					79		79
Taxation					3		3
Other transactions					203	(1,710)	(1,507)
Shareholders' equity at 31 December 2018	90	14	1,146	67	3,349	1,350	6,016
2019							
Shareholders' equity at 31 December previous year	90	14	1,146	67	3,349	1,350	6,016
Profit for the year				5	12	1,530	1,547
Other comprehensive income		(14)					(14)
Total comprehensive income for the year		(14)		5	12	1,530	1,533
Dividend paid						(1,350)	(1,350)
Dividend, own shares					50		50
Share-based payments					62		62
Exercise of share options					88		88
Taxation					(1)		(1)
Other transactions					198	(1,350)	(1,152)
Shareholders' equity at 31 December 2019	90	0	1,146	72	3,559	1,530	6,397

Own funds	2018	2019
Shareholders' equity	6,016	6,397
Deferred tax on security funds	306	306
Profit margin	1,005	1,138
Intangible assets	(1,091)	(1,291)
Proposed dividend	(1,350)	(1,530)
Other	(69)	(64)
Tax effects	(63)	(49)
Usable share, subordinated loan tier 1	400	400
Usable share subordinated notes	1,355	1,353
Own funds	6,509	6,660

Notes to the financial statements • Group

Segment information income statement	1
Segment information balance sheet	2
Gross premiums earned - non-life insurance	3
Claims incurred, net of reinsurance - non-life insurance	4
Technical result - non-life insurance	5
Gross premiums written - life insurance	6
Claims and benefits paid - life insurance	7
Change in life insurance provisions	8
Income from investment properties	9
Revaluations	10
Return and revaluations of non-life insurance provisions	11
Other expenses	12
Taxation	13
Earnings per share	14
Intangible assets	15
Tangible assets	16
Investment properties	17
Equity investments in associates	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
Other subordinated loan capital	23
Provisions for unearned premiums og profit margin - non-life insurance	24
Life insurance provisions with-profit products	25
Life insurance provisions unit-linked products	26
Profit margin, life insurance and investment contracts	27
Provisions for claims	28
Technical basis for risk allowance and shadow account	29
Expenses	30
Auditors' fee	31
Staff costs	32
Related parties	33
Financial assets	34
Financial liabilities	35
Collateral relating to financial assets and liabilities	36
Sale of affiliate	37
Analysis of assets and their return - life insurance	38
Return and risk - unit-linked products	39
Number of shares	40
Own shares	41
Collateral	42
Contingent liabilities	43
Group companies	44
Other disclosures	45
Risk factors	46
Accounting policies	47

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
2018								
Non-life insurance								
Gross premiums earned	5,056	4,097	(19)	9,135				9,135
Claims incurred	(3,327)	(2,739)	16	(6,051)			14	(6,037)
Expenses	(806)	(671)	3	(1,475)			21	(1,453)
Net reinsurance	(79)	(32)	0	(111)				(111)
Technical result on non-life insurance	843	656	(0)	1,499			35	1,534
Life insurance								
Gross premiums written					10,111			10,111
Allocated investment return					(2,326)			(2,326)
Pension return tax					28			28
Benefits and change in provisions					(7,440)			(7,440)
Expenses					(425)		6	(420)
Net reinsurance					(1)			(1)
Technical result on life insurance					(54)		6	(48)
Total investment return				5	(2,226)	96	136	(1,990)
Pension return non-life insurance				(4)	4			0
Return and revaluations of non-life insurance provisions				(86)				(86)
Transferred to technical result					2,326			2,326
Other items				6	178	(42)	(177)	(35)
Pre-tax profit				1,420	228	54	0	1,702
Taxation								(371)
Profit for the year								1,331
2019								
Non-life insurance								
Gross premiums earned	5,114	4,302	(20)	9,397				9,397
Claims incurred	(3,555)	(2,583)	17	(6,121)			12	(6,109)
Expenses	(802)	(707)	2	(1,507)			24	(1,483)
Net reinsurance	(70)	(164)	(0)	(234)				(234)
Technical result on non-life insurance	686	848	(0)	1,534			36	1,571
Life insurance								
Gross premiums written					11,106			11,106
Allocated investment return					8,357			8,357
Pension return tax					(1,094)			(1,094)
Benefits and change in provisions					(17,953)			(17,953)
Expenses					(491)		6	(486)
Net reinsurance					(1)			(1)
Technical result on life insurance					(77)		6	(71)
Total investment return				711	8,508	101	179	9,499
Pension return non-life insurance				(31)	31			0
Return and revaluations of non-life insurance provisions				(616)				(616)
Transferred to technical result					(8,357)			(8,357)
Other items				2	222	(41)	(221)	(38)
Pre-tax profit				1,601	327	60	0	1,987
Taxation								(441)
Profit for the year								1,547
Amortisations:								
2018	41	26		66	6	0		72
2019	40	33		73	41	0		114
Results from associates:								
2018				3	158			161
2019				5	160			165

Notes to the financial statements • Group

(DKKm)

Note 2. Segment information balance sheet

	Non-life	Life	Parent etc.	Elimin- ated	Group
2018					
Intangible assets	602	489	0		1,091
Tangible assets	946	20	3		969
Investment properties	323	3,479	28		3,830
Loans to affiliates	300	0	0	(300)	0
Equity investments in associates	63	1,615	0		1,678
Other financial investment assets	19,448	25,556	6		45,010
Investment assets related to unit-linked products	0	27,890	0		27,890
Reinsurers' share of provisions	619	17	0		635
Receivables from affiliates	0	1,029	619	(1,648)	0
Other assets	876	1,197	46		2,120
Total assets	23,177	61,292	702	(1,948)	83,224
Other subordinated loan capital	1,348	300	398	(300)	1,746
Provisions for insurance and investment contracts	16,056	56,519	0		72,575
Amounts due to affiliates	516	1,130	1	(1,648)	0
Other liabilities	1,731	1,141	14		2,886
Total liabilities	19,652	59,090	413	(1,948)	77,207
Purchase of tangible and intangible assets	120	133	0		253
2019					
Intangible assets	716	575	0		1,291
Tangible assets	925	20	3		948
Investment properties	401	3,605	27		4,034
Loans to affiliates	300	0	0	(300)	0
Equity investments in associates	67	1,601	0		1,668
Other financial investment assets	22,458	29,211	6		51,675
Investment assets related to unit-linked products	0	36,104	0		36,104
Reinsurers' share of provisions	573	12	0		585
Receivables from affiliates	0	2,809	834	(3,643)	0
Other assets	811	1,320	6		2,137
Total assets	26,251	75,258	876	(3,943)	98,442
Other subordinated loan capital	1,349	300	398	(300)	1,747
Provisions for insurance and investment contracts	16,175	70,603	0		86,778
Amounts due to affiliates	3,339	303	2	(3,643)	0
Other liabilities	1,698	1,780	41		3,519
Total liabilities	22,560	72,986	442	(3,943)	92,044
Purchase of tangible and intangible assets	191	128	0		320

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)	2018	2019
Note 3. Gross premiums earned - non-life insurance		
Gross premiums written	9,205	9,494
Change in provisions for unearned premiums	35	1
Change in profit margin and risk margin	(43)	(32)
Gross premiums earned	9,197	9,463
Gross premiums earned, direct business, by location of the risk:		
Denmark	9,189	9,455
Other EU-countries	7	7
Other countries	2	1
	9,197	9,463

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

Run-off result:		
Gross business	319	388
Reinsurance ceded	34	45
Run-off result, net of reinsurance (profit)	353	433
Specification of run-off result on business lines see note 5.		
Claims incurred include revaluation of derivatives hedging the inflation risk in workers' compensation and illness and accident insurance	(118)	(149)

Note 5. Technical result - non-life insurance	2018	2019	2018	2019	2018	2019
	Illness and accident		Health		Workers' compensation	
Gross premiums written	1,309	1,343	176	184	652	731
Gross premiums earned	1,278	1,296	165	160	652	705
Claims incurred	(796)	(955)	(154)	(185)	(559)	(405)
Bonuses and rebates	(12)	(8)	(0)	0	(4)	(6)
Gross operating expenses	(171)	(177)	(15)	(14)	(80)	(80)
Net reinsurance	(10)	(10)	(0)	0	2	29
Technical result	290	146	(4)	(38)	11	244
Gross loss ratio	63.0	74.3	93.4	115.1	86.4	58.0
Combined ratio	77.5	89.0	102.6	123.5	98.7	65.4
Run-off result, net of reinsurance	210	125	(15)	(29)	(2)	211
Claims provisions, net of reinsurance	3,341	3,527	68	94	6,033	6,112
Number of claims incurred ('000)	28	30	32	30	7	7
Average value of claim (DKK '000)	36	37	5	5	83	87
Frequency of claims (per thousand value)	25	25	327	311	119	124
	Motor third-party liability		Motor own damage		Fire and property Private	
Gross premiums written	650	647	1,438	1,505	1,934	1,920
Gross premiums earned	684	671	1,447	1,495	1,939	1,948
Claims incurred	(414)	(329)	(876)	(922)	(1,298)	(1,418)
Bonuses and rebates	(2)	(2)	(5)	(4)	(6)	(6)
Gross operating expenses	(122)	(129)	(221)	(241)	(309)	(291)
Net reinsurance	(1)	(3)	(9)	(3)	(73)	(54)
Technical result	145	208	336	325	253	180
Gross loss ratio	60.8	49.3	60.9	61.9	67.3	73.1
Combined ratio	79.1	69.3	77.1	78.6	87.3	91.1
Run-off result, net of reinsurance	124	211	0	(1)	(28)	(28)
Claims provisions, net of reinsurance	1,226	1,014	139	145	605	631
Number of claims incurred ('000)	25	24	101	104	87	88
Average value of claim (DKK '000)	22	22	9	9	15	16
Frequency of claims (per thousand value)	43	42	199	204	128	132

Notes to the financial statements • Group

(DKKm)

Note 5. Technical result - non-life - continued	2018	2019	2018	2019	2018	2019
	Fire and property SME		Change of ownership		Liability	
Gross premiums written	1,859	1,943	92	69	433	471
Gross premiums earned	1,875	1,932	86	105	441	459
Claims incurred	(1,269)	(1,091)	(47)	(51)	(206)	(330)
Bonuses and rebates	(24)	(19)	(0)	0	(3)	(6)
Gross operating expenses	(355)	(366)	(13)	(8)	(68)	(65)
Net reinsurance	1	(202)	0	0	(27)	13
Technical result	229	254	26	46	137	71
Gross loss ratio	68.7	57.1	55.1	48.9	47.1	73.0
Combined ratio	88.1	87.2	70.0	56.5	69.1	84.7
Run-off result, net of reinsurance	13	(3)	18	7	12	(65)
Claims provisions, net of reinsurance	481	484	57	51	414	445
Number of claims incurred ('000)	22	23	3	2	10	10
Average value of claim (DKK '000)	56	47	25	23	23	24
Frequency of claims (per thousand value)	114	117	72	104	92	86
	Tourist assistance		Other insurance		Total	
Gross premiums written	244	251	420	431	9,205	9,494
Gross premiums earned	241	253	389	438	9,197	9,463
Claims incurred	(162)	(170)	(256)	(254)	(6,037)	(6,109)
Bonuses and rebates	(1)	(1)	(6)	(15)	(62)	(66)
Gross operating expenses	(36)	(39)	(64)	(74)	(1,453)	(1,483)
Net reinsurance	0	0	7	(4)	(111)	(234)
Technical result	42	43	70	92	1,534	1,571
Gross loss ratio	67.7	67.7	66.8	60.0	66.2	65.1
Combined ratio	83.0	83.5	81.8	78.3	83.6	83.7
Run-off result, net of reinsurance	13	1	8	5	353	433
Claims provisions, net of reinsurance	36	37	75	53	12,476	12,593
Number of claims incurred ('000)	18	18	84	81	417	418
Average value of claim (DKK '000)	10	10	3	3	15	16
Frequency of claims (per thousand value)	85	83	204	195	104	103

Loss 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	2018	2019
Individual policies	304	295
Policies which are part of a tenure	2,228	2,711
Group life	322	269
Regular premiums	2,855	3,275
Individual policies	1,856	2,179
Policies which are part of a tenure	5,401	5,652
Single premiums	7,257	7,831
Gross premiums	10,111	11,106
Unit-linked products not eligible for bonus	8,765	10,027
With-profit products	1,346	1,078
	10,111	11,106
Premiums by the policyholders' location:		
Denmark	10,089	11,029
Other EU-countries	13	65
Other countries	9	11
	10,111	11,106

Notes to the financial statements • Group

(DKKm)	2018	2019
Note 6. Gross premiums written - life insurance - continued		
Investment contracts (recognised in the balance sheet):		
Regular premiums	69	46
Single premiums	1,346	701
	1,415	747
Number of policyholders at 31 December:		
Insurance contracts:		
Individual policies	83,805	89,790
Policies which are part of a tenure	51,218	58,680
Group life	88,375	86,241
Investment contracts:		
Individual policies	8,809	8,952
Policies which are part of a tenure	1,604	942
The investment contracts do not have guarantees.		
At the implementation of a new administration system, the distribution of numbers insured has been changed, thus policies for pensioners and customers with paid-up policies are considered individual policies and unlike hitherto as policies part of a tenure. The comparative figures have been changed.		
Note 7. Claims and benefits paid - life insurance		
Claims payable on death	96	137
Claims payable on invalidity	1	1
Claims payable on maturity	137	141
Pension and annuity payments	599	592
Surrenders	2,986	3,083
Bonuses paid in cash	270	179
Claims and benefits paid	4,088	4,133
Note 8. Change in life insurance provisions		
With-profit products	758	(455)
Unit-linked products	(4,076)	(13,304)
Change in life insurance provisions	(3,318)	(13,759)
Note 9. Income from investment properties		
Rental income	197	246
Operating expenses from properties rented out	(131)	(103)
Operating expenses from properties not rented out	(9)	(1)
Gross profit	57	142
Administrative expenses	(12)	(7)
Income from investment properties	45	135
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	205	279
2 to 5 years	293	325
Over 5 years	182	165
Total	680	769
This year's rental income from non-terminable contracts	197	246
Note 10. Revaluations		
Held for trading:		
Equity investments	(345)	1,087
Unit trusts	(5)	8
Bonds	(405)	(204)
Derivatives	(646)	(192)
Total held for trading	(1,401)	699

Notes to the financial statements • Group

(DKKm)	2018	2019
Note 10. Revaluations - continued		
Investment assets related to unit-linked products:		
Equity investments	(1,238)	4,679
Unit trusts	(234)	300
Bonds	(410)	(299)
Derivatives	(803)	1,180
Total designated at fair value	(2,685)	5,858
Revaluations of financial assets and liabilities at fair value through profit or loss	(4,086)	6,557
Of which revaluation of derivatives transferred to claims incurred	118	149
Investment properties	97	328
Other	0	(6)
Revaluations	(3,871)	7,029
Note 11. Return and revaluations of non-life insurance provisions		
Amortisation		
Provisions for unearned premiums and profit margin	(4)	9
Reinsurers' share of provisions for unearned premiums	0	(1)
Provisions for claims	(108)	(40)
Risk margin	(1)	(0)
Reinsurers' share of the provisions for claims	2	1
	(111)	(32)
Revaluations		
Provisions for unearned premiums and profit margin	2	(27)
Provisions for claims	24	(554)
Risk margin	0	(7)
Reinsurers' share of the provisions for claims	(1)	4
	25	(584)
Return and revaluations of non-life insurance provisions	(86)	(616)
Note 12. Other expenses		
Holding expenses	42	41
Other	16	16
Other expenses	58	57
Note 13. Taxation		
Current tax	338	479
Change in deferred tax	39	(40)
Prior year adjustment	(9)	(1)
Tax for the year	368	438
Tax in other comprehensive income	(0)	4
Tax in shareholders' equity	3	(1)
Tax in the income statement	371	441
Calculated tax on profit for the year, 22%	374	437
Adjusted for the tax effect of:		
Returns on shares etc. not liable to tax	(1)	(3)
Non-deductible expenses	7	7
Prior year adjustment	(8)	(1)
	371	441
Effective tax rate	21.8	22.2
Note 14. Earnings per share		
Profit for the year	1,331	1,547
Average number of shares ('000)	86,242	86,824
Diluting impact of options ('000)	395	405
Average number of shares, diluted ('000)	86,637	87,229
EPS (DKK)	15.4	17.8
EPS, diluted (DKK)	15.4	17.7

Notes to the financial statements • Group

(DKKm)

Note 15. Intangible assets

	Goodwill	Software	Completed development projects	Development projects under construction	Total
2018					
Cost at 1 January	441	235	587	390	1,652
Purchased	0	4	0	204	209
Transferred	0	0	61	(61)	0
Disposals	0	(23)	0	0	(23)
Cost at 31 December	441	216	647	534	1,838
Impairment and amortisation at 1 January	0	(225)	(506)	0	(731)
Amortisation for the year	0	(6)	(33)	0	(39)
Disposals	0	23	0	0	23
Impairment and amortisation at 31 December	0	(207)	(539)	0	(747)
Intangible assets 2018	441	8	108	534	1,091
2019					
Cost at 1 January	441	216	647	534	1,838
Purchased	0	8	0	274	281
Transferred	0	0	611	(611)	0
Cost at 31 December	441	223	1,258	196	2,119
Impairment and amortisation at 1 January	0	(207)	(539)	0	(747)
Amortisation for the year	0	(5)	(76)	0	(81)
Impairment and amortisation at 31 December	0	(213)	(615)	0	(828)
Intangible assets 2019	441	10	643	196	1,291

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 portfolios 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 relate.

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 with 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% (2018: 0%).

The pre-tax discount rate is 7.7% (2018: 8.3%) and the post-tax rate 6.0% (2018: 6.5%).

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 new policy administrations system for life, DKK 536m.

The remaining expected useful lifetime end of 2019 is 9 years. Completed development projects are assessed for impairment end of year and at indications of impairment. The assessment showed no need for write down.

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

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
2018			
Cost at 1 January	375	853	1,228
Additions, improvements	44	0	44
Disposals	(92)	(0)	(92)
Revaluation taken to other comprehensive income	0	1	1
Transferred on revaluation	0	(1)	(1)
Cost at 31 December	327	853	1,180
Impairment and amortisation at 1 January	(263)	0	(263)
Amortisation for the year	(32)	(1)	(33)
Transferred on revaluation	0	1	1
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	84	0	84
Impairment and amortisation at 31 December	(211)	0	(211)
Tangible assets 2018	116	853	969

2019			
Cost at 1 January	327	853	1,180
Additions, improvements	36	2	38
Disposals	(14)	0	(14)
Revaluation taken to other comprehensive income	0	(18)	(18)
Revaluation taken to income statement	0	(2)	(2)
Transferred on revaluation	0	(1)	(1)
Cost at 31 December	349	834	1,183
Impairment and amortisation at 1 January	(211)	0	(211)
Amortisation for the year	(31)	(1)	(33)
Transferred on revaluation	0	1	1
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	7	0	7
Impairment and amortisation at 31 December	(236)	0	(236)
Tangible assets 2019	113	834	948

	2018	2019
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 were based	5.3%	5.3%
An increase in the required rate of return of 0.5pp will reduce the total fair value by	75	75
Carrying amount if the properties had been valued at cost less depreciations	715	716

Note 17. Investment properties

Fair value at 1 January	3,783	4,137
Additions, acquisitions	520	448
Additions, improvements	31	126
Disposals	(248)	(99)
Fair value revaluation for the year taken to revaluations	51	319
Fair value at 31 December	4,137	4,932
Investment properties are recognised in the balance sheet as follows:		
Investment properties	3,830	4,034
Investment assets related to unit-linked products	307	898
The weighted average of the rates of return on which fair value of individual properties were based	5.5%	5.0%

Notes to the financial statements • Group

(DKKm)

Note 17. Investment properties - continued

	Private residence		Office property	
	2018	2019	2018	2019
Fair value DKKm	470	1,558	3,159	3,374
The weighted average of the rates of return on which fair value of individual properties were based	4.6%	4.2%	5.6%	5.4%
Area (1,000 square meters)	23	60	236	237
Price per square meter (DKK 1,000)	20	26	13	14
Number of properties	6	7	23	23
Investment properties are measured at fair value (level 3).				
The basis of the measurement is an expected annual operating return and rate of return.				
The rate of return used in the valuation spans from 4.0% to 9.0% (2018: 4.5% to 9.6%).				
An increase in the required rate of return of 0.5pp will reduce the total fair value by			331	476
The fair value includes properties under construction			508	0

Note 18. Equity investments in associates

	2018	2019
Carrying amount at 1 January	1,285	1,678
Additions	249	0
Share of profit	161	165
Dividends received	(17)	(175)
Equity investments in associates	1,678	1,668

	Percentage share	Activity	Share-holders' equity	Result
2018				
Carlsberg Byen P/S, Copenhagen	23	Property development	1,918	125
Havneholmen P/S, Kgs. Lyngby	50	Property	986	29
Margretholm P/S, Frederiksberg	50	Property	510	162
Bornholms Brandforsikring A/S, Rønne	27	Insurance	268	22
P/S Ejendomsholding Banemarksvej, Odense	40	Property	112	10
P/S Ottilia, Copenhagen	50	Property	-	-

2019

		Property		
Carlsberg Byen P/S, Copenhagen	23	development	2,230	312
Havneholmen P/S, Kgs. Lyngby	50	Property	1,085	98
Margretholm P/S, Frederiksberg	50	Property	627	116
Bornholms Brandforsikring A/S, Rønne	27	Insurance	237	12
P/S Ejendomsholding Banemarksvej, Odense	40	Property	121	9
P/S Ottilia, Copenhagen	50	Property	564	65
Heap A/S, Copenhagen*	50	Development	-	-

The financial information is according to the companies' most recent available annual reports.

*The company was founded in 2019 and the first financial year runs until 31 December 2020.

Bornholms Brandforsikring A/S has been recognised on the basis of the most recent financial information at 30 September.

Notes to the financial statements • Group

(DKKm)	2018	2019
Note 19. Investment assets related to unit-linked products		
Equity investments	14,560	21,588
Unit trusts	1,758	541
Bonds	11,265	13,078
Investment properties	307	898
Investment assets related to unit-linked contracts	27,890	36,104

Note 20. Reinsurers' share of the provisions for unearned premiums		
1 January	84	92
Change in accrued commissions	(3)	(1)
Ceded reinsurance premiums	617	609
Earned reinsurance premiums	(607)	(605)
Amortisation	0	(1)
Reinsurers' share of the provisions for unearned premiums at 31 December	92	95
Net present value of expected future cashflows	22	66
Profit margin	70	29

Note 21. Reinsurers' share of the provisions for claims		
1 January	470	527
Reimbursement of claims relating to previous years	(207)	(265)
Change in expected income relating to previous years (run-off)	34	45
Reimbursement of claims relating to this year	(155)	(79)
Expected income relating to this year	383	247
Amortisation	2	1
Revaluation	(1)	4
Reinsurers' share of the provisions for claims at 31 December	527	478

Note 22. Deferred tax			
	2017	2018	2019
Properties	46	50	57
Operating equipment	14	21	7
Liabilities provided	(6)	(6)	(7)
Deferred pension return tax	0	33	0
Other	(7)	(12)	(11)
Deferred tax	47	86	46
Recognised as:			
Deferred tax assets	(14)	(17)	(25)
Deferred tax liabilities	61	103	71
	47	86	46
Change for the year		39	(40)

Notes to the financial statements • Group

(DKKm)

Note 23. Other subordinated loan capital

Borrower	Topdanmark A/S	Topdanmark Forsikring A/S	Topdanmark Forsikring A/S
Principal	400	500	850
Carrying value			
2019	398	500	849
2018	398	499	849
Market value (level 2)			
2019	400	503	850
2018	400	505	850
Date of issue	November 2017	December 2015	December 2015
Maturity	Bullet	11 December 2025	11 June 2026
If permitted by the Danish FSA, the borrower can give notice of termination from	23 November 2022	11 December 2020	11 June 2021
Interest rate	Cibor 3 months +2.75%	2.92% to 11 December 2020	Cibor 3 months +270bp
Subsequently		Cibor 3 months +250bp	
			2018 2019
Interest charges			47 46

The market valuation of subordinated loans is based on a mark-to-model method. Future cashflows are discounted with 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).

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

Provisions for unearned premiums at 1 January	1,856	1,819
Profit margin at 1 January	751	807
	2,607	2,626
Gross premiums written	9,205	9,494
Gross premiums earned	(9,197)	(9,463)
Change in risk margin	9	12
Amortisation	4	(9)
Revaluation	(2)	27
Provisions for unearned premiums at 31 December	1,819	1,849
Profit margin at 31 December	807	838
Provisions for unearned premiums and profit margin at 31 December	2,626	2,687

Notes to the financial statements • Group

(DKKm)	2018	2019			
Note 25. Life insurance provisions with-profit products					
Life insurance provisions direct business at 1 January	24,063	23,134			
Profit margin at 1 January	88	82			
Total insurance provisions at 1 January	24,151	23,216			
Collective bonus potential at 1 January	(2,270)	(1,632)			
Accumulated revaluation at 1 January	(1,654)	(1,466)			
Retrospective provisions at 1 January	20,227	20,118			
Gross premiums written	1,346	1,078			
Addition of return	580	334			
Claims and benefits	(1,774)	(1,643)			
Expense loading inclusive of expense bonus	(100)	(91)			
Risk gain after allocating policyholders' risk bonus	(23)	(61)			
Other	33	53			
Intra-group transfers	(56)	(46)			
Sale of affiliate	(115)	0			
Retrospective provisions at 31 December	20,118	19,742			
Accumulated revaluation at 31 December	1,466	1,994			
Collective bonus potential at 31 December	1,632	1,961			
Total insurance provisions direct business at 31 December	23,216	23,697			
Profit margin at 31 December	(82)	(79)			
Life insurance provisions with-profit products	23,134	23,618			
Portfolios analysed by guaranteed interest rates	Guaranteed interest rate	Guaran- teed benefits	Individual bonus potential	Collective bonus potential	Life insurance provisions
2018					
Interest rate group 9	1%	2,127	325	0	2,452
Interest rate group 10	1%	437	4	37	478
Interest rate group 1	[1%-2%]	7,544	768	228	8,540
Interest rate group 3	[1%-2%]	696	4	52	753
Interest rate group 2	[2%-3%]	2,607	80	129	2,816
Interest rate group 4	[2%-3%]	840	11	64	915
Interest rate group 5	[3%-4%]	2,305	7	326	2,638
Interest rate group 6	[4%-5%]	3,063	0	467	3,531
Interest rate group 7	5%	40	0	44	84
Risk groups		0	0	264	264
Cost groups		0	0	22	22
Total contribution		19,659	1,199	1,632	22,491
Group Life					183
U74-life annuities					180
Other					281
Total 2018		19,659	1,199	1,632	23,134
2019					
Interest rate group 9	1%	2,386	151	65	2,601
Interest rate group 10	1%	659	1	56	716
Interest rate group 1	[1%-2%]	7,989	204	376	8,570
Interest rate group 3	[1%-2%]	734	1	84	819
Interest rate group 2	[2%-3%]	2,676	16	123	2,814
Interest rate group 4	[2%-3%]	934	2	100	1,037
Interest rate group 5	[3%-4%]	2,504	0	329	2,833
Interest rate group 6	[4%-5%]	2,786	0	457	3,243
Interest rate group 7	5%	29	0	56	85
Risk groups		0	0	303	303
Cost groups		0	0	12	12
Total contribution		20,697	376	1,961	23,034
Group Life					170
U74-life annuities					137
Other					278
Total 2019		20,697	376	1,961	23,618

Notes to the financial statements • Group

(DKKm)

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

Risk margin (part of guaranteed benefits)	Guaranteed interest rate	2018	2019
Interest rate group 9	1%	8	10
Interest rate group 10	1%	0	0
Interest rate group 1	]1%-2%]	26	33
Interest rate group 3	]1%-2%]	2	2
Interest rate group 2	]2%-3%]	8	13
Interest rate group 4	]2%-3%]	4	4
Interest rate group 5	]3%-4%]	18	19
Interest rate group 6	]4%-5%[	32	33
Interest rate group 7	5%	1	1
Total contribution		98	114
U74-life annuities		3	3
Other		3	2
Total risk margin		104	119

Bonus ratio and return	Guaranteed interest rate	Bonus ratio		Return (%)	
		2018	2019	2018	2019
Interest rate group 9	1%	13.1	8.6	(2.1)	6.6
Interest rate group 10	1%	9.3	8.8	(1.2)	6.7
Interest rate group 1	]1%-2%]	12.2	7.3	(1.2)	6.3
Interest rate group 3	]1%-2%]	8.3	12.1	(1.2)	7.2
Interest rate group 2	]2%-3%]	8.2	5.7	0.6	8.4
Interest rate group 4	]2%-3%]	9.6	12.2	(1.2)	7.1
Interest rate group 5	]3%-4%]	16.8	16.2	0.8	8.6
Interest rate group 6	]4%-5%[	19.8	22.3	0.8	8.9
Interest rate group 7	5%	152.4	246.0	(1.2)	7.1

Risk groups

Risk result after addition of risk bonus	51	59
Risk result after addition of risk bonus (%)	0.2	0.3

Cost groups

Customers' share of administration expenses after addition of expense bonus	68	64
Insurance operating expenses	(196)	(209)
Result of sales and administration	(128)	(145)
Result of sales and administration (%)	(0.6)	(0.7)
Return on customer funds after expenses before tax (%)	(1.2)	6.2

Note 26. Life insurance provisions unit-linked products

2018	Insurance contracts	Investment contracts	Total
Gross provisions at 1 January	26,993	2,898	29,891
Profit margin at 1 January	141	15	156
Retrospective provisions at 1 January	27,135	2,912	30,047
Gross premiums written	8,765	1,415	10,180
Addition of return	(1,969)	(260)	(2,229)
Claims and benefits	(2,314)	(407)	(2,721)
Expense loading inclusive of expense bonus	(68)	(10)	(77)
Risk gain after addition of risk bonus	(25)	0	(25)
Other	(5)	1	(4)
Intra-group transfers	56	0	56
Sale of affiliate	(1,923)	0	(1,923)
Retrospective provisions at 31 December	29,651	3,652	33,303
Profit margin at 31 December	(171)	(15)	(186)
Gross provisions 31 December 2018	29,480	3,637	33,117

Notes to the financial statements • Group

(DKKm)

Note 26. Life insurance provisions unit-linked products - continued

2019	Insurance contracts	Investment contracts	Total
Gross provisions at 1 January	29,480	3,637	33,117
Profit margin at 1 January	171	15	186
Retrospective provisions at 1 January	29,651	3,652	33,303
Gross premiums written	10,027	747	10,774
Addition of return	5,205	654	5,859
Claims and benefits	(2,490)	(483)	(2,973)
Expense loading inclusive of expense bonus	(70)	(9)	(80)
Risk gain after addition of risk bonus	(22)	0	(21)
Other	(3)	(0)	(4)
Intra-group transfers	449	(403)	46
Retrospective provisions at 31 December	42,749	4,157	46,906
Profit margin at 31 December	(234)	(16)	(250)
Gross provisions 31 December 2019	42,515	4,141	46,656

In connection with implementation of a new administration system, the classification of contracts has been changed, thus unit-linked products are classified as insurance, if the aggregated contracts include insurance products. Provisions of DKK 405m have been transferred from investment contracts to insurance contracts.

	2018	2019
Return on customer funds after expenses before tax (%)	(7.0)	17.9

Note 27. Profit margin, life insurance and investment contracts

With-profit products	82	79
Unit-linked products	186	250
Profit margin, life insurance and investment contracts	268	329

Note 28. Provisions for claims

Gross		
Provisions at 1 January	13,013	13,003
Claims paid relating to previous years	(2,794)	(3,147)
Change in expected claims payments relating to previous years (run-off)	(319)	(388)
Claims paid relating to this year	(3,251)	(3,356)
Expected claims payments relating to this year	6,387	6,514
Inflation hedging	(118)	(149)
Amortisation	108	40
Revaluation	(24)	554
Provisions for claims	13,003	13,071
Net of reinsurance		
Provisions at 1 January	12,544	12,476
Claims paid relating to previous years	(2,586)	(2,882)
Change in expected claims payments relating to previous years (run-off)	(353)	(433)
Claims paid relating to this year	(3,096)	(3,276)
Expected claims payments relating to this year	6,003	6,267
Inflation hedging	(118)	(149)
Amortisation	106	39
Revaluation	(23)	550
Provisions for claims, net of reinsurance	12,476	12,593
Provisions net of reinsurance for business lines being settled in whole or partly as annuities:		
Workers' compensation insurance	6,033	6,112
Average period of settlement	7 years	6 years
Illness and accident insurance, administered by the life insurance business	2,248	2,507
Average period of settlement	13 years	13 years

Notes to the financial statements • Group

(DKKm)

Note 28. Provisions for claims - continued

Claims liabilities analysed by claims year

Gross	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
End of year	6,814	7,203	6,414	7,549	6,652	6,599	6,468	5,928	6,400	6,527	65,923
1 year later	6,834	7,347	6,439	7,755	6,715	6,685	6,448	6,043	6,568		
2 years later	6,952	7,282	6,455	7,771	6,691	6,592	6,367	6,059			
3 years later	6,926	7,274	6,402	7,742	6,646	6,589	6,346				
4 years later	6,865	7,209	6,321	7,646	6,472	6,547					
5 years later	6,810	7,160	6,303	7,571	6,376						
6 years later	6,770	7,118	6,229	7,478							
7 years later	6,761	7,029	6,215								
8 years later	6,736	7,028									
9 years later	6,779										
Less paid incl. inflation hedging	6,330	6,611	5,703	6,917	5,755	5,679	5,339	4,933	4,865	3,359	55,491
Provisions before discounting at 31 December	448	416	513	561	620	868	1,007	1,127	1,703	3,167	10,431
Discounting	(1)	0	0	0	0	0	0	1	1	3	5
	447	416	513	561	620	868	1,008	1,127	1,704	3,170	10,436
Provisions relating to previous years at 31 December											2,635
Gross provisions at 31 December 2019											13,071
Net of reinsurance											
End of year	6,385	6,164	6,028	6,387	6,259	6,183	6,007	5,736	6,016	6,281	60,750
1 year later	6,433	6,268	6,098	6,461	6,301	6,270	6,027	5,832	6,175		
2 years later	6,564	6,218	6,115	6,476	6,288	6,190	5,942	5,855			
3 years later	6,553	6,205	6,066	6,449	6,242	6,179	5,924				
4 years later	6,509	6,151	5,990	6,354	6,069	6,097					
5 years later	6,450	6,103	5,972	6,279	5,964						
6 years later	6,411	6,065	5,898	6,179							
7 years later	6,402	5,976	5,886								
8 years later	6,377	5,970									
9 years later	6,420										
Less paid incl. inflation hedging	5,971	5,555	5,374	5,631	5,380	5,334	4,950	4,742	4,579	3,280	50,796
Provisions before discounting at 31 December	448	415	512	549	584	763	974	1,113	1,596	3,001	9,954
Discounting	(1)	0	0	0	0	0	0	1	1	3	4
	447	415	512	549	585	763	974	1,113	1,597	3,003	9,958
Provisions relating to previous years at 31 December											2,634
Provisions, net of reinsurance, at 31 December 2019											12,593
Reconciliation:											
Provisions for claims											13,071
Less reinsurers' share of provisions											(478)
Provisions, net of reinsurance, at 31 December 2019											12,593
Composition of expected payments, net of reinsurance:											
Original payment	6,379	6,062	5,991	6,397	6,199	6,200	6,001	5,728	6,010	6,263	61,231
Loss / (gain) on settlement	(203)	(357)	(275)	(369)	(366)	(193)	(156)	44	91		(1,784)
Amortisation / revaluation											
workers' compensation											
and illness and accident	244	265	170	152	131	89	79	82	74	17	1,303
	6,420	5,970	5,886	6,179	5,964	6,097	5,924	5,855	6,175	6,281	60,750

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 A/S and workers' compensation are included at discounted values.

Notes to the financial statements • Group

(DKKm)	2018	2019
Note 29. Technical basis for risk allowance and shadow account		
Customers' share of technical basis for risk allowance	(378)	629
Share of technical basis for risk allowance allocated to shareholders' equity	58	139
Insurance technical result	(320)	767
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	48	55
Depreciation	(6)	(5)
Provided	13	7
Shadow account at 31 December	55	57
Expected future recognition	0	1
Note 30. Expenses		
Expenses in the income statement presented by nature:		
Staff costs (excl. commissions)	1,825	1,821
Executive Board	31	27
Board of Directors	6	6
Other staff costs	60	76
Commissions non-life	195	176
Commissions life	50	45
Premises costs etc.	143	149
IT operations and maintenance	250	318
Impairment and amortisation	72	114
Other expenses	262	267
Total expenses	2,895	2,998
Note 31. Auditors' fee		
Fee to the auditors elected at the Annual General Meeting		
Ernst & Young:		
Fee for statutory audit of the annual accounts	3	4
Fee for other assurance engagements*	0	0
Fee for services, other than audit work	0	0
	3	5
*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 and participation in meetings with the Danish FSA.		
The Group has an internal audit department which carries out most of the audit work.		

Notes to the financial statements • Group

(DKKm)	2018	2019
Note 32. Staff costs		
Salaries	1,430	1,436
Pensions	238	241
Social security costs	36	37
Payroll tax	250	256
Share options	8	8
Employee shares	38	50
	1,999	2,029
Average number of full-time employees	2,343	2,318

Share options

Topdanmark's share option scheme comprises the Executive Board and senior executives. The strike price has been fixed at 110% of the market price on the last trading date in the prior financial 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 beginning of year and in connection with resignation in the year of allocation a proportional deduction in the number of allocated options is made.

The table below is categorised by the option holders' standing end of year:

Total number of options ('000)	Strike price	Executive Board	Senior executives	Resigned	Total	
2018						
Outstanding at 1 January	201	192	986	266	1,444	
Granted	296	49	238	24	311	
Transferred		(33)	(163)	195	0	
Exercised	185	(69)	(274)	(82)	(425)	
Forfeited	216	0	0	(37)	(37)	
Outstanding at 31 December 2018	208	139	788	365	1,293	
Fair value at 31 December 2018		13	75	36	124	
Fair value of granting 2018		2	8	1	11	
Average current price on date of exercise 2018	290					
2019						
Outstanding at 1 January	208	139	788	365	1,293	
Granted	333	59	207	10	276	
Transferred		0	(113)	113	0	
Exercised	187	(20)	(235)	(222)	(477)	
Forfeited	318	0	0	(7)	(7)	
Outstanding at 31 December 2019	230	178	648	260	1,086	
Fair value at 31 December 2019		18	66	31	115	
Fair value of granting 2019		2	8	0	11	
Average current price on date of exercise 2019	332					
Per granting:	Exercise period					
2015	January 2018 - January 2020	186	11	0	20	32
2016	January 2019 - January 2021	181	12	24	38	74
2017	January 2020 - January 2022	163	55	256	105	415
2018	January 2021 - January 2023	262	41	175	79	295
2019	January 2022 - January 2024	318	59	193	18	269

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a price of DKK 302.68 (2018: DKK 268.73) 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% (2018: 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.

Notes to the financial statements • Group

(DKKm)	2018	2019
Note 32. Staff costs - continued		
Number of options which could be exercised on 31 December ('000)	163	106
Employee shares		
For the period November 2018 to October 2019, Topdanmark has allotted 163,870 shares at a value of DKK 49m for a salary cut. The annual costs amount to DKK 41m.		
For the period November 2017 to October 2018, Topdanmark has allotted 115,060 shares at a value of DKK 36m for a salary cut. The annual costs amount to DKK 38m.		
Severance pay		
Severance pay has been described in "Severance pay" in "Management's review".		

Note 33. Related parties

Possessing an ownership interest of 48.24% 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 families.

Remuneration of the Board of Directors

Directors' fees adopted by the AGM were DKK 5.871m (2018: DKK 5.871m). As the former Chairman of the Board of Directors has renounced a remuneration for attending in the Remuneration Committee, the director's fees amount to DKK 5.839m (2018: DKK 5.775m). The board counts nine members.

The fee includes DKK 289 thousands (2018: DKK 289 thousands) concerning Topdanmark Forsikring A/S.

(DKK '000)	2018	2019
Ricard Wennerklint	642	1,380
Jens Aaløse	770	963
Elise Bundgaard	-	257
Anne Louise Eberhard	-	385
Mette Jensen	481	481
Petri Niemisvirta	385	385
Cristina Lage	-	385
Ole Lomholt Mortensen	-	257
Morten Thorsrud	-	257
Former board members:		
Ann-Jeanette Bakbøl	128	-
Tina Møller Carlsson	385	128
Torbjörn Magnusson	1,348	449
Lone Møller Olsen	610	193
Annette Sadolin	770	193
Søren Vestergaard	257	128
Total fee paid	5,775	5,839

For foreign board members, social charges of DKK 362 thousands (2018: DKK 412 thousands) have additionally been paid.

The Board of Directors solely receives a fixed remuneration.

Remuneration of the Executive Board

2019	Peter Hermann	Thomas Erichsen	Brian R. Jacobsen	Lars Thykier	Total
Salaries etc.	6.6	4.4	5.7	5.7	22.4
Employee shares	0.2	0.4	0.1	0.1	0.9
Remuneration*			0.3	0.4	0.7
Fixed remuneration	6.8	4.8	6.2	6.3	24.1
Share options	0.6	0.5	0.6	0.5	2.2
Performance-related pay**	0.5				0.5
Variable remuneration	1.1	0.5	0.6	0.5	2.7
Salaries earned	7.9	5.3	6.8	6.8	26.8

Notes to the financial statements • Group

(DKKm)

Note 33. Related parties - continued

*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.

**Peter Hermann has been granted performance-dependent bonuses of DKK 0.475m. Performance-related pay is variable remuneration and 40% hereof will be deferred over four years beginning one year after the time of calculation in 2020.

Marianne Wier resigned in February 2018 with a notice period of one year.

Salary for the notice period amounts to DKK 1.1m for 2019, including options (DKK 0.09m) and holiday pay which was recognised as an expense in 2018. Marianne Wier has successively accrued remuneration equal to 18 months' salary corresponding to DKK 8.8m which was paid at the end of the notice period in 2019.

Thus, paid remuneration and compensation for present and former members of the Executive Board amount to DKK 35.6m of which variable remuneration accounts for DKK 2.3m.

	Peter Hermann (11 mths.)	Thomas Erichsen (3 mths.)	Brian R. Jacobsen	Lars Thykier	Marianne Wier (resigned Feb 2018)	Total
2018						
Salaries etc.*	6.3	1.3	5.7	6.1	5.6	25.0
Employee shares		0.1				0.1
Remuneration**			1.2	0.2	1.0	2.4
Salary accrued in the notice period***					1.8	1.8
Fixed remuneration	6.3	1.3	6.9	6.3	8.5	29.2
Share options	0.3		0.6	0.5	0.6	1.9
Performance-related pay****	0.3					0.3
Variable remuneration	0.5		0.6	0.5	0.6	2.2
Salaries earned	6.8	1.3	7.5	6.8	9.1	31.4

*Up to 5 February 2018, Lars Thykier has been acting CEO and as such earned a bonus of DKK 0.4m which is included in his salary etc.

**Brian R. Jacobsen, Lars Thykier and Marianne Wier have successively earned a remuneration equivalent to 18 months' salary which to be paid by the termination of the employment. Marianne Wier resigned as of February 2018 with a notice period of one year. Upon expiry of the period in 2019, a remuneration of DKK 8.8m shall be paid. For Christian Sagild who resigned in 2017, was paid a remuneration of DKK 13.2m in 2018.

***Marianne Wier shall receive remuneration in the notice period of one year. In 2019, a remuneration of DKK 1.8m including holiday pay shall be paid. The pay has been charged to the profit and loss account for 2018. Christian Sagild, who resigned end of 2017, has received a remuneration of DKK 10.4m including share options of DKK 0.8m in the notice period in 2018. DKK 10.2m thereof was provided for the financial statements for 2017.

****Peter Hermann has been granted performance-dependent bonuses of DKK 0.250m. Performance-related pay is variable remuneration and 40% thereof will be deferred for four years beginning one year after the time of calculation in 2019.

Thus, paid remuneration and compensation for present and former members of the Executive Board amount to DKK 50.5m of which variable remuneration accounts for DKK 2.8m.

Up to his appointment as CEO of Topdanmark A/S in February 2018, Peter Hermann was CEO of Topdanmark Livsforsikring A/S. In this position, Peter Hermann earned a remuneration of DKK 0.3m in 2018. Consequently, Peter Hermann's total remuneration in the Topdanmark Group represented DKK 7.0m in 2018.

	2018	2019
Material risk takers		
Additional to the Executive Board, another 26 (2018: 19) employees have material influence on Topdanmark's risk profile.		
Fixed remuneration	37.1	46.9
Variable remuneration	5.8	7.0
	42.9	53.9

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

Notes to the financial statements • Group

(DKKm)	2018	2019
Note 33. Related parties - continued		
Number of shares held by the Board of Directors and Executive Board		
The information relates to the Board of Directors and Executive Board notified on 31 December.		
Board of Directors		
Ricard Wennerklint	2,000	2,000
Jens Aaløse	50	50
Elise Bundgaard	-	1,024
Anne Louise Eberhard	-	100
Mette Jensen	857	936
Petri Niemisvirta	500	500
Cristina Lage	-	450
Ole Lomholt Mortensen	-	1,794
Morten Thorsrud	-	500
Executive Board		
Peter Hermann	821	821
Thomas Erichsen	-	1,319
Lars Thykier	450	450
Brian Rothemejer Jacobsen	450	450
At 31 December, Sampo plc held subordinated notes in Topdanmark Forsikring A/S	405	405
At 31 December, If P&C Insurance Ltd, a subsidiary in the Sampo Group, held subordinated notes in Topdanmark A/S	130	133
Associates		
Equity investments are disclosed in the balance sheet and specified in the note on equity investments in associates.		
Balances are disclosed in the balance sheet.		
Trading takes place under normal market conditions.		
Note 34. Financial assets		
Financial assets at fair value through profit and loss		
Held for trading:		
Equity investments	5,412	5,087
Unit trusts	6	6
Bonds	35,118	43,632
Loans guaranteed by mortgages and other loans	6	6
Derivatives	86	198
	40,629	48,930
Designated at fair value:		
Deposits with credit institutions	4,380	2,745
Investment assets unit-linked products excl. property:		
Equity investments	14,560	21,588
Unit trusts	1,758	541
Bonds	11,265	13,078
	27,583	35,206
Designated at fair value, total	31,964	37,951
Total financial assets at fair value through profit and loss	72,593	86,881
Loans and receivables at amortised cost		
Receivables from policyholders	262	265
Receivables from insurance companies	197	151
Other receivables	281	225
Liquid funds	253	550
Other	564	314
	1,557	1,504
Accrued interest and rent	310	388
Total financial assets	74,461	88,773

Notes to the financial statements • Group

(DKKm)

Note 34. Financial assets - continued

Financial assets at fair value

	Quoted prices Level 1	Observable inputs Level 2	Non- observable inputs Level 3	Total
2018				
Held for trading:				
Equity investments	3,984	1,428		5,412
Unit trusts		6		6
Bonds	29,545	5,189	384	35,118
Loans guaranteed by mortgages and other loans		6		6
Derivatives		86		86
Designated at fair value:				
Deposits with credit institutions		4,380		4,380
Equity investments	14,555	5		14,560
Unit trusts		1,758		1,758
Bonds	4,803	6,377	85	11,265
Investment assets related to unit-linked products	19,358	8,140	85	27,583
Total financial assets at fair value	52,887	19,237	469	72,593

2019

Held for trading:				
Equity investments	3,610	1,477		5,087
Unit trusts		6		6
Bonds	39,583	3,717	332	43,632
Loans guaranteed by mortgages and other loans		6		6
Derivatives		198		198
Designated at fair value:				
Deposits with credit institutions		2,745		2,745
Equity investments	21,588	0		21,588
Unit trusts		541		541
Bonds	6,366	6,672	39	13,078
Investment assets related to unit-linked products	27,954	7,213	39	35,206
Total financial assets at fair value	71,148	15,362	371	86,881

End of 2018, financial assets for DKK 986m were transferred from Level 1 to Level 2. By far the majority of the transferred assets are traditional Danish mortgage bonds, which after expiry of new issuing in the series in question do not necessarily have a closing price reflecting the fair value.

	2018	2019
Financial assets, level 3:		
1 January	692	469
Purchases	103	49
Repayments	(334)	(150)
Foreign exchange adjustment	9	3
Financial assets, level 3 at 31 December	469	371

The portfolio consists of construction financing of property projects (DKK 208m) and Vindmøllepark (wind farm) guaranteed by EKF (DKK 39m) and bonds (DKK 124m), for which current return depends on payment on life annuity contracts. The fair value is generally equivalent to the cost price in the transaction currency.

Exchange rate adjustments are recognised in the income statement under revaluations. Of the overall revaluation DKK 2m is unrealized (2018: DKK 8m).

Allowance account (policyholders and insurance companies):

1 January	75	58
Changes	(17)	1
31 December	58	59

Group companies have agreed to lend equities against security:

Carrying value of equities lent	2,763	1,555
Fair value of bonds received as security for the loan	3,305	1,927

Outline of equity investments can be obtained on application.

Notes to the financial statements • Group

(DKKm)	2018	2019
Note 35. Financial liabilities		
Financial liabilities at fair value through profit and loss		
Held for trading:		
Derivatives	703	679
Designated at fair value:		
Amounts due to credit institutions	242	155
Total financial liabilities at fair value (observable inputs level 2)	946	835
Financial liabilities at amortised cost		
Other subordinated loan capital	1,746	1,747
Deposits received from reinsurers	81	69
Debt relating to direct insurance operations	373	194
Debt relating to reinsurance operations	18	26
Current tax liabilities	1	27
Other debt	934	1,867
Total financial liabilities at amortised cost	3,153	3,931
Total financial liabilities	4,098	4,766

	Other subordinated loan capital	Amounts due to credit institutions
Liabilities concerning financing activities		
Beginning 2018	1,744	43
<i>Cash flow from financing</i>		
Redemption/net change	0	199
<i>Other changes</i>		
Amortisation	2	0
End 2018	1,746	242
<i>Cash flow from financing</i>		
Redemption/net change	0	(87)
<i>Other changes</i>		
Amortisation	2	0
End 2019	1,747	155

Note 36. Collateral relating to financial assets and liabilities

	Gross position	Offsetting	Carrying value	Collateral in liquid assets	Net position
Derivatives					
2018					
Assets	86	0	86	(9)	77
Liabilities	(703)	0	(703)	930	227
2019					
Assets	198	0	198	(131)	67
Liabilities	(679)	0	(679)	1,945	1,265

Note 37. Sale of affiliate

As of 1 April 2018, the Group has disposed of the shares in the subsidiary Nykredit Livsforsikring A/S for DKK 124m in cash. As per the time of sale, the balance sheet of the company was compounded as follows:

Investment activities related to unit-linked products	1,919
Cash and cash equivalents	22
Other assets	471
Total assets	2,412
Provisions for insurance contracts	(2,138)
Debt	(151)
Shareholders' equity	124

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	3,899	3,622	10.5
Listed equity investments	3,172	2,684	30.9
Unlisted equity investments	1,176	1,198	3.7
Total equity investments	4,349	3,883	23.2
Government and mortgage bonds	12,760	15,015	0.4
Index-linked bonds	937	951	7.2
Credit bonds and emerging market bonds	1,823	1,499	6.1
Total bonds	15,520	17,464	1.3
Associates	423	311	6.0
Other investment assets	(476)	(1,260)	0.0
Derivatives to hedge against the net change in assets and liabilities	(101)	77	

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

Assets related to unit-linked products			
Land and buildings	441	1,345	10.5
Listed equity investments	10,265	13,834	28.4
Unlisted equity investments	4	0	0.0
Total equity investments	10,270	13,834	28.4
Government and mortgage bonds	3,384	4,926	(0.3)
Credit bonds and emerging market bonds	6,418	6,664	4.6
Total bonds	9,801	11,589	2.7
Other investment assets	3,660	6,828	0.0

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.

The exposure in listed equity investments has been adjusted by means of financial derivatives and amounts to:

	2018	2019
With-profit	3,403	3,101
Unit-linked	12,481	18,469

Note 39. Return and risk - unit-linked products

Selected age points in relation to time of retirement		Percentage of average provisions	Return in percentage before PAL	Risk
2018	Years to retirement			
Life cycle:	30 years	1.1	(7.0)	4.75
	15 years	3.2	(5.5)	4.25
	5 years	1.5	(3.9)	3.75
	5 years later	0.1	(3.4)	3.75
	Non life-cycle	28.1	(8.2)	4.75
2019				
Life cycle:	30 years	1.1	12.6	4.50
	15 years	3.1	9.7	4.25
	5 years	1.3	6.9	3.75
	5 years later	0.0	5.4	3.50
	Non life-cycle	29.3	14.1	4.75

Notes to the financial statements • Group

(DKKm)	2018	2019
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	(4,124)	(3,568)
Number of shares at 1 January	85,876	86,432
Shares sold	556	635
Shares issued at 31 December	90,000	90,000
Own shares at 31 December	(3,568)	(2,933)
Number of shares at 31 December	86,432	87,067

Note 41. Own shares

	Number of shares '000	Nominal value DKKm	Percentage of share capital	Proceeds on sale DKKm
Held at 1 January 2018	4,124	4	4.6	
Sold in 2018	(556)	(1)	0.6	(115)
Held at 31 December 2018	3,568	4	4.0	
Sold in 2019	(635)	(1)	0.7	(137)
Held at 31 December 2019	2,933	3	3.3	

Number of shares held to cover the granting of options: 1,086 thousands (2018: 1,293 thousands).
Own shares are held solely by the parent company.

Note 42. Collateral	2018	2019
The Group's insurance companies have registered the following assets as security for technical provisions:		
Equity investments in associates	564	414
Equity investments	4,661	2,682
Bonds	34,222	28,396
Deposits with credit institutions	3,450	400
Investment assets related to unit-linked products	27,890	36,104
Liquid funds	173	0
Accrued interest	303	295
Equity investments in and receivables from affiliates eliminated in the consolidated accounts	6,541	6,275
Registered assets	77,803	74,567

From 2019 only life insurance companies are required to register assets as security for technical provisions. Hence assets in Topdanmark Forsikring are no longer registered.

Note 43. Contingent liabilities

Contract liabilities	398	0
Adjustments to VAT liabilities	105	136
Other liabilities	16	4
Capital commitments made to loan funds and private equity funds etc.	609	398

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 from interest, royalties and dividend for companies concerned.

In connection with implementation of a new customer and core system, Topdanmark Forsikring A/S has undertaken to give support towards specific suppliers to fulfill 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 EDB II ApS	Ballerup	IT services
Topdanmark Ejendom A/S	Ballerup	Property
TDE.201 ApS	Ballerup	Property
Bygmestervej ApS	Ballerup	Property
Other companies:		
Topdanmark Kapitalforvaltning A/S	Ballerup	Asset management
Topdanmark Invest A/S	Ballerup	Investment
Topdanmark Ejendomsadministration A/S	Ballerup	Property

All of the companies are 100% owned.

Topdanmark Invest II ApS has in 2019 been liquidated by submitting a statement to the authorities.

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 and Multi-employer Occupational Pension Funds is shown on page 26. Sensitivity information according to Section 126 is part of "Risk Scenarios" in Management's review page 13.

There have been no events in the period from 31 December 2019 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
Underwriting risk • Acceptance policy • Follow-up policy. Provisioning risk: • Provisions for outstanding claims • Provisions for unearned premiums. Disaster risks: • Storm and rainstorm • Fire • Terror • Workers' comp. Cumulative risk.	Profit on both product and customer level. Spread of risk on different types of insurance/customer groups. Limited effect on results from individual claims events by means of reinsurance.	Advanced risk-based price models. Clear rules for new business. Risk equalisation through extensive reinsurance programme. Systematic follow-up on profitability. High data quality. Use of statistical models for calculation of provisions.

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
Limited loss-absorbing buffers in the event of low interest rates. Disability, which is the risk of increasing disability intensity or declines in the rates of resumption of work. Lifetime, where customers with life dependent policies live longer than expected.	For agreements with bonus entitlement, we aim at balancing return and risk so that ordinary risks are covered by the related bonus potential. The calculation of profit is viewed as a risk return on shareholders' equity where fluctuations are adjusted via bonus potential.	All policies are classified by the guaranteed benefit, and the investment policy is intended to ensure the ability to meet the benefits guaranteed. The market risk is freely adjustable in relation to each customer group's risk capacity. Normal fluctuations in investment return and risk results are provided for by the bonus potential per contribution group. Individual bonus potential is protected by loss participation schemes. Disaster reinsurance. In all interest rate groups, movements in interest rates are followed and risk reducing actions are performed as required. Prices relating to death and disability are regularly adjusted to the market situation and the observed claims record. The basis of new business is changed as needed.

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

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 IT security function. Risk assessment, Information security policy, prioritisation of risks, guidelines, controls and IT Emergency plans based on ISO27001. IT Security Committee/Cyber Security Board. Policy for routines, process descriptions, controls and division of duties. Special department for insurance fraud and deceit. Event register. Digitalisation/automation.
Errors in internal processes, human errors, insurance fraud and deceit.		

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. The Compliance Function exercises control and provides advice to ensure that the Group's divisions and service departments observe relevant legislation and internal rules.
Violation of legislation and rules.		

Strategic risks		
Most important risks	Risk preferences	Risk reducing activities
Generally, strategic risks are related to the Company's business model, political conditions, reputation, alliance 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, with 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 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 wish to make a profit from both products and customers. Topdanmark varies the pricing of its products depending on the relevant risk criteria 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

In order to ensure uniform and efficient claims handling, Topdanmark has grouped the handling of all types of claim into one operational unit.

The handling of claims 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 require assistance

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 also 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 in order that the value of the claim does not increase. Customers increasingly undertake notification of claims online. Turnaround times are continuously monitored.

Better claims procurement

Topdanmark has established a new strategic department 'Procurement', which will bring together procurement for the departments Claims, Technology & Solutions and Group Procurement. The Department is placed in the organisation 'Analytics'.

The reason for the merger of the three purchasing functions and the location in Analytics is that in the future Topdanmark wants to make greater use of data-analysis, when the organisation makes purchases. This will ensure the highest possible discount, quality and security when delivering products and services and will provide financial advantages for customers and shareholders alike.

Quality

Topdanmark has developed routines 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 excess, 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.

Besides 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 in order 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 at the same time its own risk.

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	2018		2019	
	%	Duration	%	Duration
Short-tail	12	1	12	1
Annuity provisions in workers' compensation	24	11	27	11
Other claims provisions in workers' compensation	24	3	22	2
Accident	27	4	29	4
Motor personal liability	9	2	7	2
Commercial liability	3	2	4	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 potential 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 in constant 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 routines used to calculate individual provisions.

Provisions for unearned premiums

The risk on provisions for unearned premiums is relevant particularly within lines with combined ratio of 100 or more, e.g. change of ownership insurance, workers' compensation and motor liability insurance where the provision for unearned premiums could be insufficient to cover the related expenses.

Workers' compensation and motor liability insurance policies are typically one-year policies, whereas change of ownership insurance policies cover a period of five or ten years and the full payment is made up front.

The provisions for unearned premiums are based on the latest prognosis for the coming 12 months.

The prognosis is prepared on a quarterly basis, among other things based on analyses in the trend in premiums, claims and expenses and for change of ownership insurance also statistical analyses of claims notification in relation to the time when the policy is written.

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 loading, snow thawing and cloudburst are also covered. Reinstatement for the proportion of the cover used up 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 cloudburst takes effect if accumulated annual cloudburst claims exceed DKK 50m. For a claim to be accumulated, the 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 for fire with a maximum retention of DKK 25m per claim on any one business.

Terror

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

The national Danish pool for NBCR (nuclear, biological, chemical, radiological) risks has been closed per 1 July 2019. The NBCR terror risks are by 1 July 2019 covered by a public organisation financed by fees on insurance covers if a claims event take place. This is according to a new Act on NBCR terror in force by 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 second and DKK 15m for any third or subsequent risk. 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 born 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 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 performed as required.

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 be incurred 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.

Lifetime

Lifetime 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.

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, 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 interest rate risk due to provisions for outstanding claims in non-life insurance and guaranteed benefits in life insurance.	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. With regard to cover of interest-bearing assets, supplementary hedging by swaps and standard swaptions will be bought as required.
Equity risk Topdanmark is exposed to 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 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 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.	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. 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.
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 (DKKm)	Carrying amount	1	2-6	7-16	17-26	27-36	>36
Provisions for claims							
2018	13,003	3,897	5,494	2,825	1,130	512	90
2019	13,071	3,801	5,310	2,790	1,059	461	9
Life insurance provisions with-profit							
2018	23,134	2,571	7,024	10,200	4,620	1,453	429
2019	23,618	2,066	7,557	9,685	4,035	1,190	310
Bond portfolio including interest derivatives							
2018	32,575	14,471	10,119	10,313	1,123	0	0
2019	41,411	13,115	20,322	13,571	4,470	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 in particular 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 such that there is no challenge to liquidity.

Generally, 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.

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 risk in both its insurance and investment business.

Reinsurance

Within insurance the reinsurance companies' ability to pay is the most important risk factor. Topdanmark 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 their 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 (%)	2018	2019
>A+	76	82
A+, A, A-	4	7
BBB+, BBB, BBB-	0	0
<BBB-	11	9
Money market deposits	9	2

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

Group Information Security, reporting to the IT Manager, is responsible for information security.

Risk assessment

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

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

Cyber-crime risk

The general threat from cyber-crime is increasing. 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 defence against Cyber Crime while the other firm conducts regular 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.

New employees are informed about information security and all employees and consultants in Topdanmark must undergo an e-learning course annually on information security.

Outsourcing is increasingly used in Topdanmark. As a consequence, Topdanmark investigates and evaluates the information security with new cooperation and service partners. Topdanmark also monitors the information security with existing partners to prevent Cyber Crime.

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

IT emergency plan

The IT emergency plan includes plans for re-establishing the IT environment if the systems suffer breakdowns. The IT emergency 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 invested in, 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 discrete 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 error. 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.

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 damages 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 channelled 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 on 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 emergency plans for the most significant areas.

Internal Audit

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

Central Claims

Central Claims is a minor 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.

Event register

Topdanmark monitors and reports on operational risks in order that the organisation will learn from its mistakes. Consequently, a process has been established including a tool to register events, which are then collected centrally in an event log and communicated onwards in the management system.

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 violation 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 accordance 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.

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 routines and tools.

Event register

The Compliance Function administers Topdanmark's event register.

Notes to the financial statements • Group

Note 47. Accounting policies

Topdanmark Group's 2019 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.

The Group has implemented IFRS 16 "Leasing" and IFRIC 23 "Uncertainty over Income Tax Treatments" without any effect on recognition and measurement, or presentation of the accounts.

Apart from the above, the accounting policies remain unchanged compared to 2018.

Change of accounting estimates

The Group has updated the assumptions for measurement of the life insurance provisions. This comprises rate of mortality including expected future life expectancies, disability, termination of premiums and surrenders. The updated assumptions have merely had a marginal impact on the life insurance provisions, the profit for the year and the shareholders' equity.

One development project taken into use in 2019 is expected to have a useful lifetime of 10 years and is therefore depreciated over 10 years. Hence the maximum expected useful lifetime for development projects has been changed from five years to 10 years.

Development projects under construction which are significant and strategic projects with dedicated internal resources are measured including internal costs from 2019.

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 circumstances, insurance groups may postpone IFRS 9 to 2022 at the time where IFRS 17 "Insurance contracts" will come into force. However, IFRS 17 has not yet been adopted by the EU.

The Topdanmark Group meets the conditions for postponement given that the Group has not previously implemented IFRS 9-standards and since provisions for insurance and investment contracts represent more than 90% of the total liabilities.

As a consequence, the Topdanmark Group has chosen to postpone the implementation of IFRS 9 to the implementation of IFRS 17, which is expected to take effect on 1 January 2022.

The standard classifies the financial assets based on the company's business model for holding of assets and the cash flow generated by the asset. 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 2022. However, the standard has not yet been adopted by the EU. 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.

Provisions for outstanding claims

Provisions for claims incurred, but not yet paid, have been calculated as the best estimate at the end of any given year. As, at this time of the year, 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.

The five-year summary discloses the most recent financial years' run-off results. The movement in the provisions for outstanding claims and run-off analysed by claims year is shown in the note on provisions for outstanding claims. The note on "Technical result – non-life" specifies run-off for the year analysed by line of business. For further details, see Management's review.

Premium provisions

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, e.g. change of ownership, workers' compensation and motor liability, where premiums are insufficient for covering expected payments and a risk margin, and consequently provisions to cover losses must be made.

Workers' compensation and motor liability insurance policies are typically one-year policies, whereas change of ownership contracts cover a period of five or ten years and the full payment is made up front.

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 parent company is deemed to control the companies through direct or indirect ownership of more than 50% of the voting rights, or when it can have or has an otherwise controlling influence.

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.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group, and where the asset has a value that can be measured reliably. Liabilities are recognised in the balance sheet, when it is probable that future economic benefits will flow from the Group, and where the value of the liability can be measured reliably. The recognition and measurement take into consideration predictable losses and risks, which have occurred prior to the presentation of the Annual Report, and which provide evidence of conditions that existed at the balance sheet date.

Income is recognised in the income statement when earned. Similarly, all expenses are recognised which relate to the financial year, including amortisation and impairment.

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 of 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.

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 at fair value is based on the listed prices of transactions in active markets. If there is an active market for listed equity investments, bonds, derivatives etc., the measurement is generally based on the closing price end of year.

Level 2

If there is no closing price, another public price is used, which is believed to be the most appropriate, in the form of indicative prices from banks/brokers. Assets of this type are, for example CDOs and credit bonds. Valuation methods or other publicly available information are used to value listed securities, where the closing price does not reflect the fair value.

Valuation methods are based on publicly available market data. If there is no active market for the financial instrument, depending on the nature of the asset or liability, the calculation is based on underlying parameters such as interest and foreign exchange rates, volatility or comparison with the market prices of corresponding instruments.

Level 3

In certain cases, the valuation cannot be based on publicly available market information alone. In these cases, 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, which are the most significant assets of level 3, 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 compensation 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 solidary premium waiver or group products are considered insurance contracts in full.

An investment contract is one where 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

The Executive Board and Senior Executives participate in a share option scheme.

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.

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 collective bonus potentials before recognition of profit margin.

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 potentials. 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 potentials are sufficient.

Segment information

The Topdanmark Group's non-life insurance business is divided into two business segments:

Private offers insurance policies to individual households in Denmark.

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

Life insurance is the third business segment.

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 for the Group has been prepared in accordance with the direct method disclosing cash flow from operations, investments and financing as well as the changes in the Group's liquid funds between the beginning and the end of the financial year. Investment activities also include amounts received and paid on the purchase and sale of investment, intangible and tangible assets. Cash flows from financing comprise changes in capital, including the purchase and sale of own shares. Furthermore, it includes the raising of loans and repayments on interest-bearing debt. 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 being 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 potentials 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 amortisation and revaluation 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 comprises a share of the post-tax results of the associates 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 includes 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 companies prior to 2004 and is recognised at the carrying amount on the date of transition to IFRS. Goodwill is not amortised but subjected to an impairment test at the end of the financial year and written down to a lower recoverable amount.

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 depreciated over the expected useful life of a maximum of 10 years. Impairment is assessed end of year, and the carrying amount is written down to a lower recoverable amount.

Development projects under construction are subjected to an impairment test end of year. The carrying amount is written down to a lower recoverable amount.

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, and the carrying amount is written down to a lower recoverable amount.

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 properties are reviewed and assessed annually by the Group's own valuers. No external valuers have been involved. 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 the revaluation of owner-occupied properties is assessed on the same basis as 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.

Market trends and the rates of return of the market are regularly analysed. Each property is assessed annually by the Group's own valuers. No external valuers have been involved.

The revaluation for the financial year of the fair value of the properties is recognised in the income statement.

Associates

Associates are companies which are not subsidiaries, and over which the Group has substantial influence through a significant shareholding and representation on the board of the company.

Equity investments in associates are measured according to the equity method, in accordance with the Group's accounting policies with paid goodwill added.

The equity investments held are regularly tested for impairment and written down to a lower recoverable amount.

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 either are 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.

Receivables at amortised cost

At 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. Such impairments are generally made collectively on the basis of a due date analysis. When an individual receivable is considered irrevocable, the impaired amount is transferred from the account for collective allowances.

Reinsurers' share

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 has been calculated as 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

Revaluation reserves

Gains on the revaluation of owner-occupied properties are transferred to the revaluation reserves net of corporation tax. The reserve will be dissolved if the revaluation is reversed or if the property is sold.

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 is recognised as a liability at the time of adoption at the annual general meeting.

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. Topdanmark's insurance contracts are mostly written for a 1-year period.

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

Premium 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 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 present value of the expected payments due to changes in the interest rate curve and amortisation of the profit margin during the period of cover of the insurance contracts, 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.

If the present value of expected payments and risk margin for an insurance portfolio with similar risks is expected to exceed the premiums, the profit margin for this portfolio is set to 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.

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

Remaining Life expectancy	60 year old man	60 year old woman
Topdanmark Livsforsikring	27.1	29.4
Danish FSA's benchmark	26.3	28.7

The provisions include amounts to cover the expected expenses on the future administration of the insurance contracts written. These expenses have been calculated using an 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 allowance for risk.

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 allowance 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 of 0.05%. Profit margin has been calculated on the basis of the expected duration of the insurance contracts.

Claims provisions

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 already reported claims 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. The revaluation of these derivatives is 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 volatility adjusted.

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

The provisions are regularly tested for impairment.

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 and in accordance with the definitions issued by the Danish Finance Society.

Financial ratios

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

Profit for the year * 100
Shareholders' equity (average)

Post-tax EPS (DKK)

Profit for the year
Number of shares (average)

Post-tax EPS diluted (DKK)

Profit for the year
Number of shares (average), diluted

Share buy-back per share, diluted (DKK)

Share buy-back for the year
Number of shares (average), diluted

Dividend per share issued, proposed (DKK)

Proposed dividend
Number of shares issued end of year

Net asset value per share, diluted (DKK)

Shareholders' equity end of year
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 loss ratio

Gross claims incurred * 100
Gross premiums earned

Net reinsurance ratio

Reinsurance result * 100
Gross premiums earned

Gross expense ratio

Gross operating expenses * 100
Gross premiums earned

Combined ratio

Gross loss ratio + net reinsurance ratio + gross expense ratio

Relative run-off, net of reinsurance (%)

Run-off on own account * 100
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 comprise 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 different amounts 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 (%)

Return with-profit products*100
Life insurance provisions with-profit products (average)

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

Return unit-linked products *100
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 (%)

Insurance operating expenses * 100
Life insurance provisions + profit margin (average)

Cost per policyholder (DKK)

Insurance operating expenses
Number of policyholders (average)
(Group life customers weighted by 10 percent)

Income statement • Parent company

(DKKm)	Note	2018	2019
Income from affiliates	1	1,372	1,587
Interest charges		(11)	(10)
Total investment return		1,361	1,577
Other expenses	2	(42)	(41)
PRE-TAX PROFIT		1,319	1,536
Taxation	3	12	11
PROFIT FOR THE YEAR		1,331	1,547
Proposed appropriation of profit for the year:			
Dividend		1,350	1,530
Transfer to net revaluation reserve at net asset value		1,372	1,587
Transfer from profit carried forward		(1,391)	(1,570)
		1,331	1,547

Statement of comprehensive income • Parent company

Profit for the year	1,331	1,547
Other comprehensive income from affiliates	1	(14)
Other comprehensive income	1	(14)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,332	1,533

Balance sheet • Parent company

(DKK m)	Note	2018	2019
Assets			
Operating equipment	4	3	3
TOTAL TANGIBLE ASSETS		3	3
Equity investments in affiliates	5	6,188	6,431
Total investment in affiliated company		6,188	6,431
TOTAL INVESTMENT ASSETS		6,188	6,431
Receivables from affiliates		639	836
Other receivables		2	0
TOTAL RECEIVABLES		641	836
Current tax assets		39	0
Liquid funds		2	3
TOTAL OTHER ASSETS		40	3
TOTAL ASSETS		6,873	7,274
Shareholders' equity and liabilities			
Share capital	6	90	90
Other reserves		2,439	2,682
Total reserves		2,439	2,682
Profit carried forward		2,443	2,401
Proposed dividend		1,350	1,530
TOTAL SHAREHOLDERS' EQUITY		6,322	6,703
OTHER SUBORDINATED LOAN CAPITAL	7	398	398
Amounts due to affiliates		147	139
Current tax liabilities		0	27
Other debt		6	7
TOTAL DEBT		153	172
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6,873	7,274
Related parties	8		
Own shares	9		
Contingent liabilities	10		
Other note disclosures	11		
Accounting policies	12		

Statement of changes in equity • Parent company

(DKKm)

	Share capital	Other reserves	Profit carried forward	Proposed dividend	Total
2018					
Shareholders' equity at 31 December previous year	90	2,875	1,822	1,710	6,497
Profit / (loss) for the year		1,372	(1,391)	1,350	1,331
Other comprehensive income in affiliates		1			1
Total comprehensive income for the year		1,373	(1,391)	1,350	1,332
Dividend paid				(1,710)	(1,710)
Dividend, own shares			73		73
Dividends received from subsidiaries		(1,850)	1,850		0
Other movements in capital of subsidiaries		41			41
Share-based payments			11		11
Exercise of share options			79		79
Other transactions		(1,809)	2,012	(1,710)	(1,507)
Shareholders' equity at 31 December 2018	90	2,439	2,443	1,350	6,322
2019					
Shareholders' equity at 31 December previous year	90	2,439	2,443	1,350	6,322
Profit / (loss) for the year		1,587	(1,570)	1,530	1,547
Other comprehensive income in affiliates		(14)			(14)
Total comprehensive income for the year		1,574	(1,570)	1,530	1,533
Dividend paid				(1,350)	(1,350)
Dividend, own shares			50		50
Dividends received from subsidiaries		(1,380)	1,380		0
Other movements in capital of subsidiaries		50			50
Share-based payments			11		11
Exercise of share options			88		88
Other transactions		(1,330)	1,528	(1,350)	(1,152)
Shareholders' equity at 31 December 2019	90	2,682	2,401	1,530	6,703

Notes to the financial statements • Parent company

(DKKm)	2018	2019
Note 1. Income from affiliates		
Topdanmark Forsikring A/S	1,289	1,501
Topdanmark Kapitalforvaltning A/S	81	90
Topdanmark Invest A/S	2	(4)
Income from affiliates	1,372	1,587
Note 2. Other expenses		
Holding expenses	42	41
Other expenses	42	41
Note 3. Taxation		
Current tax	11	11
Change in deferred tax	0	0
Taxation (income)	12	11
Pre-tax profit excl. income from affiliated companies	(53)	(52)
Calculated tax on profit for the year, 22%	12	11
Tax rate	22	22
Note 4. Operating equipment		
Cost	3	3
Impairment and amortisation	0	0
Operating equipment	3	3
Note 5. Equity investments in affiliates		
Topdanmark Forsikring A/S	6,033	6,269
Topdanmark Kapitalforvaltning A/S	97	108
Topdanmark Invest A/S	58	54
Other	1	0
Equity investments in affiliates	6,188	6,431
For detailed information please see note 44 to the financial statements for the Group.		
Note 6. 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 tradeable.		
Note 7. 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 +2.75%	
Subsequently		
	2018	2019
Carrying value	398	398
Market value (level 2)	400	400
Interest charges	10	10

Notes to the financial statements • Parent company

(DKKm)

2018

2019

Note 8. Related parties

Possessing an ownership interest of 48.24% of the shares outstanding, Sampo plc, Fabianinkatu 27, Helsinki, Finland has a controlling influence of Topdanmark A/S.

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

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

At 31 December, Sampo plc held subordinated notes in Topdanmark Forsikring A/S	405	405
--	-----	-----

Affiliates

At 31 December, If P&C Insurance Ltd, a subsidiary in the Sampo Group, held subordinated notes in Topdanmark A/S

130	133
-----	-----

Expenses charged

32	30
----	----

Dividends received

1,850	1,380
-------	-------

Expenses are charged to cover costs incurred.

Average effective interest rate on balances is 0.00% (2018: 0.00%).

Equity investments are disclosed in the balance sheet and specified in the note on equity investments in affiliates. Balances are disclosed in the balance sheet.

Note 9. Own shares

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

Note 10. 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 11. Other disclosures

The five-year summary, in accordance with Section 91(a) of the Danish Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds, is included in financial highlights on page 3. Risk disclosures in accordance with Section 91(b) are included in "Management's review" page 13 in "Risk management" and in note 46 "Risk factors".

There have been no events in the period from 31 December 2019 until the presentation of the financial statements which could change the assessment of the annual report.

Notes to the financial statements • Parent company

Note 12. Accounting policies

The annual financial statements for 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 2018.

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 affiliates 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 affiliates is included in the income statement

under income from affiliates less any write-downs. Where investments in affiliates 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 affiliated companies is included directly in other comprehensive income items and shareholders' equity respectively.

The net asset value of affiliates 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 measurable 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 2019.

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 2019 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 2019.

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.

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

Ballerup, 20 February 2020

Executive Board:

Peter Hermann
(CEO)

Thomas Erichsen

Brian Rothemejer Jacobsen

Lars Thykier

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

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Topdanmark A/S for the financial year 1 January to 31 December 2019, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements have been prepared in accordance with 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.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2019 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions.

Further, in our opinion, the financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2019 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Business Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

At the Annual General Meeting on 12 April 2018, we were elected as auditor for Topdanmark A/S for the first time. We have been re-elected annually by the Annual General Meeting for a total period of two years up to and including the financial year 2019.

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 financial year 2019. These matters were addressed during our audit of the financial statements as a whole and in forming 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 in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Measurement of provisions for insurance and investment contracts

At 31 December 2019, provisions for insurance and investment contracts amounted to DKK 16.2bn in respect of non-life insurance contracts and DKK 70.6bn in respect of life insurance contracts of these life insurance provisions for unit-linked contracts amounted to DKK 46.9bn.

Measurement of provisions for insurance and investment contracts involves management estimates and assumptions regarding future events which materially affect the carrying amount. Consequently, we consider it a key audit matter.

Significant management estimates regarding non-life insurance provisions include:

- Determination of calculation methods and models
- Future inflation and wage rate development (workers' compensation)
- Expected future cash flows on insurance contracts
- Expected future payments for claims that occurred before the balance sheet date and expected closing of claims, especially within workers' compensation, accident and liability, including claims handling expenses.

Significant management estimates regarding life insurance provisions include:

- Determination of calculation methods and models
- Mortality, disability and reactivation rates
- Future inflation and wage rate development
- Expected future cash flows on insurance contracts.

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

Information on provisions for insurance and investments contracts is disclosed in notes 24 and 28 (provisions regarding non-life insurance contracts) and notes 25 and 26 (provisions regarding life insurance contracts).

Unit-linked contracts do not involve guaranteed returns. Consequently, we do not consider the measurement of these provisions to be associated with significant risk of material misstatement apart from risks related to the measurement of unlisted investments.

Our audit of provisions for insurance and investment contracts

Based on our risk assessment, we have examined the measurement of provisions for insurance and investment contracts performed by Management.

Our audit has comprised assessing the models, methods, assumptions and data applied by Management in connection with the calculation of the provisions.

The audit procedures performed in cooperation with our actuarial specialists included:

- Assessment and test of design, implementation and performance of key controls in the actuarial models, data collection and data analysis as well as processes for determination of assumptions
- Assessment of the methods applied using our industry knowledge and experience, focusing on changes compared to last year
- Assessment of any significant deviations in the assumptions in relation to statutory and reporting requirements and industry standards
- Assessment of assumptions about probability of mortality, disability, reactivation and expected loss experience compared with historical data and market practice
- Analysis of the development, especially run-off results (non-life insurance) and interest, risk and cost results (life insurance)
- Re-calculation of claims provisions in respect of insurance contracts in selected lines of business
- Test of reconciliations of provisions to insurance systems.

Measurement of unlisted investments

Unlisted investments include at 31 December 2019, among other things, investment properties, unlisted securities, loans and derivatives, with a total value corresponding to 18% of the Group's investment assets.

Measurement of unlisted investments involves management estimates which materially affect the carrying amount. Consequently, we consider it to be a key audit matter.

Significant management estimates include:

- Determination of valuation methods and models
- Determination of yield assumptions

- Expectations of future cash flows
- Assessment of data and information obtained from external parties as well as Management's determination of specific risks affect the fair value.

Information on unlisted investments is disclosed in notes 17, 34 and 47.

Our audit of unlisted investments

Based on our risk assessment, we have examined the measurement of unlisted investments performed by Management.

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

The audit procedures performed in cooperation with our valuation specialists comprised:

- Assessment and test of models and key assumptions applied in measuring investment properties, including test of key controls, parameters and calculations in the valuation process
- Assessment and test of key controls in the valuation process for unlisted securities, loans and derivative financial instruments, including recording and monitoring of market information and valuation reports obtained from external parties. In addition, we have tested and verified the calculations of fair values to underlying documentation on a sample basis.

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 meets the disclosure requirements of 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 responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions in accordance with the Danish Financial Business Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Business Act.

Moreover, Management is responsible for such internal control as 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 in preparing the financial statements 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.

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 additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 the financial statements.

As part of an audit conducted in accordance with ISAs and 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 in preparing the financial statements 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 note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view
- Obtain sufficient and 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 communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Based on the matters communicated to those charged with governance, we determine which matters were of most importance in our audit of the financial statements for the current period and therefore are 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 determine 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.

Copenhagen, 20 February 2020

ERNST & YOUNG

Godkendt Revisionspartnerselskab
Business Registration No 30 70 02 28

Lars Rhod Søndergaard
State Authorised Public Accountant,
MNE no 28632

Allan Lunde Pedersen
State Authorised Public Accountant,
MNE no 34495