

Solvency and Financial Condition Report 2020

Topdanmark A/S



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Topdanmark 

Summary

Topdanmark prepares one overall solvency and financial condition report (SSFCR report). It contains information on

- The Topdanmark Group
- Topdanmark Forsikring A/S
- Topdanmark Livsforsikring A/S

Topdanmark is a subsidiary of Sampo Plc, Finland. Sampo owns 47% of the share capital in Topdanmark A/S as at 31 December 2020.

Topdanmark Forsikring A/S is Denmark's second largest non-life insurance company with a market share of 16.3%.

Topdanmark Livsforsikring A/S is Denmark's fifth largest commercial life insurance company with a market share of 10.6%.

The post-tax result in 2020 was DKK 1,124m, as opposed to DKK 1,547m in 2019. For comments on the result, please see Topdanmark's annual report for 2020.

Significant business changes in 2020

A new collaboration agreement with Nordea Bank came into force as at 1 January 2020. It is a concept in which Topdanmark owns the portfolio. By the end of 2020, the collaboration agreement between Sydbank and Topdanmark on the referral of prospective customers was terminated.

In 2020, Topdanmark Livsforsikring has taken a great digital leap when launching Heap. Heap is a new digital platform for the self-employed and small businesses. In addition, Formålspension (Purpose Pension) was introduced in 2020. This is a savings product in which the customers can choose to invest all or parts of their pension in a specific purpose.

In autumn 2020, Topdanmark reorganised the CTO (Chief Technology Officer) area of the business with the aim of creating a stronger foundation for development, and an improved strategic focus on technology and execution.

For all of 2020, COVID-19 has caused changes for both Topdanmark and many other companies. Topdanmark has a healthy business model with a high spread of business activities. Therefore, COVID-19 is estimated to have had a positive impact on the claims level of approx. DKK 121m net for the financial year 2020 compared with 2019. The positive impact was on motor, travel and accident, whereas the negative impact was on income protection insurance. The COVID-19 pandemic took over the agenda on the financial markets already from the first quarter. From Mid-March to June, Topdanmark prepared weekly statements on solvency requirements and solvency cover. The Risk Committee followed the development in solvency conditions closely with first daily and later weekly reporting, until the financial markets calmed down again. Global as well as national initiatives created change and optimism during the year. Mainly during the second half of the year, it left its mark on the financial markets and thus the investment return in 2020. Despite of this, the investment return was still significantly below the level of 2019. Last but not least, Topdanmark's employees have managed to adapt to working from home, which meant that the Group has been able to maintain nearly normal operations throughout 2020, despite of isolation and sending people home.

Management system

During the reporting period, Topdanmark has established an extra key function and appointed a DPO (Data Protection Officer). Furthermore, the former Forretningsforum has been replaced by two new management fora, P/L Forum and Prioriteringsforum.

Solvency and capital requirements

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

- Non-life insurance
- Life insurance
- Market
- Counterparty
- Operational

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

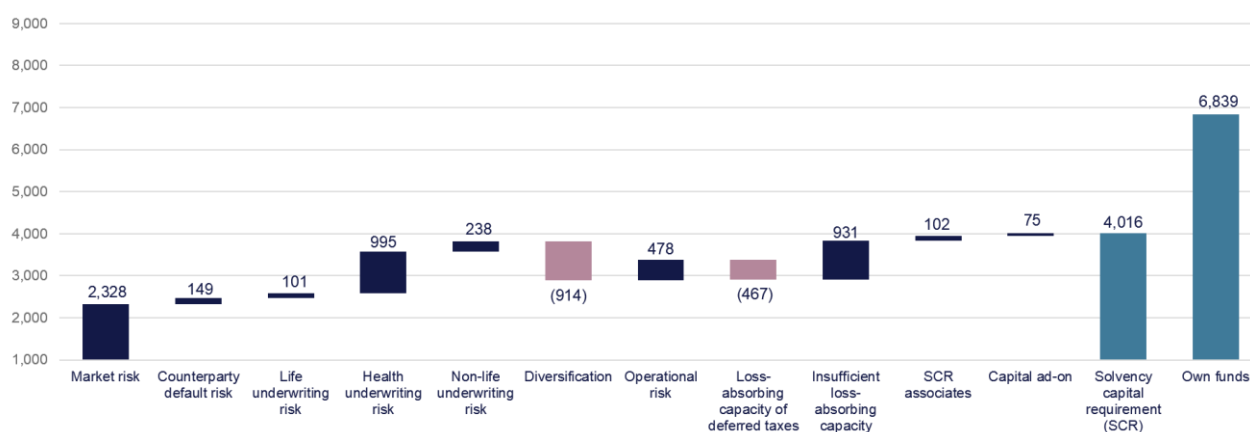
The market risks have been characterised by a significant drop in interest rates. The insurance risks have been impacted many waterpipe and fungus claims as well as smaller water damages on houses due to record high amounts of rain in spring. No major catastrophic losses have occurred in 2020.

Capital requirements and solvency own funds are calculated according to the EU's Solvency II regulatory framework and implementation in Danish legislation.

Solvency II comprises a standard model for calculating the solvency capital requirement, which is common to all insurance companies within the EU. Topdanmark Forsikring's risk profile for non-life insurance and health insurance is significantly different from and lower than the risk profile behind the standard model. Consequently, Topdanmark has therefore decided to use a partial internal model developed in-house for calculating the non-life insurance risk for Topdanmark Forsikring A/S. This model is used for calculating the solvency capital requirement for the Topdanmark Group and for Topdanmark Forsikring A/S. For other risks, Topdanmark uses the standard model. The results from the partial internal model are incorporated into the standard model, which is used for the overall calculation of the solvency capital requirement.

Topdanmark Forsikring A/S and Topdanmark Livsforsikring A/S apply the volatility-adjusted interest rate curve for calculating the technical provisions.

The solvency profile for the Topdanmark Group at 31 December 2020 can be seen below. Topdanmark's solvency cover was 170%.



Had Topdanmark not applied a partial internal model for calculating the non-life risks, the solvency capital requirement as at 31 December 2020 would have been DKK 4,772m, and the solvency cover would have been 143%.

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A: Activity and results

A.1: Activity

a) Name and form

This SSFCR report covers the following companies:

Topdanmark A/S, an insurance holding company

Topdanmark Forsikring A/S, a non-life insurance company

Topdanmark Livsforsikring A/S, a life insurance company.

b) Supervisory authority

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c) Independent Auditor

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State Authorised: Lars Rhod Søndergaard

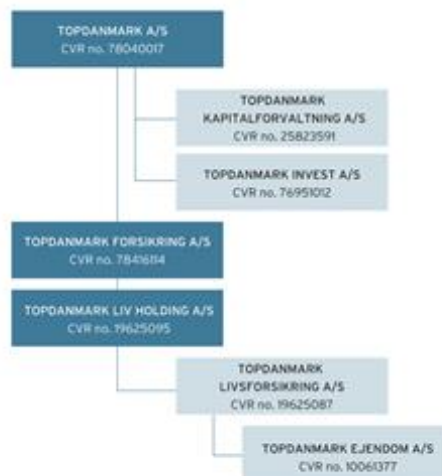
State Authorised: Allan Lunde Pedersen

d) Large shareholders

Topdanmark A/S is listed by the stock exchange and has a direct or indirect ownership share of 100% in Topdanmark's subsidiaries. Sampo plc, based in Helsingfors, Finland owns 47% of the shares in Topdanmark A/S as at 31 December 2020.

e) Organisation

A list of relevant companies is shown in the simplified business structure below. All companies are 100% owned and domiciled in Denmark.



f) Business and Geography

Topdanmark A/S

Topdanmark A/S is an insurance holding company, which activity is to own the shares in below-mentioned companies:

Topdanmark Forsikring A/S

Topdanmark Forsikring A/S runs a non-life insurance company in Denmark. The company is divided into two segments, Private and SME. The insurance business is illustrated in Segment A.2. The sales of non-life insurances takes place via Topdanmark Forsikring's own sales corps, Topdanmark Livsforsikring A/S' sales corps, and through distribution partners. The most significant distribution partner is Nordea Bank, Denmark.

Topdanmark Livsforsikring A/S

Topdanmark Livsforsikring A/S runs a life and pension fund in Denmark, including illness and accident insurances. The main segments for the company are commercial and private. The sales of these insurances is via the Topdanmark Forsikring's sales corps, distribution partners, brokers and the Topdanmark Livsforsikring A/S' sales corps.

g) Significant events

Topdanmark A/S

No comments.

Topdanmark Forsikring A/S

In autumn 2020, Topdanmark has reorganised the CTO area to create a stronger foundation for development, and an increased focus on technology and execution. The reorganisation of the CTO area is both terms of competences and fields of responsibility. The IT organisation has become flatter, and the persons responsible for delivery, operations and technology have been promoted a level, thus the central areas responsible for driving the development strategy are represented directly in the new management. The new CTO organisation is well-placed to execute Topdanmark's increased focus on development.

Topdanmark Livsforsikring A/S

In April 2020, Topdanmark took a great digital leap when launching Heap and Formålspension (Purpose Pension). Formålspension is a new ground-breaking savings product that allows customers to invest parts of their savings in purposes that matters to them. In autumn 2020, Topdanmark Liv launched Heap – a new digital platform for the self-employed and smaller businesses. The launch of Heap provides new opportunities for creating flexible and digital customer solutions both in terms of pension consultancy services and daily administration.

The core system that Topdanmark implemented in 2019 has in connection to the development and launch of Formålspension and Heap shown the flexibility and speed by which Topdanmark Liv now can launch new products and integrate new platforms.

A.2: Insurance results

Topdanmark Group

Non-Life Insurance

DKKm	Premiums earned		Claims incurred		Operating expense		Reinsurers share per LoB		Total underwriting performance direct insurance	
Underwriting performance by SII LoB	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Medical expense insurance										
Income protection insurance	1.729	1.529	1.306,3	1.200	230	199,6	-12	10	204	119
Workers' compensation insurance	708	699	431,8	405	67	67,7	-14	-29	223	255
Motor vehicle liability insurance	558	667	435,5	327	121	131,1	3	3	-1	206
Other motor insurance	1.697	1.491	916,5	922	282	244,5	1	3	497	321
Marine, aviation and transport insurance	60	57	23,7	35	7	6,9	0	1	29	14
Fire and other damage to property insurance	4.138	4.109	2.927,4	2.656	760	738,0	199	256	251	459
General liability insurance	595	592	426,2	405	84	79,6	79	-10	6	118
Assistance	248	252	101,0	171	40	39,7	0	0	107	42
Other Life insurance	0	0	0,0	0	0	0,0	0	0	0	0
Total	9.732	9.397	6.568	6.121	1.591	1.507	257	234	1.316	1.534

The technical result decreased by DKK 218m to DKK 1,316m.

Gross premiums increased by 3.6% to DKK 9,732m. Also, in 2020, premiums were negatively impacted by the termination of the distribution agreement with Danske Bank (0.5pp). However, the new distribution agreement with Nordea is off to a good start, and it is expected that distribution via Nordea will compensate for the terminated agreement with Danske Bank by 2021. The growth in illness and accident (income protection insurance) was impacted by a change in provisions for future losses caused by a strengthening of provisions in the fourth quarter 2019, and by price increases in the second part of 2020. In 2020, there was a redistribution of premiums between motor liability and comprehensive motor insurance.

The claims trend was 70.1 in 2020 compared with 67.6 in 2019.

The run-off profit, net of reinsurance, was DKK 164m (2019: DKK 433m).

In 2020, weather-related claims amounted to DKK 102m (2019: DKK 70m).

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) increased by DKK 34m to DKK 86m in 2020.

Compared with 2019, the adjusted claims trend for illness and accident improved based on price increases and other initiatives to improve profitability.

The claims trend for house insurance (included in fire and other damage to property insurance) developed negatively, and was impacted by many burst pipes, fungus claims and many small water claims in houses due to the record high amount of rain in spring. Activities for the improvement of profitability on house insurance have been initiated.

Compared with 2019, COVID-19 is estimated to have had a positive impact on the claims level of approx. DKK 121m net. The positive impact was on motor, travel and accident, whereas the negative impact was on income protection insurance.

The expense ratio was 16.3 compared with 16 in 2019.

Expenses are affected by selling expenses for Nordea and investments in digitalisation and automation.

The combined ratio was 86.5 in 2020 (2019: 83.7). Excluding run-off, the combined ratio was 88.2 (2019: 88.3).

Life insurance

Gross premiums decreased by 1.1% to DKK 10,981m in 2020, of which premiums on unit-linked pension schemes were DKK 10,216m, representing a 1.9% increase compared with 2019. Regular premiums increased by 3.6% to DKK 3,394 m in 2020, and single premiums decreased by 3.1% to DKK 7,587m.

Result of life insurance		
DKKm	2019	2020
Sales and administration	(22)	(44)
Insurance risk	23	(10)
Risk return on shareholder's equity	141	152
Result of life insurance	141	98

The result of life insurance amounts to DKK 98m compared with DKK 141m in 2019.

The sales and administration result amounted to DKK 44m (loss) compared with DKK 22m (loss) in 2019. The main reason for this development is depreciation of the new core system.

The risk result amounts to DKK 10m compared with DKK 23m in 2019. This result can fluctuate significantly from year to year as a consequence of new disability notifications and writeback and capitalisation of an asset previously written off.

Risk return on shareholders' equity amounts to DKK 152m compared with DKK 141m in 2019, and has thus increased by 8.1% compared with 2019.

Topdanmark Forsikring A/S

DKKm	Premiums earned		Claims incurred		Operating expense		Reinsurers share per LoB		Total underwriting performance direct insurance	
Underwriting performance by SII LoB	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Medical expense insurance										
Income protection insurance	1.121	1.028	760	597	181	159	3	2	178	269
Workers' compensation insurance	708	699	433	405	67	68	-14	-29	222	255
Motor vehicle liability insurance	558	667	436	328	121	131	3	3	-2	205
Other motor insurance	1.697	1.491	918	923	283	245	1	3	495	320
Marine, aviation and transport insurance	60	57	24	35	7	7	0	1	29	14
Fire and other damage to property insurance	4.138	4.109	2.931	2.660	760	739	199	256	247	454
General liability insurance	595	592	427	405	84	80	79	-10	6	117
Assistance	248	252	101	171	40	40	0	0	107	42
Total	9.125	8.896	6.030	5.525	1.542	1.469	272	227	1.281	1.676

The technical result decreased by DKK 395m to DKK 1,281m. The decrease is affected by a lower disposal result (DKK 382m (loss)).

Gross premiums increased by 2.6% to DKK 9,125m.

The claims trend was 69.1 in 2020, compared with 64.6 in 2019.

Run-off profits net of reinsurance was DKK 5m (loss) compared with DKK 377m in 2019. It is especially the run-off profits on motor liability and accident that have settled to a normalised level.

The expense ratio was 16.9 compared with 16.5 in 2019. Expenses are affected by selling expenses for Nordea and investments in digitalisation and automation.

The combined ratio was 86.0 in 2020 (2019: 81.2). Excluding run-off, the combined ratio was 85.9 (2019: 85.4).

Other comments: See above under the Topdanmark Group.

Topdanmark Livsforsikring A/S

The total result amounts to DKK 52m (loss); DKK 98m from life insurance and DKK 45m (loss) from illness/accident insurance.

Result – Life insurance		
DKK m	2019	2020
Sales and administration	(22)	(44)
Insurance risk	23	(10)
Risk return on shareholder's equity	141	152
Result of life insurance	141	98
Result of illness/accident insurance	(244)	(45)
Total result	(103)	52

The results from life insurance are described above under the Topdanmark Group.

The result of illness and accident can be divided into an investment result of DKK 78m (loss) (2019: DKK 99m (loss)) and a risk result of DKK 33m (2019: 145m (loss)). The risk result is significantly impacted by run-off results net of reinsurance for own account of DKK 169m (2019: DKK 56m).

A.3: Investment results

a) Return on investment broken down by asset classes

Topdanmark Group

The Group's total investment return for 2020 amounted to DKK 5,987m against DKK 9,481m in 2019. The return is distributed as follows:

(DKKm)	2019	2020
Group excl. life insurance*	794	426
Life insurance	8,508	5,294
Elimination	179	267
Total investment returns	9,481	5,987

*Of which DKK 1m is taken to comprehensive income for the year (2019: DKK 18m (loss)).

Topdanmark Group excl. life insurance

The investment return of the Topdanmark Group excluding life insurance was DKK 426m in 2020 (2019: DKK 794m).

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, property, and CLOs to improve the average investment return. The investment return in 2020 on the most significant asset classes is shown in the table below:

Investment return	Portfolio 31 Dec		Return 2019		Return 2020	
	2019	2020				
	(DKKbn)		(DKKm)	%	(DKKm)	%
Danish equities	0.3	0.2	60	26.6	78	30.6
Foreign equities	0.8	0.9	174	28.7	81	10.4
Unlisted equities and hedge funds	0.4	0.4	21	6.4	26	7.8
Government and mortgage bonds	16.5	15.6	350	2.1	191	1.1
Credit bonds	0.0	0.0	3	6.8	0	0.0
Index linked bonds	0.3	0.3	18	6.8	10	3.3
CLOs	0.6	0.6	22	4.0	(10)	(1.7)
Properties	1.3	1.2	83	6.9	62	5.0
Expenses, money markets etc.	1.3	2.9	(9)	(0.6)	(60)	(3.2)
Subordinated loan capital	(1.7)	(1.7)	(46)	(2.6)	(46)	(2.6)
	19.6	20.2	678	3.4	332	1.6
Asset management			116		94	
Investment return			794		426	
Return and revaluations of non-life insurance provisions			(616)		(374)	
Investment return after return on non-life insurance provisions			179		52	

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

The investment return including return and revaluation of non-life insurance provisions was DKK 52m (2019: DKK 179m).

The equity exposure was DKK 1,159m pre-tax and excluding associated companies but including the impact of derivatives. The equity portfolios are well diversified with no large individual positions. The composition of the portfolios is based on OMXCCAP for Danish equities, representing approx. 20% of the portfolio as of 31 December 2020, and the foreign portfolios are based on MSCI World DC in local currency for foreign equities.

The class “Unlisted equities and hedge funds” includes private equity positions (DKK 75m) and positions in hedge funds where the investment mandates aim at positioning in the credit market (DKK 194m).

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

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

The 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 “CLOs” primarily comprises positions in CLO equity tranches. The underlying assets of CLOs are mostly senior secured loans, while the remainder are primarily investment grade investments.

The property portfolio mainly comprises owner-occupied property (DKK 837m). The properties are valued in accordance with the rules of the Danish FSA (the Danish Financial Supervisory Authority) i.e. at market value taking into account the level of rent and the terms of the tenancy agreements. 99% of the property portfolio is currently let when adjusting for properties under construction or conversion for other purposes.

“Expenses, money markets etc.” comprises money market deposits, intra-group balances, the result from currency positions, other returns and expenses 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 discounting curve with volatility adjustment (VA) for assessing insurance provisions. The VA component comprises a corrective element for the development in pricing of Danish mortgage bonds, as well as a corrective element for the development in pricing of European business credits. The VA component was 19bp at the beginning of the year and 22bp at the end of 2020.

Topdanmark Forsikring A/S

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

Investment return	Portfolio 31 Dec		Return 2019		Return 2020	
	2019	2020				
	(DKKbn)		(DKKbn)	%	(DKKbn)	%
Danish equities	0.3	0.2	60	26.6	78	30.6
Foreign equities	0.8	0.9	174	28.7	81	10.4
Unlisted equities and hedge funds	0.4	0.4	22	6.5	26	7.8
Government and mortgage bonds	13.8	12.7	245	1.7	132	0.9
Credit bonds	0.0	0.0	3	6.8	0	0.0
Index linked bonds	0.3	0.3	18	6.8	10	3.3
CLOs	0.6	0.6	22	4.0	(10)	(1.7)
Affiliates	3.2	3.4	146	4.7	105	3.3
Expenses, money markets etc.	1.0	2.5	(7)	(0.5)	(59)	(3.7)
Subordinated loan capital	(1.3)	(1.3)	(35)	(2.6)	(35)	(2.6)
Investment return	19.0	19.6	649	3.3	328	1.7
Return and revaluations of non-life insurance provisions			(443)		(259)	
Investment return after return of non-life insurance provisions			206		70	

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 investment return adjusted for return on non-life insurance provisions was DKK 70m in 2020 (2019: DKK 206m).

Affiliates include Topdanmark Liv Holding, which is the parent company for Topdanmark Livsforsikring A/S, the property company TDP.0007 ApS, Topdanmark EDB A/S and Topdanmark EDB IV ApS.

For further comments on the table for Topdanmark Forsikring A/S, please refer to the previous section Topdanmark Group.

Topdanmark Livsforsikring A/S

From the middle of the first quarter, the COVID-19 pandemic took over the agenda in the financial markets. Markets, regions, sectors and companies were affected in very different ways – and according to a different pattern from what is typically seen in economic downturns. Some won and others lost on the pandemic, but above all, the short-term consequences seem to be manageable with the vaccines being launched at the end of the year. The inflation in Western Europe is historically low, the interest rate level has stabilised at a level which is negative regardless of the horizon, and the public purse of many countries is even more challenged. In response to the pandemic, 2020 offered a number of changes. The monetary policy and the policy mix towards fiscal policy is in for a change, the EU has initiated joint issue of bonds to finance bailout packages, and these bailout packages are focused on supporting the green transformation. Changes, mainly in the last six months of the year, left their mark on the financial markets and thus the investment return in 2020.

The following returns were achieved in 2020 by asset categories:

(DKKm)

Assets related to with-profit products	Carrying value		Return (%)*
	1 January	31 December	
Land and buildings	3,622	3,360	7.0
Listed equity investments	2,684	2,411	9.3
Unlisted equity investments	1,198	1,288	4.1
Total equity investments	3,883	3,699	7.7
Government and mortgage bonds	15,015	15,062	1.1
Index-linked bonds	951	934	3.8
Credit bonds and emerging market bonds	1,499	1,498	1.5
Total bonds	17,464	17,494	1.3
Associates	311	319	2.6
Other investment assets	(1,260)	(1,789)	0.0
Derivatives to hedge against the net change in assets and liabilities	77	575	

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

For assets related to unit-linked products, the following returns were achieved by asset categories:

(DKKm)

Assets related to unit-linked products	Carrying value		Return
	1 January	31 December	
Land and buildings	1,345	2,017	7.3
Listed equity investments	13,834	15,772	19.4
Unlisted equity investments	0	0	0.0
Total equity investments	13,834	15,772	19.4
Government and mortgage bonds	4,926	11,941	(0.2)
Indeksobligationer	0	0	0.0
Credit bonds and emerging market bonds	6,664	6,510	(0.2)
Udlån m.v.	0	0	0.0
Andre obligationer	0	0	0.0
Total bonds	11,589	18,452	(0.2)
Other investment assets	6,828	3,056	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.

Assets are presented on a consolidated basis, hence including assets owned by subsidiaries.

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

	2019	2020
With-profit	3,101	2,556
Unit-linked	18,469	20,398

b) Recognition directly in shareholders' equity

According to the Group accounting policies, no gains or losses from investment activities are recognised directly in shareholders' equity.

c) Investments in securitisation

A significant part of the Group's investment portfolios consists of securitisation with Danish mortgage bonds as they clearly dominate. The return on securitisation positions is primarily included in the return tables' lines for Government and mortgage bonds, in CLO's for Topdanmark Forsikring and Credit Bonds and in emerging market bonds for Topdanmark Livsforsikring A/S.

A.4: Results from other activities

Topdanmark Group does not have other significant activities than non-life insurance, life insurance and pension.

A.5: Additional information

Topdanmark does not run any other business than insurance and pension business with the investment activities that are normal for this type of business.

B: Management system

B.1: General information on the management system

a) Administration /management /supervision

Topdanmark A/S

The Board of Directors is the company's top management and manages the overall and strategic management of the company, determines the company's objectives, goals and strategies, and makes decisions about matters of major importance or of an unusual nature. As part of the overall and strategic management of the company, the Board of Directors shall:

- decide on the company's business model
- assess whether the company's risk profile and policies, as well as the guidelines for the Executive Board, are sound in relation to the company's business activities, organisation and resources, and the market conditions under which the company's activities are run
- assess the company's budgets / forecasts, capital, liquidity, significant dispositions, special risks and own general insurance
- provide the Executive Board with guidelines and instructions on the day-to-day management of the company
- monitor that the Executive Board performs its tasks and that the company is managed in a reassuring manner in accordance with legislation, the company's articles of association, the established risk profile, the established policies and the guidelines for the Executive Board
- ensure that the Executive Board's reporting and information to the Board of Directors is adequate for the work of the Board of Directors
- monitor that the company has effective forms of corporate governance
- when required, and at least once a year, decide on the company's solvency need (in practice, Topdanmark's Board of Directors will be based on the quarterly report take a position on solvency requirements at each accounting meeting and when required).

In addition, the Board of Directors must ensure that the bookkeeping and asset management take place and are controlled in a satisfactory manner. In accordance with section 31 of the Auditors Act, the Board of Directors has set up an audit committee. The Audit Committee has three members. All members of the Audit Committee, owing to their longstanding work in the management of listed and financial companies, possess the necessary accounting qualifications to perform the duties of the Audit Committee. The educational background of the members of the Audit Committee is Business Administration & Finance, HD Business Administration, Management Accounting & Informatics, Lawyer and cand.merc.

The Executive Board manages the day-to-day operation of the company in accordance with legislation, the policies adopted by the Board of Directors, the guidelines of the Board of Directors and any other oral or written instructions from the Board of Directors.

The Executive Board submits transactions, which according to their nature or scope are unusual, to the Board of Directors, and furthermore discusses matters of significant importance with the Chairman.

The Executive Board:

- must ensure that the company is in accordance with legislation at any time
- must ensure that all policies and guidelines from the Board of Directors are implemented in the day-to day operation of the company
- must ensure that all risk related tasks are checked
- must ensure that written and reassuring reporting on all managerial levels take place on an ongoing basis in regard to compliance on all risks
- is required to pass all relevant information to the Board of Directors
- is required to pass on the information to those responsible for the company's key functions that the Executive Board considers may be of importance for their work
- must report on the company's activities since the last board meeting

- has the day-to-day management responsibility for the company to only take dispositions which management and employees may, as appropriate, assess the risks and consequences of
- must approve the company's procedures, or appoint one or more persons or organisational units with the necessary professional knowledge to do this
- must specify in writing which measures must be implemented in connection with dismissal of key employees
- must approve the company's guidelines for the development and approval of services and new products that may cause significant risks to the company, opponents or customers, including changes in existing products, thereby significantly changing the product's risk profile.

The Executive Board shall ensure:

- that the company's accounting takes place with due observance of the legislation in this respect
- that asset management takes place in a satisfactory manner
- that the company has internal procedures for risk assessment and risk management.

Topdanmark has established five key functions: Internal auditing, Risk management, Actuary, Compliance and Data Protection. The functions are shared within Topdanmark Group with the exception of the Actuary function, where there is one Actuary function for Topdanmark and Topdanmark Forsikring A/S (TDF), and one Actuary function for Topdanmark Livsforsikring A/S (TDL). For further details see section B.3 - B.7

In addition, the following applies for Topdanmark A/S:

Topdanmark's Board of Directors comprises nine members, six of them elected at the Annual General Meeting (AGM) 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 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 AGM. 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.

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

In accordance with section 25 of the Executive Order on remuneration policies and remuneration in insurance undertakings and insurance holding undertakings, the Board of Directors has appointed a The Remuneration Committee. The Remuneration Committee has three members including the chairman of the board and an employee-elected board member. The AGM-elected members of the Remuneration Committee have, as a result of their long-standing work in the management of listed and financial companies, the necessary qualifications to make a qualified and independent assessment of whether remuneration in Topdanmark is in accordance with the remuneration policy approved by the annual general meeting and the legislation in force.

The board of directors has appointed a Nomination Committee for the Topdanmark Group. The Nomination Committee undertakes the preparatory work for the Board's decisions regarding the structure and composition of the Board of Directors. The Nomination Committee's two seats are occupied by the chairmanship of the board. As a result of their long-standing work in the management of listed and financial companies, both members of the Nomination Committee have the necessary qualifications to undertake a qualified and independent assessment of the qualifications required by the Board of Directors and the Executive Board, the structure, size and composition of the Board of Directors and the Executive Board, the current qualifications of the Board of Directors and the Executive Board, etc.

The Executive Board is appointed by the Board of Directors and had four members in this reporting year:

- a CEO, who has the overall responsibility of Group management as well as the responsibility for the division Liv, HR and Communication, Strategy and CSR, the Group Secretariat and Corporate Legal Matters
- a CFO, who has the group responsibility for Asset Management, Finance, Accounting, Analytics, Investor Relations, Statistics and Actuary, Reinsurance, Tax and Credits

- a COO, who has the group responsibility for the Private and SME, Claims Handling, Marketing and Customer Service
- a CTO, who has the group responsibility for Business Development, Project and Program Delivery, IT Architecture and Technology, IT Operations, Solution Development, and Portfolio and Performance.

The Executive Board has established the following fora for top management:

- P/L-forum with a focus on the strategic customer perspective and the commercial responsibility, and with the objective of ensuring a quick decision-making process within the most significant strategic areas within P/L: common strategic responsibility for the definition of sales, service -and agreement concepts with the cross-sectoral customer in mind, focus on three distribution channels: direct, partnerships and digital sales, a common approach to new and existing partners and suppliers for the purpose of increasing the business scope as well as common responsibility on execution in relation to the profitability framework and objective based on increased usage of data and analytics. Members of P/L-forum is the Executive Board, executive assistant and the directors for Private, Agriculture & SME, Life, and Analytics.
- Prioriteringsforum with a focus on improved prioritisation and faster execution, and with the objective of ensuring common prioritisation and coordination of development and business activities, and follow-up on deliverables. The objective of Prioriteringsforum is to obtain the best possible business effect of Topdanmark's actions and investments by setting (tactical/operational) direction and create an execution framework by having the right participants prioritise fast and efficiently on an informed basis. As well as by providing the framework and authorise efficient implementation of interdisciplinary solutions and changes which is required, and by having the participants communicate with one voice and clear management behaviour. Members of Prioriteringsforum are the directors for Private, Agriculture and Commercial, Analytics, Business Development, and Program and Project Delivery.
- Orienteringsforum (senior management forum) with a focus on mutual inspiration and information and with an objective of ensuring common understanding and conduct in relation to Topdanmark's direction, use of competencies to cover all perspectives incl. legislation, investor relations, communication, reinsurance etc. Mutual inspiration and exchange of knowledge and ideas as well as information on significant operational circumstances such as large-scale claims, long processing time, local organisational changes etc. Members of Orienteringsforum are P/L-forum Prioriteringsforum, and the directors for Non-life, Customer service, Marketing, HR, Group secretariat, Statistical Services, Asset Management, Reinsurance, Pricing, Finance & Data, IT Architecture and Technology and Internal Audit.

Topdanmark Forsikring A/S

For Topdanmark Forsikring A/S the same applies as for the Group.

Topdanmark Livsforsikring A/S

For Topdanmark Livsforsikring A/S the same applies as for the Group, Topdanmark and Topdanmark Forsikring A/S but with the following modifications/ clarifications:

- For most part of the reporting period, The Board of Directors had five members; three elected by the annual general meeting and two elected by the employees in accordance with the Danish Companies Act
- The Board of Directors meets the statutory definition of an equal gender distribution and meets Board's objective regarding the underrepresented gender on a minimum of two members of each gender in the Board, the Board having two male and three female members
- The Executive board has one member which is a member of P/L-forum, Prioriteringsforum and the Senior Management Forum
- The Executive board has appointed a management team (Livledelsen), which in addition to the CEO and the responsible Actuary comprises the managers of Compliance, Actuary, Sales, and Life Market Development.

The Executive Board has established the following fora for top management:

- Profitability forum: to ensure direction, responsibility, mandate and communication in relation to the overall management of profitability and the growth balance for Topdanmark Liv. To introduce relevant profitability

initiatives as well as ensuring follow-up on the results of these initiatives. Furthermore, ensure a strategic application of the developed profitability tools and appropriate processes.

- Customer cockpit: to ensure follow-up on operations with a focus of cross-functional knowledge sharing, coordination and management of issues. The objective is to ensure an overall view, to improve the customer experience and to continuously ensure improved operating results.
- Strategy cockpit: supporting execution of the strategy by following up on performance plans. The objective is to ensure strategic directions, execution and overview.

b) Significant changes in the reporting period

Topdanmark A/S and Topdanmark Forsikring A/S

None

Topdanmark Livsforsikring A/S

None.

c) Remuneration policy

Topdanmark A/S

(i) Principles

Topdanmark A/S has adopted a remuneration policy for the Topdanmark Group as a whole. Topdanmark's remuneration policy is intended to optimise long-term value creation at a group level and support Topdanmark's business strategy. Furthermore, the remuneration policy should strengthen the attraction, retention and motivation of qualified members of Topdanmark's management, as well ensure consistency between the interests of management, the company and shareholders. The share price reflects the value creation potential at group level. This is one of the reasons why Topdanmark believes that share-based incentive remuneration, including revolving granting of share options, ensures that management is exposed to the development of the share price and thus encourages individual managers to make decisions which support value creation as much as possible from a holistic perspective. The choice to use both short- and long-term incentive pay has been made in order to ensure a balance between short-term and long-term results.

The remuneration policy covers Topdanmark's Board of Directors, Executive Board, other employees whose activities have a significant impact on Topdanmark's risk profile ("Material Risk-takers"), and, as provided by legislation, employees involved in control functions and audit work in all financial companies and financial holding companies in the Topdanmark group.

Remuneration of the Board of Directors are based on a fixed cash amount that has been approved by the annual general meeting. The chairman of Topdanmark A/S receives triple and the deputy chairman double the fee. The Audit Committee Chairman receives a fee equal to $\frac{3}{4}$ of the basic amount, while other members of the Audit Committee receive a fee equal to half of the basic amount. Members of the remuneration committee receive a fee equal to $\frac{1}{4}$ of the basic amount. Nomination Committee members do not receive a special fee for the performance of this committee's tasks.

There is no special fee paid for holding the positions of the board of directors in Topdanmark Group's subsidiaries, as the chairman and deputy chairman receive a fee for the performance of the chairmanships of Topdanmark Forsikring A/S corresponding to $\frac{1}{2}$ % and $\frac{1}{4}$ % of the basic amount respectively, and as the employee-elected board members of Topdanmark Livsforsikring A/S receive a fixed cash amount, which is approved by the general meeting of Topdanmark Livsforsikring A/S.

The Board of Directors does not receive any share options or any form of variable remuneration in addition.

The remuneration paid to the Executive Board, Orienteringsforum and other Material Risk Takers should be competitive with remuneration at comparable companies and can be made up of the following remuneration components:

- Fixed basic remuneration
- Additional remuneration
- Pension

- Other benefits
- Employee shares
- Option-based long-term incentive programme (“LTI programme”)
- Cash- and share-based short-term incentive programme (“STI programme”)
- Extraordinary variable remuneration.

While the fixed remuneration components, including additional fees, pensions and monetary and non-monetary benefits, should primarily reflect relevant work experience and organisational responsibility, variable remuneration should primarily reflect sustained and risk-adjusted results as well as results beyond what is expected relative to the recipient’s relevant work experience and organisational responsibility.

The objective of the fixed remuneration components is primarily to give the employee predictable minimum remuneration, and in this way attract and retain employees with the required competencies.

The objective of the LTI programme and the share-based element of the STI programme is primarily to strengthen the coherence between the remuneration of management and the development in share price, and thus increase the shared interests of Topdanmark’s management and shareholders.

The purpose of the STI programme is, insofar as the cash element, primarily to ensure that the focus of the management is on central result criteria in Topdanmark’s strategy, and to remunerate satisfactory results in relation to these result criteria. Employees may not use personal hedging strategies or remuneration and liability-related insurance which would undermine the risk alignment

The fixed basic remuneration paid to the Executive Board, Orienteringsforum and other Material Risk Takers is generally set as a gross salary and within this, the employee defray the expenses for pension and/or company car, and it is based on a concrete assessment of the individual employee. At this assessment, Topdanmark assesses i.a.

1. Position
2. Personal
3. Performance

The fixed basic remuneration for the Executive Board and Orienteringsforum is reassessed annually and is determined by individual negotiations with each member of the Executive Board and Orienteringsforum on the basis of a framework set by the Board of Directors.

The Executive Board, Orienteringsforum and other Material Risk Takers may receive additional remuneration for additional work for Topdanmark, such as participation in administrative and/or managing or supervisory bodies inside or outside the Topdanmark Group, which is beyond their direct job description.

The Executive Board is not paid a special pension contribution. The remuneration takes this into account in the form of a personal supplement of 25% of the cash pay. Consequently, Topdanmark does not have any pension-related obligations to the Executive Board, and there will be no payment of pension on retirement.

Orienteringsforum and other Material Risk Takers receive a pension contribution of up to 25% of their cash remuneration. The amount is paid to the pension supplier and consequently, all pension obligations are fully covered by the pension supplier.

If specifically agreed, the Executive Board, Orienteringsforum and other Material Risk Takers can be entitled to other market-consistent benefits such as a company car, mileage allowance, insurance, telephone, PC, internet, newspaper, alarm and health screening.

If specifically agreed, the Executive Board, Orienteringsforum and other Material Risk Takers can be part of any general Topdanmark share purchase scheme.

Variable remuneration for the Executive Board, Orienteringsforum and other Material Risk Takers can be in form of

- Topdanmark's long-term option-based LTI programme which includes all members of the Executive Board and Orienteringsforum as well as, if agreed by the Executive Board, other Material Risk Takers and other employees who have made a special effort or in other ways contributed extraordinarily to the value creation in Topdanmark.
- Topdanmark's short-term and share-based STI programme which includes the Executive Board and selected members of Orienteringsforum, Material Risk Takers and other employees in accordance with the decision of the Board of Directors, and
- Extraordinary variable remuneration

The purpose of Topdanmark's LTI and STI programmes is to

- Ensure consistency between the interests of management and shareholders,
- Create coherence between remuneration and results, and
- Strengthen the attraction, retention and motivation of qualified employees

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

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

In addition to options paid to the Executive Board and Orienteringsforum in accordance with the revolving share option scheme, the Executive Board can grant up to a total of 200,000 options to employees, including other Material Risk Takers, who have made special efforts or in other ways contributed extraordinarily to the value creation. When allocating incentive pay other than options in accordance with the revolving share option scheme, it is a determining factor whether the Executive Board finds that the employee has contributed more to the overall value creation than reasonably expected considering the employee's position and salary level. The assessment of the Executive Board is based on an overall evaluation of whether the employee has met the success criteria for their position, including the value creation generated by the employee in relation to customers, employees and shareholders. Other criteria are the independence, adaptability, initiative and interpersonal skills of the employee. Recommendations for incentive pay are submitted by the divisional and service area directors to the Executive Board. The Executive Board makes the final decision based on the specific recommendations.

The options are issued at the beginning of a financial year, entitling the holder to buy or subscribe for shares in Topdanmark A/S at a strike price equivalent to the market price on the last trading date in the previous financial year plus 10%. The options may not be exercised any earlier than subsequent to the publication of the first interim results announced three years after the options were acquired. Except for cases where insider rules prevent an option holder from exercising their options at the end of the period of exercise - in which case the exercise may be postponed to the next exercise window, when insider rules no longer prevent the holder from exercising their options - the options may not be exercised any later than three banking days after the publication of the Annual Report for the previous year, five years after the options were acquired. In the intervening period, the options may be exercised up until three banking days following Topdanmark A/S' publication of its annual, half-year and interim reports.

The value of the options will be calculated on the basis of the Black-Scholes model.

In general, the options are covered by Topdanmark A/S' holding of own shares.

For the Executive Board, Orienteringsforum and other Material Risk Takers, the following applies:

- transfer of 40% (for larger amounts - in principle more than DKK 750,000 - 60%) must be made over a period of at least three years (for the Executive Board, it is four years) beginning one year after the calculation period with an even distribution over the years or with a growing share at the end of the period, and
- the options may not be sold or exercised until six months after the transfer.

The cash and share-based short-term incentive programme ("STI programme"):

Topdanmark's STI programme is a cash and share-based incentive programme which is tied up with the completion of a number of predefined goals for each member of the programme.

Participants and goals are determined by the Board of Directors based on recommendations from the Remuneration Committee and based on Topdanmark's current overall strategic and business goals, and thus they do not prompt conduct contrary to Topdanmark's CSR policy. This contributes to ensuring that the STI programme and the result criteria contribute to Topdanmark's business strategy, long-term interests and sustainability.

Individual agreements are made for each participant in the STI programme.

The STI programme includes:

- One or more financial or non-financial measurable area goals for the STI participant's division/service area such as e.g. technical result, growth, efficiency, expenses, digitalisation/automation, customer satisfaction, customer retention and establishment of partnerships.
- One or more personal goals such as e.g. employee satisfaction, collaboration across entities, management of development projects, integration of strategy and innovation.
- A company goal realised as a factor whose size depends on shared financial goals for Topdanmark such as e.g. combined ratio, cost ratio, growth in TDF/Liv or result pre/post tax for TDF/Liv

Area goals and personal goals are equally weighted so that the total sum of the goals is 100%. The content and weighting of goals are set for one year at a time.

For the financial year 2020, the Board of Directors has entered into individual STI participant agreements with every director as well as a group of Material Risk Takers.

Assessment of goal achievement and calculation of STI bonus as well as the allocation are done once a year and approved by the Remuneration Committee.

Assessment of goal achievement is based on the annual results of Topdanmark A/S. For non-financial result criteria, the assessment of goal achievement will be based on customer surveys, satisfaction surveys and qualitative interviews.

STI bonus cannot exceed 40% of the employee's fixed basic salary including pension.

Payment of STI bonus is 50% cash payment at the time of allocation and 50% shares in Topdanmark A/S. For larger amounts (generally, more than DKK 750,000), 40% is paid as a cash amount at the time of allocation, and 60% as shares in Topdanmark A/S. The number of shares is calculated based on the share price four days after the announcement of Topdanmark A/S' annual results. Transfer of the shares is deferred for three years (for the Executive Board, it is four years) from the time of allocation. When the deferred period expires, the STI participant receives cost-free shares in Topdanmark A/S equivalent to the number of allocated shares at the time of allocation, unless the number has been downgraded or removed as a result of backtesting, see the section thereon below. The transferred shares can be divested by the STI participant six months after the time of transfer at the earliest.

In general, the options are covered by Topdanmark's holding of own shares.

In special cases and on a discretionary basis, based on an assessment of the employee's contribution to the value creation in Topdanmark and taking into account the total cap for variable pay of 50% and 100%, respectively, of the employee's fixed basic salary, including pension, a one-off bonus or other extraordinary incentive pay can be awarded,

e.g. new employment compensation, bonus for a special extraordinary effort, retention bonus or other incentive pay to the Executive Board, Orienteringsforum or other Material Risk Takers.

The allocation can be granted as cash remuneration, shares in Topdanmark A/S, options to subscribe or buy shares in Topdanmark A/S, matching shares, subordinate loan, hybrid capital, other corporate debt or a combination thereof.

The allocation of extraordinary variable remuneration of the Executive Board, Orienteringsforum and other Material Risk Takers must comply with the regulations for variable pay applicable from time to time regarding deferral, retention and derivative requirements including

- a transfer of 40% (for larger amounts - in principle more than DKK 750,000 - 60%) must be made over a period of at least three years (for the Executive Board, it is four years) beginning one year after the calculation period with an even distribution over the years or with a growing share at the end of the period,
- shares, options and other share-based derivatives may not be sold or exercised until six months after the transfer,
- a minimum of 50% of the extraordinary variable remuneration at the time of calculation must comprise a balance of shares, share-based derivatives, subordinated debt in Topdanmark or other derivatives which reflect Topdanmark's credit rating to a fair extent.

Any agreements on new employment compensation, which are agreed when taking up the position and are limited to the first year of employment see section 22 of the Executive Order on Remuneration, are not included when calculating the cap for variable remuneration and are not subject to the requirements for deferral, retention and derivative of the Executive Order, provided that Topdanmark has a sound and solid capital base at the time of allocation.

With the approval of the Board of Directors, specific terms can be provided for

- Expiration of the incentive scheme, including expiration in the case of a participant resigning
- Accelerated maturation or realisation, or adjustment of incentive pay in the event of full or partial take-over, significant divestment, demerger, merger etc. or
- Adjustment of performance targets etc. in the event of changes in the capital structure, dividend distribution or other significant events which otherwise could negatively impact the value, or the effect of the incentive pay.

In compliance with legislative requirements from time to time, the Board of Directors or the Executive Board can decide, specifically or in general, that in the case of variable remuneration not exceeding DKK 100,000 a year, the requirements for deferral, retention and derivative of the Executive Order can be disregarded.

To the extent that directors, members of Orienteringsforum or other Material Risk Takers receive remuneration in the form of variable pay, the remuneration will be treated in accordance with the rules applicable to variable pay from time to time, which in addition to deferral, retention and derivative requirements include that:

- Topdanmark may, in whole or in part, cancel to pay or transfer deferred variable salary if Topdanmark does not comply with applicable capital or solvency requirements at the time when the transfer/payment should have taken place, or if the Danish FSA estimates that there is an obvious risk thereof,
- the employee's claim for payment/transfer lapses if the Danish FSA requires a restoration plan drawn up in accordance with the rules in force,
- payment/transfer is subject to the criteria which have formed the basis for the calculation of the variable salary still being met at the time of payment/transfer,

- payment/transfer is subject to the employee not participating in or being responsible for any conduct that has resulted in significant losses for Topdanmark or has not complied with appropriate requirements for integrity,
- payment/transfer is subject to Topdanmark's financial situation not materially deteriorating compared with the time of calculation of the variable salary,
- the employee is obliged to reimburse/return the variable salary in whole or in part, if paid/transferred based on information on results that can be documented as being erroneous and in which the employee is in bad faith.

(ii) Criteria for the allocation of share options and variable salary elements

See (i) above.

(iii) Early retirement or supplementary pension schemes

There are no such schemes.

d) Significant transactions between the company and shareholders or members of management

Please see Topdanmark's Annual Report note 33 'Related parties'.

B.2: Suitability and integrity requirements

a) Skills, knowledge and expertise

The persons discussed in the following include the Executive Board of Topdanmark as well as the managers for the five key functions, Internal Audit, Actuary, Compliance, Data Protection and Risk Management.

In order to perform the functions of Topdanmark's Executive Board, there is no formal requirement for an academic education, but the tasks are of such a complexity that an academic education or equivalent experience is necessary.

Topdanmark's internal audit policy states that the appointment of the Group's chief auditor is done by the Board of Directors. The policy also defines the scope of the chief executive's duties and obligations. The audit manager must have a theoretical education equivalent to what is required to be an approved auditor.

The functional descriptions for the other functions, Actuary, Compliance, Data Protection and Risk Management, require a higher education or the equivalent, for example, as an actuary / statistician, economist or lawyer.

b) Process for assessment of suitability and integrity

Prior to occupying positions within Topdanmark's Executive Board, a thorough personality assessment of the person will be carried out.

Topdanmark's Executive Board has reported fit & proper forms to the Danish FSA. In addition, the Executive Board declares to the Board of Directors at least once a year that they continue to meet the requirements for suitability and integrity.

Furthermore, the managers of the five functions have reported fit & proper forms to the Danish FSA to the extent that they have been appointed after the rules hereon have entered into force.

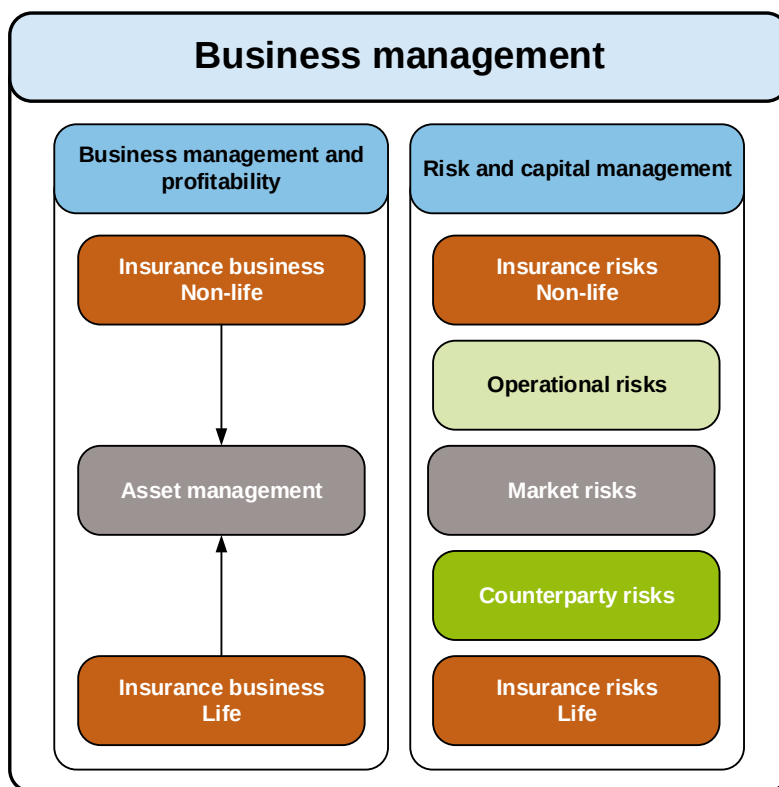
In the policy for internal audit, detailed requirements have been laid down for the chief auditor's duty of confidentiality and impartiality. The policy is reviewed at least once a year and approved by the Board of Directors.

From the descriptions for the managers of the four other functions, it appears that the person in connection with the annual evaluation to the Executive Board must agree with the continued compliance with the fit & proper requirements.

B.3: Risk Management

a) Strategies, processes and reporting procedure

The starting point for Topdanmark Group's and the individual companies' risk management is to assume insurance risks. Under the umbrella of business management, two parallel and integrated processes are carried out:



Acceptance of insurance risk takes place in the divisions Private and Agriculture-SME in Topdanmark Forsikring A/S as well as in the Life Division in Topdanmark Livsforsikring A/S via sales and renewal of insurance policies. This is done through various business processes in order to create continued profitability and long-term value for the company's shareholders.

In parallel, Topdanmark assumes a market risk, as the customers' money and the company's equity are invested in different investment assets.

Finally, Topdanmark is exposed to a counterparty risk through the risk-limiting measures taken when buying reinsurance and hedging via financial instruments.

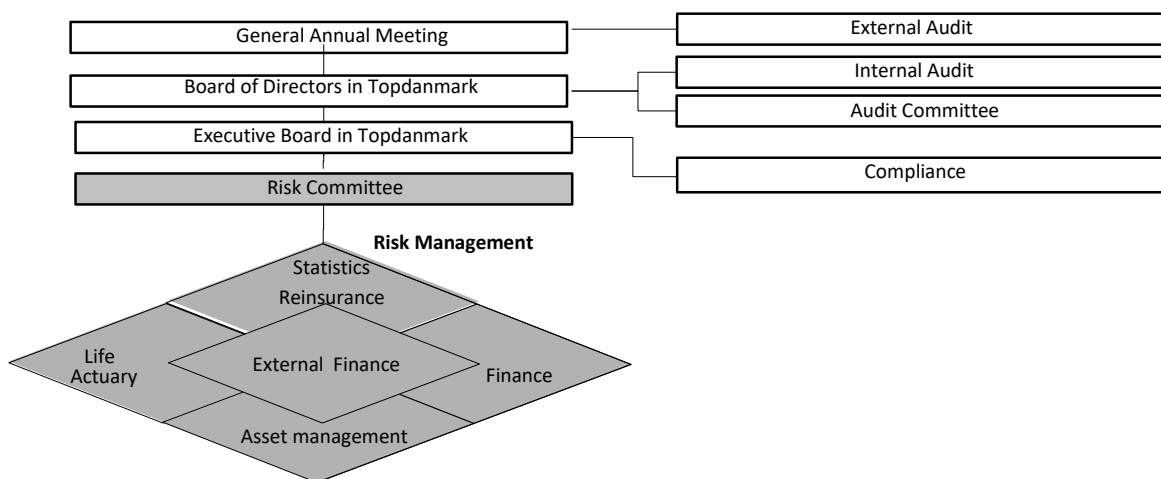
The Board of Directors has drawn up a risk management policy, the aim of which is to:

- there is always a well-founded basis for decisions for the day-to-day and strategic management of the company
- the risks arising from the company's activities are hedged or limited to such a level that Topdanmark can maintain normal operations and implement planned measures even in the case of a highly unfavourable events
- the risk of unnecessary loss is minimised
- the company manages to understand and manage risks, thereby creating competitive advantages
- Topdanmark can communicate convincingly and accurately, thereby creating trust among the Group's stakeholders
- The risk management process is adapted to Topdanmark's business and risk profile.

The risk management policy is the overall framework for all risk-related policy areas as shown below for both business management and risk management:

Control of business and profitability	Risk and capital management
<ul style="list-style-type: none"> Insurance policy for non-life and life <ul style="list-style-type: none"> Acceptance policy - including large risks and cumulative risks Reinsurance policy and other risk hedging (ALM, derivatives etc.) Claims handling policy Investment policy for non-life and life <ul style="list-style-type: none"> Investments risks Liquidity risks Savings risk Counterparty risk for non-life and life Data policy for non-life and life Policy for Fit & Proper - including resources, competences and remuneration Policy for the use of the internal model in non-life 	<ul style="list-style-type: none"> Framework for the risk management system, requirements for the actuarial function in Topdanmark and reporting requirements Insurance risk – provisions and cash flow expectations Policies for the internal model - changes, management and validation as well as procedures for business analyses (UW) and provisions Policy for operational risk – contingency plans, outsourcing and reputational risk Policy for compliance - internal control, requirements for organisation and delegation of documentation requirements, principles for self-evaluation and framework for incidence register, control, reporting and compliance function Policy for IT security incl. addendum on applied IT incl. emergency plans Policy for ORSA Policy for internal accounting and internal audit Reporting policy Policy for the Loss Absorbing Capacity of Deferred taxes

At Topdanmark, the boards determine the overall risk policies, tolerances and limits. Based on this framework, risk management is coordinated as a cross-cutting function. The risk management function receives input from the decentralised risk management units with responsibility for insurance risks and market risks, respectively. The decentralised risk management units refer to the Risk Committee.



The risk management function is responsible for:

- creating a group-wide risk picture and calculate/report solvency capital requirements and other risk reporting to the Danish FSA
- preparing and updating risk management policies
- identifying and assessing new risks
- The Risk Committee receives all information necessary to assess significant risks

- ensuring the use of the internal model including the approval process for changes and validation of the results from the internal model
- preparing capital plans and emergency capital plans for the group and per company as well sensitivity analyses in key areas
- implementing own risk and solvency assessment process (ORSA)
- advising Group Management and Risk Committee on risk management in relation to strategic, tactical and operational areas
- informing the Board of Directors, the Executive Board, managers and other key persons about risk management and understanding of the SCR standard model.

The risk management function is responsible for a partial internal model that is used for non-life and health insurance. The model is run in Topdanmark Forsikring. A model committee is responsible for the operation and development of the model. A data committee is responsible for data for the model. The model committee reports to the Risk Committee, which reports to the Executive Board. Major model changes must be approved by the Danish Financial Supervisory Authority. All essential elements of the model are validated by persons who are independent of the operation and development of the model and who have relevant competencies. Contents and results of the validation are reported to the Board of Directors. The main application areas of the model are as a calculation tool in connection with performing impact assessments of alternative reinsurance programmes, interaction with the forecasting process, capital costs and SCR statements.

b) Integration and application

The risk management system is based on knowledge about insurance products and the risks these products entail of market and actuarial nature. Products are based on insurance needs on the market, while the tariffs are primarily based on risk experience, but also relate to the competitive situation on the market.

The Risk Committee regularly monitors the Group's and the individual companies' risks. The risk management function prepares at least quarterly new solvency statements for the Group and for the individual companies' solvency capital requirements. In addition, the solvency capital base and capital plan for the Group and for each individual company are also calculated. These statements are treated in the Risk Committee and in the boards on an ongoing basis.

New risks or significant changes in existing risks are regularly addressed in the Risk Committee. The risk management function is informed about new products before they are implemented and, if necessary, submitted to the Risk Committee before implementation.

The risk in the insurance products is continually monitored by the actuarial functions, which are also responsible for ensuring that the insurance provisions are adequately calculated in accordance with the actual obligations and the applicable accounting rules.

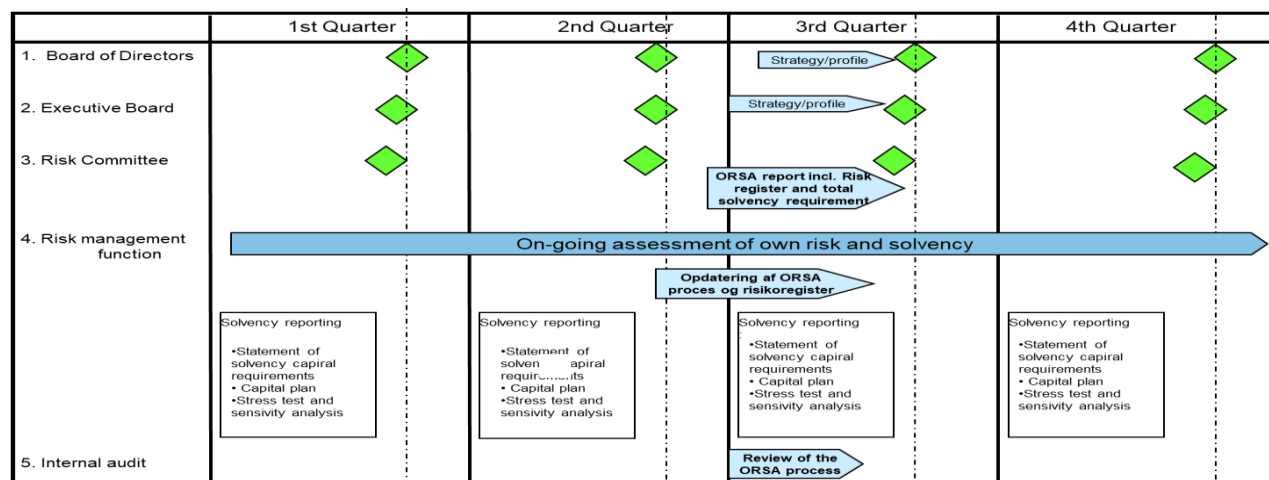
A crucial part of risk management lies in the group's and the individual companies forecasting processes, in which the Executive Board as well as the executive boards of the individual companies, division managers, actuaries and financial managers ensure a realistic bid for stock development and the expected level of result at least one year ahead as a crucial element in the capital plans.

For risk management, the reinsurance programme for non-life insurance, the bonus potentials in life insurance and hedging via financial instruments are the decisive elements that limit the risk and are a prerequisite for the levels of solvency calculation, solvency capital and the security of the capital plan.

B.4: Assessment of own risk and solvency

a) ORSA process

The table below illustrates Topdanmark's ORSA process, including handling in the Board of Directors, the Executive Board, the Risk Committee and the Risk Management function. Furthermore, the connection to solvency statements and capital plans is shown below:



ORSA is an ongoing process which includes all departments and is formalised within the risk management function. The results are processed in the Risk Committee, the Executive Board and the Board of Directors.

The ORSA process focuses on the accumulation of risks, which are made visible and, if possible, quantified in the risk register. The risk register is updated annually, but the collection of input for updating is an ongoing process through the handling of new or changed risks in the Risk Committee. Formalised information about new or changed risks is collected from the management team that refers to the Executive Board. These are accumulated in a risk matrix in which they are placed according to probability, and impact on the bottom line. Collection and the annual update of the risk register take place prior to the Board's consideration of ORSA.

b) ORSA report

The Group ORSA report includes risk for the entire Group. In connection with the ORSA policy, Topdanmark's Board of Directors has given instructions to the Executive Board regarding issues that must be given special attention. The ORSA report is the Executive Board's reporting to the Board of Directors based on this instruction. The ORSA report is prepared in the risk management function and is dealt with in the risk committee and the Executive Board, before it is considered by the Board of Directors prior to submission to the Danish Financial Supervisory Authority.

c) ORSA statement

In ORSA, Topdanmark takes its starting point in the risk register, where risks are described and, if possible, quantified.

The risk register describes how risks are calculated in the SCR statements. Topdanmark uses the standard model, with the exception of non-life and health insurance in Topdanmark Forsikring, where the risk is calculated via a partial internal model. This is because Topdanmark Forsikring's risk profile for non-life and health insurance varies considerably and is lower than the risk profile of the standard model. In addition, there is an assessment of the risks that are not included in the SCR statement, but which are hedged via business procedures or the like.

Market risks (investment risks) are the biggest risks in both non-life and pension insurance. The investment activities are managed by Topdanmark Asset Management based on the risk limits set by the boards of the individual companies. The risk is monitored continuously and reported to the risk management function, which accounts for the overall risk and solvency picture.

B.5: Internal Control System

a) Description of the internal control system

Topdanmark has the necessary internal controls and procedures to ensure compliance with laws, policies and administrative rules and to ensure efficient operation and quality. The internal controls translate into a wide range of initiatives, such as written business procedures, descriptions, separation of functions between executing and controlling departments and restrictions on authorisations, controls in sales and administrative systems, and random checks. The individual business and staff functions are responsible for implementation and follow-up of internal controls in the company.

Internal control in Topdanmark is part of all processes and is focused on:

- Information and data
- Product development
- Marketing and sales
- Claims handling
- IT
- Reporting and follow-up.

The control intensity is adapted to the individual areas, taking into account the nature and significance of the individual risk. The overall responsibility for the execution of the controls is with the Executive Board, which has delegated the day-to-day responsibility to the risk management function, from which the Executive Board receives reporting via the Risk Committee. In addition, the compliance function monitors the execution of the controls.

b) Description of the Compliance function

Topdanmark runs the company in compliance with existing legislation, and decisions are made in accordance with case law and internal rules. The company continuously identifies, assesses, monitors and reports on risks related to compliance, and the company acts in a timely manner to ensure that the organisation is ready for any changes.

The compliance function has prepared a compliance policy which has been approved by the Board of Directors and annually prepares a compliance plan. The compliance policy is part of the policy for operational risks, compliance and internal control. It defines responsibilities, competencies and reporting obligations for the compliance function. The compliance plan contains planned activities for a calendar year and is prepared, i.a. based on identified compliance risks.

The compliance function ensures compliance with existing legislation, case law and internal rules. This is done by setting requirements for business procedures and internal checks. The compliance function controls and advises the respective divisions and service areas through 19 decentralised compliance units.

The compliance function holds annual status meetings with each compliance unit and conducts compliance reviews of the various divisions and administrative departments on an ongoing basis to ensure proper preparation and compliance with external and internal rules. The compliance function reports to the Executive Board and the boards of the individual companies in the Topdanmark Group on significant developments and events that may have or already have an impact on the company's earnings or expenses. In addition, the compliance function reports to the Audit Committee in Sampo plc.

B.6: Internal Audit

a) Description of the Internal Audit Function

Topdanmark has established an internal audit function and internal accounting. The head of internal audit has been appointed by the Executive Board as being responsible for the key functions internal audit. Internal Audit and Internal Accounting largely coincide, so the functions are performed together.

Internal Audit carries out its tasks based on the Internal Audit and Accounting Policy approved by the Board of Directors and the audit agreement concluded with the external audit, which describes the division of tasks between internal and external audit.

Internal Audit should

- assess whether the internal control system and other parts of the management system are appropriate, efficient and reassuring
- be objective and independent of the company's operational functions
- include all significant areas of activity and be risk-based.

Each year, Internal Accounting submits an audit plan to the Board of Directors and the Audit Committee. The plan is based on a risk assessment and ensures that the audit performed by Internal Audit includes all significant and risky areas of activity,

Internal Audit reports directly to the Audit Committee four times a year on how the company's risk management, compliance function, business procedures and internal controls in all significant and risky areas are organised and functioning in a safe manner. Reporting to the Audit Committee comprises sub-conclusions of the audit projects carried out during the year and any observations made to the business. Internal Audit also reports to the Board of Directors via the submission of at least two audit records during the year with the conclusion of the audit carried out during the year and a yearly report in connection with the presentation of the financial statements and summary of any comments/recommendations made to the business.

b) Independence and objectivity

The independence and objectivity of internal auditing are protected by the fact that Internal Audit is not responsible or empowered to perform operational controls or other parts of the control environment. In addition, the auditor and Internal Audit staff must not participate in tasks that may cause the chief auditor to come into a situation where he or she declares or discloses matters or documents for which the auditor or the employees have prepared the basis.

The planning of the audit must aim at a rotation of audit tasks between the individual employees in Internal Audit within a 3-5 -year period, however, taking due account of competencies and efficiency.

Only the Board of Directors may appoint or dismiss the chief auditor. Furthermore, the annual budget and resource requirements for Internal Audit are examined in the Audit Committee and approved by the Board of Directors. Internal Audit thus functions independently of the day-to-day management. The head of internal audit does not receive any form of variable remuneration.

The Head of Internal Audit is evaluated annually by the audit committee and the external audit.

The Audit Committee makes an annual assessment of:

- the independence, objectivity and competencies of the Head of Internal Audit
- the cooperation between Internal Audit and External Audit
- internal audit reporting.

The external audit also makes an annual assessment of:

- whether the tasks agreed under the audit agreement have been completed, as well as

- whether the Internal Audit functions satisfactorily, including whether the External Audit has become aware of issues that individually or combined invalidate that the internal audit functions independently of the day-to-day management.

The external audit assesses - based on materiality and risk in the individual areas – the work of the internal audit including:

- whether the work has been carried out in accordance with the audit plans prepared by internal audit, etc.
- whether the quality management has been satisfactory
- whether the prepared documentation can form the basis of the conclusions made
- whether the prepared reports and audit records are consistent with underlying work papers
- whether sufficient follow-up has been done on relevant issues.

B.7: Actuarial function

Topdanmark Group

Please see Topdanmark Forsikring A/S and Topdanmark Livsforsikring A/S.

Topdanmark Forsikring A/S

The actuarial function is a staff function, where the chief actuary refers to the CFO of Topdanmark Forsikring A/S. The most important responsibilities of the function are the following:

- Calculation of provisions, profitability reporting, and the implementation of new accounting standards
- Pricing analysis
- Specialist function Workers' Compensation, including customer profitability models for workers' compensation
- Analysis of reinsurance needs and pricing structure for reinsurance contracts
- Capital modelling (internal model)
- Machine Learning.

The actuarial function is an active part in the budget and forecasting work and participates in steering groups, decision groups and project/analysis groups on projects where actuarial competencies are relevant.

As the head of the actuarial function, the chief actuary must ensure that the actuarial function performs the tasks in a safe and efficient manner. The chief actuary must ensure that when employees from Statistical Services, perform tasks for the actuarial function, they do not check/evaluate tasks or functions they themselves have performed.

Under Solvency II, the chief actuary is a member of the Risk Committee and chair of the model committee. The chief actuary also appoints an employee from the actuarial function to the chair in the data committee.

Topdanmark Livsforsikring A/S

The actuarial function in Topdanmark Livsforsikring A/S acts as a central unit in the company's risk and control system. The function's main areas of responsibility the following:

- Statements of the technical provisions
- Contribute to assessment of own funds
- Contribute to the calculation of solvency capital requirements
- Ensure that the actuarial part of the financial statements is true and fair
- Ensure that the company complies with its technical foundation
- Ensure that the technical foundation is reassuring and reasonable
- Ensure that the distribution of results meets the contribution announcement
- Ensure that the bonus policy conducted is reasonable and sound
- Preparation of the necessary actuarial analyses and statements.

The head of the actuarial function must ensure that the actuarial function performs the tasks in a safe and efficient manner. This includes ensuring that when employees of the Actuarial function, Business Analysis and Calculating Office perform tasks for the actuarial function, they do not check / evaluate tasks or functions they have performed themselves. The head of the actuarial function refers to the company's CEO and is a member of both the Risk Committee and the Audit Committee for the company.

B.8: Outsourcing

According to the companies' policy for outsourcing, outsourcing of all significant areas of activity must be decided by the Board of Directors. According to the policy, the Executive Board must ensure that outsourcing always complies with current legislation. The Group has outsourced the following critical or important operational functions that are left to companies outside the Group:

- Agreement on lease of mainframe capacity with associated outsourcing of batch settlement. The tasks are managed from Denmark and Hungary.
- Agreement on handling customer service, claims handling and administrative tasks. The tasks are handled from Lithuania and India.
- Agreement on backup of decentralised data. The tasks are managed from Denmark.
- Agreement on cloud solution for handling emails and documents. The tasks are managed from Ireland, the Netherlands, Austria and Finland.
- Agreement on cloud solution for storing data and operating web applications. The tasks are managed from Ireland and Germany.
- Agreement on the operation of SaaS platform for handling insurance registrations and claims handling of special insurance portfolios in Topdanmark Forsikring. The tasks are managed from Denmark and Ireland.
- Agreement on 24-hour service handling and checking of telephone inquiries from customers in Topdanmark Forsikring. The tasks are managed from Denmark.
- Agreement on operation and maintenance of an IT system for handling the entering new insurances in Topdanmark Livsforsikring A/S. The tasks are managed from Denmark.
- Agreement on cloud solution for handling health claims in Topdanmark Livsforsikring A/S. The tasks are managed from Denmark, Lithuania, Ireland and the Netherlands.
- Agreement on claims handling in connection with floods. The tasks are managed in Denmark.
- Agreement on operations of SaaS platform for data warehouse solutions. The tasks are managed from Ireland.
- Agreement on operations of SaaS platform for analytic purposes. The tasks are managed in Israel and Ireland.
- Agreement on cloud-based IT platform for statistic modelling. The tasks are managed in England.
- Agreement on claims handling in connection with travel. The tasks are managed in Denmark.

B.9: The risk-related adequacy of the management system

The Board of Directors' work plan ensures that the Board of Directors, the Audit Committee and the Executive Board conduct an overall assessment of risks in connection with the financial reporting process at least once a year. In this connection, the Board of Directors assesses specifically the Topdanmark Group's organisation in respect of

- Division into organisational units
- Separation of functions or compensating measures
- Procedures for handling and preventing conflicts of interest
- Business procedures / work descriptions / contingency plans / systems / other tools
- Accounting and forecasting organisation
- Risk assessment and risk management
- Internal control
- Transmission of powers including outsourcing and procura
- Reporting
- IT organisation and IT security
- Communication across the company
- Diversity
- Compliance.

Topdanmark's risk management function is responsible for the on-going risk management complemented by the forecasting process.

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, Life Actuarial Services and Financial Management. The Risk Committee reports and makes recommendations to the Board of Directors via the Executive Board.

The forecasting process includes the Executive Board and the next management level et al. The purpose of the forecasting process is to ensure a profitable healthy business, which is a crucial element for risk management and capital plans. On this basis, it is estimated that the Group's management system is adequate in relation to the nature, extent and complexity of the risks associated with the Group's business.

B.10: Other significant information

No additional significant information to add.

C: Risk Profile

C.1: Insurance Risks

C.1.1. Risk exposure

a) Assessment of insurance risks

Topdanmark Group

Please see Topdanmark Forsikring A/S and Topdanmark Livsforsikring A/S.

Topdanmark Forsikring A/S

To ensure profit at both product and customer level, Topdanmark systematically monitors the development of the products and the individual customer stocks.

Provisions are calculated on a monthly basis, and claims trends are carefully assessed when the profitability reports are updated in direct extension of the monthly provision calculations. This is followed by price adjustments if necessary.

For the private market, customer rating is used. Customers are divided into groups according to the expected profitability level. The customer rating ensures the balance between the individual customer's price and risk. This aims to ensure that no customers pay too much to cover losses from customers paying too little.

For individually registered customers in the agricultural and commercial markets, the follow-up takes place through a combination of systems that assess the customers' historical profitability and customer score.

The administrative systems are continually being expanded to achieve an increasingly more finely meshed data collection. This is done in order to be able to continuously improve pricing and gain an even better insight into how the various types of claims are composed.

There have been no significant changes in the portfolio and customer stocks during the reporting period.

Topdanmark Livsforsikring A/S

There is ongoing focus on the result of the solvency statement and the movements in the individual risks, including the development of the loss absorbing buffers that can cover the customers' risks. The scenario-based solvency capital requirement is calculated quarterly. When deemed necessary as a result of market developments, the frequency of statements is increased and, if necessary, the number and type of scenarios are increased.

In addition, trends in claim levels at product level are assessed in connection with calculation of provisions for accounts, and profitability models are used systematically as a follow-up on customer and stock levels. This is used to ensure the necessary price adjustments.

Business procedures and procedures in all critical areas are reviewed regularly by the audit for the purpose of assessing risks and recommendations for mitigating the individual risks.

There have been no significant changes during the reporting period.

b) Significant insurance risks

Topdanmark Group

Please see Forsikring A/S and Topdanmark Livsforsikring A/S.

Topdanmark Forsikring A/S

The most significant risks for Topdanmark Forsikring A/S are catastrophic risks and the development of claims provisions for personal compensation, especially workers' compensation.

For the catastrophic risks, the main risks are storms, cloudbursts, fires and terror, the latter not likely but in consequence if the event occurs. Topdanmark has a comprehensive reinsurance programme that ensures the desired risk reduction for disasters.

For the claims provisions, the most significant risks are judicial decisions or changed awarding practices of the Labour Market Insurance Company, which can change claims practice back in time and thus increase the claims from earlier periods.

Risk concentrations in relation to storms, cloudbursts and fires are at the same level in 2020 as in 2019.

Topdanmark Livsforsikring A/S

The most significant risks for Topdanmark Livsforsikring A/S are the following:

- Limited loss absorbing buffers at low interest rates
- Disability, which is the risk of increasing invalidity intensities or decreases in reactivation rates
- Longevity, where customers with life insurance policies live longer than expected
- Pandemic which affect the age group in the company's group life insurance portfolio.

Falling interest rates and continuously low interest rates combined with extended longevity are a major risk to insurances with performance guarantee as there will be a reduction in the individual bonus potentials used for loss absorption.

When an event occurs, the effect on the bottom line will depend on the stock's loss absorbability. Many events will not hit the bottom line, as losses (customer share) can often be absorbed into buffers consisting of collective and individual bonus potentials – i.e. the loss is covered by the customers themselves.

Events that affect the health and accident business will have bottom line effects in the same way as other claims products.

Extraordinary costs caused by a pandemic affecting the age group in the company's group life insurance portfolio should be financed by shareholders' equity.

Apart from the consequence of the weaker loss absorption due to the drop in interest rates, there has been no significant shift in the insurance risks during the reporting period. Because of the Corona pandemic, the company has added a pandemic affecting the age group in the company's group life insurance portfolio as a significant risk.

c) Investments by the prudent person principle

Please see to section C.2.1.c.

C.1.2. Risk concentration

Topdanmark Group

Please see Topdanmark Forsikring A/S and Topdanmark Livsforsikring A/S.

Topdanmark Forsikring A/S

There is a real coincidence between risk concentrations and catastrophic risks. In terms of risk, risk concentrations are handled through reinsurance - see the section on risk reduction.

Topdanmark Livsforsikring A/S

There is a real coincidence between risk concentrations and catastrophic risks.

In terms of risk, risk concentrations are handled through reinsurance - see the section on risk reduction.

C.1.3. Risk reduction

Topdanmark Group

Please see Topdanmark Forsikring A/S and Topdanmark Livsforsikring A/S.

Topdanmark Forsikring A/S

Risk reduction takes place on different levels:

- Collection of data on risk conditions and claims history
- Application of collected and processed data in profitability reporting, risk analyses and in the internal model
- Ongoing follow-up on the development of the risk and quarterly forecasts for the forward-looking risk development
- Correct pricing using statistical model tools including customer rating tools
- Reinsurance cover that mitigates the risk especially for catastrophic losses
- Continuous follow-up of the risk overview and the reinsurance cover in the Risk Committee.

Topdanmark applies an approved internal model for determining the capital requirement for the current insurance risk (non-life insurance).

The internal model describes the premium risk, the provision risk and the effect and adequacy of all significant reinsurance cover, including the average risk corresponding to the forecast and the 200-year risk that defines the capital requirement.

Risk reduction of catastrophic risks via reinsurance

Topdanmark hedges the insurance risk for significant claims events with a comprehensive reinsurance programme.

Storm and cloudburst

Damages caused by storm are covered up to DKK 5.1b of which retention amount to DKK 100m. Snow pressure, thaw and cloudbursts are also covered. Reinstatement for the part of the cover that is spent is capitalised upon payment of the reinstatement premium. In case of another storm in the same year, another DKK 5.1b are covered of which retention amount to DKK 100m. At a third and fourth storm, up to DKK 670m is covered, of which retention amount to DKK 20m, if the events occur within the same calendar year. In addition, there is the coverage that has not already been hit twice by the first two storms. The coverage on the third and fourth storms is conditional on the storm programme not previously being affected by two individual storms, each exceeding DKK 2.917b. The storm programme is renewed on 1 July.

A specific coverage for cloudbursts of DKK 100m comes into force if the accumulated annual cloudburst claims exceed DKK 50m. Accumulation of the individual cloudbursts presupposes that the individual event exceeds DKK 10m. The maximum retention at an extreme cloudburst is DKK 75m with addition of the reinstatement premiums.

Fire

Topdanmark has a proportional programme for fire with a maximum retention per ceded risk of DKK 25m.

Terror

Within certain limitations, terrorism is covered by the reinsurance contracts. As at 1 July 2019, a new terror insurance scheme entered into force to replace the previous terror insurance pool. The new terror insurance scheme is similar to a cloudburst compensation scheme, and just as the previous scheme it includes losses arising from NBCR terror on property, movables, railway vehicles, motor vehicles and ships. NBCR terror is terror using nuclear, biological, chemical, radiological weapons. Compensation under the law will be paid by the government in accordance with common conditions prescribed in a ministerial order set by the Minister of Business and Industry. In order to receive compensation, the damaged objects should be insured against fire.

The law is administered by a terror insurance council in collaboration with the Danish FSA.

Workers' Compensation

Workers' compensation covers up to DKK 1b with retention of DKK 50m.

Cumulative risk

With known cumulative risk, it is recognised in advance that several policyholders may be affected by the same event. Retention in the private insurance amounts.

The monitoring of whether the risk reduction methods are still effective is i.a. through continuous follow-up of the risk overview and the reinsurance cover in the Risk Committee.

An important tool for follow-up is Topdanmark Forsikring's internal model for insurance risk (claim), which, in parallel with the forecasts, follows up on profitability in all industries, including the uncertainty of the expected result. The internal model also assesses the effect of the reinsurance programme by the quarterly updates with the latest known exposure in the internal model.

Before the renewal of the main reinsurance covers, the structure of the current protection is assessed, and alternatives to the current programme are established and evaluated to ensure that Topdanmark has the desired and optimal reinsurance protection in relation to the risk appetite.

Topdanmark Livsforsikring A/S

The following methods in risk reduction is applied for Topdanmark Livsforsikring A/S:

- 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
- Reinsurance
- 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
- Tightening of entry requirements
- Establishing business procedures that ensure that the products are sold at the right price / risk mix
- Changes in terms that contribute to risk mitigation for similar claims in the future.

The monitoring of whether the risk reduction methods are still effective is i.a. via continuous follow-up of the risk overview and reinsurance cover in the Risk Committee and via the on-going follow-up on forecasts and budgets.

C.1.4. Liquidity risk

Please see section C.4.

C.1.5. Risk sensitivity

Topdanmark Group

Please see Topdanmark Forsikring A/S and Topdanmark Livsforsikring A/S.

Similar tests are carried out at group level, as mentioned under the subsidiaries. The Solvency Capital Requirement for the Group remains met by these tests.

Topdanmark Forsikring A/S

The following essential stress tests / sensitivity analyses regarding insurance risks were performed on the Solvency Capital Requirement and / or on the own funds:

For selected insurance industries, sensitivity analyses have been performed for the stochastic parameters by changing the underlying standard deviations by 5%, while those for the stress tests have been changed by 50% in the upward direction.

For the deterministic parameters, sensitivity analysis was performed by increasing the number of policies by 5% and stress testing by increasing the number of policies by 10%.

The Solvency Capital Requirement remains met by these tests.

Topdanmark Livsforsikring A/S

The following are the main stress tests / sensitivity analyses regarding insurance risks performed on the Solvency Capital Requirement and / or on the own funds:

The lifetime risk is stressed by doubling the decrease in mortality frequency.

Repurchase is stressed by calculating the consequence of a 50% reduction in the long-term repurchase probabilities. In addition, repurchase stress is combined with interest rate displacement of 1pp is combined in a downward direction.

The Solvency Capital Requirement remains met by these tests.

C.1.6. Other significant information

There is no further significant information.

C.2: Market risk

C.2.1. Risk exposure

a) Assessment of market risks

In the preparation of the standard model for describing market risk in a 200-year event, EIOPA and then the Danish FSA have been working on the formation of a model which, through model definitions and parameterisation, has had the purpose of precisely quantifying this event.

As we at Topdanmark follow the standard model in relation to the market risk module, we have accepted that the current parameterisation is a reasonable foundation to base the risk assessment on. Thus, we do not find it appropriate to compile our own time-series analyses for the perspective of the suitability of the model apparatus.

The business operations related to the investment activity in Topdanmark work on a number of basic mechanisms that ensure the correct handling of financial risk.

First and foremost, it is a premise for any risk taking that the specific market risk has defined a framework for accepting this type of risk.

There is an ongoing monitoring of compliance with this framework.

A number of the investment frameworks are based on the standard model's categorisation of market risk. This is the following risk elements:

- Interest rate risk
- Equity risk
- Currency risk
- Credit spread risk.

Risk acceptance via Topdanmark's other risk limits is, in relation to the Solvency Statements, logically allocated to the type of risk in which they per definition will be included according to the standard model's regulations, which are roughly described on the following pages.

The Economic and Monetary Union

The challenges of the Economic and Monetary Union in creating growth and stability may in the long-term imply a reduction in the geographic spread of the euro area.

In the time leading up to, during and after such a reduction in the euro area's geographic spread, it is to be expected that the financial markets are influenced by great tension and unpredictable developments in the sub-markets. The consequences in accounting of such tensions can be massive. For the business, the implications can vary from a number of years with a significantly lower growth and increased uncertainty to a significant systemic risk and key players losing their independence.

Topdanmark seeks to limit the potential impact on the business by largely keeping the part of the investment portfolio placed in the euro zone to the core area. Core area meaning the group of countries in the euro zone that, headed by Germany, is characterised by having a restrictive approach to public debt. In addition, very tight limits have been set for investing in government bonds issued by the participating countries, except for Germany, the Netherlands, Finland and France.

Transfer of risk to the Special Purpose Vehicles is not applied for market risks.

b) Significant market risk

Interest rate risk

Interest rate risk is calculated for assets, liabilities and derivative instruments, for which the carrying amount is dependent on the interest rate level.

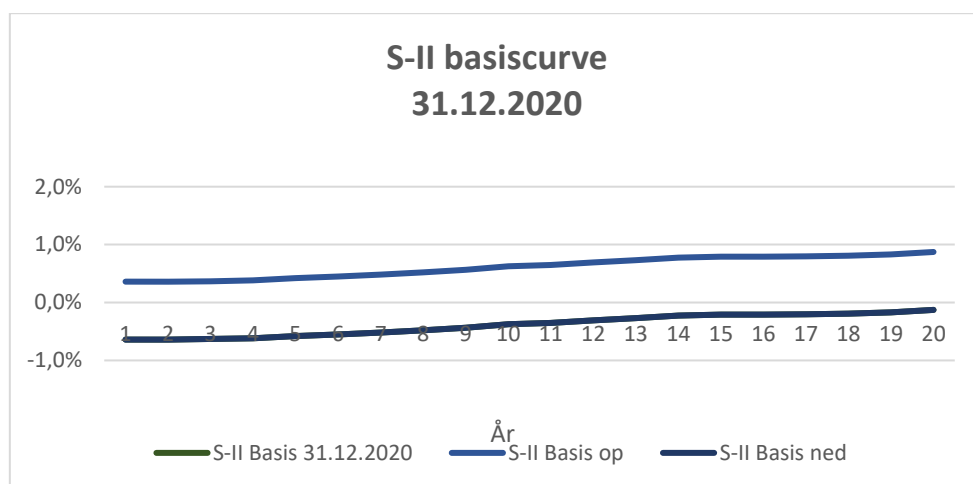
The market value of the interest-sensitive components of the balance sheet corresponds to discounting the future cash flow with the current interest rate curve. Shifting the interest rate curve in the up - and downward direction leads to changed market values and thus to unrealised losses / gains.

In the guidelines from the Danish FSA, the valid interest rate curve is shifted in the up - and downward direction by percentages of the valid interest rate level as defined in the Solvency II Regulation Art. 166 and 167.

The changes are relative changes for the time of maturity based on the interest rate level for that given point. The short-term interest rates are subject to the greatest changes. If the up shock is less than 1%, the shock is set to a minimum of +1%. There is not an equivalent minimum for the down shock. When the non-stressed interest rate at a random point is less than 0%, this given point is not stressed in the down scenario.

Topdanmark applies the risk-free interest rate curve published by EIOPA, with volatility adjustment for the calculation of the value of the provisions. In the application to apply volatility adjusted curve, Topdanmark has undertaken to use Danish mortgage bonds to a significant extent in the hedging portfolios that serve to immunize the interest rate sensitivity from the provisions.

As an example, the interest rate curve used on the assets and the upward and downward shift is illustrated below:



Equity risk

Equity risk includes positions for which the returns are dependent on the development on the stock markets. This is listed and unlisted shares as well as equity-related instruments. In addition, investments in hedge funds (including Funds of Funds) are also included in the exposure.

Equity risk is divided into two groups with different risk weight.

Listed shares in OECD and EEA countries are placed in the group "Type 1" (Global), and the remaining shares are in the group "Type 2" (Other). The market value of the share investments divided in the above-mentioned groups are exposed to the scenarios of contra as illustrated in the below table:

	Global (OECD+EEA)	Other
Equity shock (i)	39% + SJ	49%+SJ

- SJ is the symmetrical adjustment.

The symmetrical adjustment assumes values in the range [-10%;10%] and is dependent of the developments on the global stock markets in the time leading up to the relevant statement date.

The larger the value the symmetrical adjustment (SJ) assumes, the greater the interest shock. SJ is calculated on the basis of the ratio of the current level of EIOPA's share index to the average level of the same over the last three years. The higher the actual level relative to the average, the higher the SJ within the specified range [-10%; 10%] and thus the interest shock.

Property risk

All assets on the balance sheet, whose risks are directly linked to the volatility in property prices, are part of the property risk. The total market value is calculated for the property portfolio. The scenario is a value drop on 25%.

Currency risk

Currency risk includes all positions in foreign currencies. The baseline is the net currency exposure of the individual currencies. The net currency exposure is exposed to both an appreciation and a depreciation scenario of the base currency of 25%, in which the worst-case scenario is included in the calculation of the total market risk. A special scenario is dedicated to EUR 0.39%.

Spread risk

The spread risk, also commonly referred to as credit risk, relates to the positions for which the yield depends on the credit span for the risk-free interest rate.

In addition to a weighing of the duration of the individual paper, the risk scenarios of the individual investments are dependent on the credit rating. The better the credit rating, the lower the capital requirement.

Concentration risk

Concentration risk is the risk that increases in line with the portfolios being concentrated to single issuers, thus the dependency on the solvency of these issuers increases.

The statement of concentration risk focuses on the portfolios per individual issuer.

Depending on the credit rating of the issuer, the portfolios are included in a pre-defined ceiling (percentage of total portfolio). This overexposure is weighed in with the scenario depending on the credit rating.

In Topdanmark, credit risk is controlled via internal lines for single counterparties. This ensures that the exposure of the single counterparties is kept within an acceptable level.

Counterparty risk

Within market risk, the counterparty risk is the risk of bankruptcy of the counterparties in financial contracts. The risk depends on the concentration of counterparties, the credit rating of the counterparties and thus the likelihood of bankruptcy as well as the size and security of the counterparties.

Inflation risk

The future inflation is implicitly included in a number of models that Topdanmark A/S applies for calculating the provisions. Workers' compensation, illness and accident insurance differs from general principles by including the inflation. The provisions for workers' compensation are directly tied to wage and salary assumptions. The provisions for illness and accident insurance are directly tied to the expectations for the development in the net price index.

In order to reduce the inflation risk for workers' compensation, illness and accident insurance, Topdanmark has entered inflation swaps and purchased index-linked bonds which hedge a large part of the long-term inflation risk on the expected cash flows.

Topdanmark has created a model that calculates the size of this kind of risk according to Topdanmark's assessment. The model calculates the effect of the inflation sensitive net cash flow by a parallel shift of the inflation curve in an upward direction. In addition to the above-mentioned inflation swaps and index-linked bonds, the property values are also included in the calculation of the net cash flow.

Credit risk – risk-free assumption

The standard model's handling of credit risk means that issues from states are assumed to be risk-free.

If credit risk on government securities were to be calculated analogously to corporate bonds with a rating of AAA, credit risk on government securities per latest statement of credit risk in the company would increase relatively limited, as the share of government bonds in the portfolio is low.

c) Investments according to the prudent person principle

The investment policy defines the objectives, strategies, organisation and reporting for the company in the field of investments.

The intend of the policy is to ensure that the company has an effective system with an organisation, systems and processes necessary to identify, measure, monitor, control and report on investment risks to which the company is exposed.

Furthermore, the policy must set the framework for the investments of the stakeholders' savings, and for schemes entitled to bonuses and linked savings (customer funds) in Topdanmark Livsforsikring A/S, thus the company can continue to offer attractive savings products with a competitive return in relation to the accepted investment risks.

By accepting market risks, it is Topdanmark's objective to:

- make use of the Group's strong liquidity and the earnings from the insurance business to, by accepting market risk, supplement the Group result
- the long-term value creation of the Topdanmark share should be done to a greater extent by accepting business risk than accepting investment risk
- the extent of market risk should be limited, thus it with great likelihood that the company will generate a profit even in the event of very unfavourable developments
- limit the risk for unnecessary loss by hedging large or highly correlated risks in the investment portfolio and manage market risk collectively for both the insurance and investment portfolios, thus the company can maintain normal operations and implement planned initiatives even in the event of unfavourable developments.

The investment strategy is determined by setting a framework for market risks and specific requirements to certain positions and sub-portfolios (Risk appetite). The investment strategy is determined by the Executive Board and is revised yearly as minimum.

When choosing investment assets, efforts should be made to have a portfolio composition which corresponds to the implementation of Matching Adjustments or Volatile Adjustment respectively in the regulation of the value in the equivalent liabilities.

In the calculation and control of market risk, all exposures should be included, regardless of them originating from the portfolio management on the investment side. The company should have a capital plan and a capital contingency plan in the event of sudden changes in assets or liabilities.

Qualified financial risk reducing techniques should be applied for the risk adjustment.

C.2.2. Risk concentration

See C.2.1.b. 'Concentration risk'.

In addition, concentration risks can arise through investments in separate issues that as a group is exposed to the same underlying risks. The company has a risk concentration on mortgage bonds issued with security in Danish properties. These are AAA rated bonds with underlying security in a very well-diversified pool of properties. In order for the concentration risk to materialise, the Danish real estate market must be hit by a historically large setback, while the borrowers are hit by their ability to make payments on the loans. The concentration risk is accepted as a consequence of using the discount curve with volatility adjustment (VA), since the VA-component mainly consists of a calculated excess return from Danish mortgage bonds.

C.2.3. Risk reduction

The applied methods for risk reduction require a robust market formation on the financial markets on an ongoing basis. If market formation should fail completely or hit significant parts of the market in relation to the company's positions, this is an abnormal market situation.

Under abnormal market conditions, special care must be taken when investing. The Executive Board must secure the position of the Board of Directors on whether the company must maintain the chosen risk levels in the following events:

- Unrest on the financial markets which implies that more than 10% of the company balance sheet from one quarterly report to the next is assessed to change the admission basis in downward direction from noted price to from quoted price to be based on observable input, and from based on observable input to based on unobservable input (model price)
- War, natural disaster.

If such an event should occur, the Board of Directors must ensure that an extra-ordinary board meeting is called as soon as possible for the purpose of discussion and decision-making, and possibly adaptation of a new framework based on the current market situation.

Also see section C.2.1.b.

C.2.4. Liquidity risk

Please see section C.4.

C.2.5. Risk sensitivity

Topdanmark Group

Please see below as described for Topdanmark Forsikring A/S and Topdanmark Livsforsikring A/S.

Similar tests are performed on Group level as mentioned for these subsidiaries. The solvency requirements for the Group continues to be fulfilled by these tests.

Topdanmark Forsikring A/S

The following significant stress tests/sensitivity analyses regarding market risks are performed on the solvency capital requirement and/or own funds:

- Decline in share price 20% and decline in interest rate 50bp
- Decline in interest rate 25bp and decline in share price 30%
- Decline in interest rate 75bp and decline in share price 10%
- Increase in interest rate 100bp
- General lift in the market risk parameters 30%
- Share risk with dampener 10%
- Effect on solvency capital requirements if the interest rate curve is not volatility adjusted.

Reverse stress tests are performed in which the solvency capital requirement and own funds are recalculated by a decrease in the market value of shares and property. It is tested how much decline it will take for the solvency cover to drop to 150%.

The solvency capital requirement continues to be fulfilled by these tests.

Topdanmark Livsforsikring A/S

The following significant stress tests/sensitivity analyses regarding market risks are performed on the solvency capital requirement and/or the own funds:

- Decline in interest rate 25bp and decline in share price 30%
- Decline in interest rate 50bp and decline in share price 20%
- Decline in interest rate 75bp and decline in share price 10%
- The interest rate curve is shifted downwards in intervals of 0.125pp – from 0.125pp and down to 1pp down
- The interest rate curve is shifted down 2pp
- The interest rate curve is shifted up 1pp
- The interest rate curve without UFR impact
- The interest rate curve with UFR down by 15bp
- Effect on solvency capital requirements if the interest rate curve is not volatility adjusted
- General lift in market risk parameters 30%
- Share risk with non-cyclical share adjustment of 10%
- Repurchase and shift in interest rate down by 1pp.

Reverse stress tests are performed in which the solvency capital requirement and own funds are recalculated by a decrease in the market value of shares and property. It is tested how much decline it will take for the solvency cover to drop to 150%.

The solvency capital requirement is met in all of the above stress tests/sensitivity analyses.

C.2.6. Other significant information

There is no further information.

C.3: Credit risk

C.3.1. Risk exposure

a) Assessment of credit risk

Topdanmark's credit risk is calculated based on the SCR standard model of calculation of counterparty risk. The decisive counterparties are banks, mortgage-credit institutions and reinsurance companies. Included in the calculation of counterparty risk are the actual assets, and for reinsurance receivables a calculated receivable for a 200-year event.

Per counterparty, the risk is calculated based on the ratings from approved rating bureaus for each individual counterparty. For reinsurance companies, for which there is no rating, a solvency II instrument is applied determined by the likelihood of non-performance based on the company's solvency cover. This is primarily relevant for captives. For every placement, it is assessed if there are any information in addition to the rating which should be considered for the individual counterparty.

b) Significant credit risk

The most significant credit risks are large receivables at one-off financial institutions via deposits or financial instruments, as well as current receivables at the reinsurance companies and adding potential receivables which will arise in the event of catastrophic claims for a 200-year event.

c) Investment after the prudent person principle

Please see section C.2.1.c.

C.3.2. Risk concentration

The investment policy stipulates that the portfolio must be well-diversified also for counterparties, and the portfolio must not be particularly exposed to single counterparties.

For reinsurance counterparties, the Board of Directors approves security guidelines for how large a share of a reinsurance contract can be placed per reinsurer. Share per reinsurer is depended on the reinsurer's rating as well as own assessment of the reinsurer.

The greatest risk concentrations could arise by catastrophic claims, including storm and cloudbursts, via one or several one-off large catastrophic events.

In regard to investment risk, Topdanmark controls which risk the group is willing to undertake as it happens via active investment negotiations. Meanwhile, it cannot be foreseen which combination of catastrophic claims will arise within the coverage period of a reinsurance contract.

C.3.3. Risk reduction

Risk reduction for counterparty risks includes the selection of counterparties, and the limitation of the exposure towards the individual counterparties defined by an assessment of each counterparty in which the counterparty rating is of considerable importance. When selecting the level of commitment with the individual counterparty, market conditions such as supplies and prices are of significance.

Financial instruments and provision of security is also applied to reduce the risk.

C.3.4. Liquidity risk

Please see section C.4.

C.3.5. Risk sensitivity

Topdanmark's risk sensitivity is within the framework set by the Board of Directors. Outstanding accounts with banks are followed continuously to ensure that it is within the framework. Significant outstanding accounts with reinsurance companies occurs in connection to catastrophic claims. Thus, the risk sensitivity on outstanding accounts with reinsurance companies is a function of the mix of catastrophic claims occurring in the given period. Therefore, Topdanmark cannot control the actual accounts with the reinsurance companies, but only control the framework for the reinsurance accounts. The risk sensitivity is assessed in the preparation of the commitment framework per reinsurance company which subsequently is approved by the boards.

C.3.6. Other significant information

There is no further significant information.

C.4: Liquidity risk

C.4.1. Risk exposure

a) Assessment of liquidity risks

The Topdanmark Group has a strong liquidity in which the money market placements are supplemented by a large and immediately accessible portfolio of easy negotiable listed Danish state and mortgage bonds, which can be borrowed on if needed. Furthermore, the business mix is of such a nature that liquidity shock does not occur. In Topdanmark Livsforsikring A/S, the chosen method contributes to cover the performance guarantee and the application of loss protection schemes. A current provision of security is applied for the counterparties and even significant changes in the interest rate and resulting changes in the security will not cause liquidity problems. Experience from recent years' significant and sudden movements in the long-term interest rates confirms that these have not affected the liquidity considerably.

b) Significant liquidity risks

On the product side, the insurance business is composed without positions that could generate a liquidity shock. For example, financial guarantees are not taken out to such an extent that it can cause sudden and considerable liquidity movements. Generally, claims handling for the customers take time, thus there is time to plan and secure payment.

c) Investments after the prudent person principle

At the transition to Solvency II, a minimum share of Danish state and mortgage bonds of the portfolio balance was defined. This minimum framework contributes to secure the amount of easy negotiable listed shares which can be borrowed on.

C.4.2. Risk concentration

There is not considered to be any liquidity risk concentration. The chosen liquidity contingency plan is based on a positive cash-flow supported by sufficient supplement capacity from key markets in the same financial area in which the business is based.

C.4.3. Risk reduction

Risk reduction is primarily performed by strengthening the liquidity position and monitoring the liquidity development. Liquidity projection is prepared on an on-going basis for which the requirement is a positive net cash flow a year ahead.

C.4.4. Expected profit in future premiums

Expected profit in future premiums has been assessed to the following amounts:

Expected profit in future premiums (EPIFP)		
Net of reinsurance after tax (DKKm)		
	2019	2020
Topdanmark Group	381	535
Topdanmark Forsikring A/S	358	507
Topdanmark Livsforsikring A/S	23	27

The majority of the group's expected profit in future premiums relates to Topdanmark Forsikring (non-life). Future premiums in non-life are premiums, which the company is undertaken by and which is not yet due for payment.

C.4.5. Risk sensitivity

The procedure for making up the liquidity position includes the condition that the liquidity plan is prepared every quarter by the end of the first month in the quarter. If less than 25% over-collateralisation on the assets, the plan is prepared on a weekly basis until the over-collateralisation again is 25% or above. The quarterly statement is selected based on the traditionally strong liquidity in Topdanmark, and a change in frequency should be considered if this should change.

C.4.6. Other significant information

There is no further significant information.

C.5: Operational risks

C.5.1. Risk exposure

a) Assessment of operational risks

The Board of Directors has defined the overall principles and framework for how internal control activities are organised, and how independence between the different organisational functions are ensured.

These organisational functions include business areas and other functions with continuous responsibility for managing and mitigating operational risks, and thus minimise the risk of errors or infringements with financial and reputational consequences for the company.

With well-documented business procedures as well as an effective control environment, Topdanmark minimises the risk of errors in internal processes and insurance fraud. Contingency plans are in place for the most important areas. In addition, business practice and procedures for all critical areas are reviewed by Group Compliance and Topdanmark's Internal Audit on an on-going basis. Internal Audit assessed risks and can give recommendations to the mitigation of individual risks.

Topdanmark develops its IT systems on an on-going basis. In that context, the responsibility for risk management lies with the responsible business units. Projects should always prepare a risk assessment which includes a description of risks, possible consequences and measures for minimising these risks.

Topdanmark monitors and reports on operational risk on a regular basis. For that purpose, the company has a process in place for the registration of incidents of operational risks. The incidents are collected centrally in a risk register and are communicated further in the management system. This way, the organisation can learn from its mistakes.

Topdanmark has prepared several documents with instructions concerning operational risks. The most important being policies and guidelines for operational risks, compliance and internal control, data security policy, IT contingency strategy and IT contingency plan. On a quarterly basis, Group Information Security reports on information security, including risks, in Topdanmark to the Executive Board in Topdanmark Forsikring A/S and Topdanmark Livsforsikring A/S.

Operational risks are included as part of Topdanmark's ORSA and are reported to the Risk Committee in Topdanmark's Risk Register.

In the SCR statement, the operational risks are included after the standard model.

b) Significant operational risks

The IT systems poses a significant operational risk. Both in terms of unintended technical errors and unintended human errors. Furthermore, one may add intended IT crime in different forms.

Below are examples of significant operational risks:

- Risk of fire, water damage, vandalism, gas explosion, prolonged power outages
- Disease epidemics/pandemics
- Insufficient compliance with rules on outsourcing/ inappropriately formulated supplier agreements
- Insufficient compliance with the Danish Data Protection Act
- Insufficient compliance with the competence directive related to IDD (Insurance Distribution Directive)
- Insurance fraud (incorrect information, false notification etc.)
- Incorrect risk assessment
- Lack of signature on important documents (such as reinsurance contracts)
- Solvency II – if we do not sufficiently comply with the regulatory framework, this may lead to capital surcharge to the solvency capital requirement.

c) Investment following the prudent person principle

Please see section C.2.1.c.

C.5.2. Risk concentration

IT break-down, due to unintended failure or IT crime, resulting in the loss of data represents a significant concentrated risk. Topdanmark has a risk concentration at the headquarters in Ballerup in particular. Here, the impact of an outbreak of a disease epidemic/pandemic can be significant.

C.5.3. Risk reduction

In the event of an outbreak of a disease epidemic/pandemic, Topdanmark has a clearly defined strategy for how this should be managed in relation to the staff and the customers. Thus, emergency management, task force and contingency plan have been defined.

Separation of duties, procedures and controls help mitigate risks caused by human error or criminal offence.

Topdanmark's IT department has a number of documented controls to minimise the operational risks posed by the application of IT in Topdanmark. It has been assessed that the IT-department's controls are adequate to minimise the operational risks for Topdanmark. The Chief Information Security Officer (CISO) reports directly to the Executive Board.

Cybercrime risk

The general threat of cybercrime is increasing, and Topdanmark sees various attempts of cybercrime on a regular basis, however, none of them have been successful in recent years.

In general, Topdanmark manages the risk through a Cyber Security Board which on an ongoing basis assesses the threat and the necessary preventive actions to ensure that the desired security level is maintained.

Two external companies with special competencies within cybercrime are members of Topdanmark's Cyber Security Board as advisers to Topdanmark's Head of IT Security.

One company gives advice regarding security-related solutions to maintain a strong defence against cybercrime, while the other company performs periodical tests to investigate whether Topdanmark's critical IT systems can be compromised from the outside, and whether the IT systems have any vulnerabilities that need to be rectified.

In 2020/21, Topdanmark has conducted a comprehensive CMA, Cyber security Maturity Assessment to check whether Topdanmark's cyber security is sufficient.

The planning and the results of these tests are discussed and prioritised in Topdanmark's Cyber Security Board.

Topdanmark's technical IT security is based on several layers of protection (Defence in depth), and the IT department also performs own tests e.g. of infrastructure and new applications. Therefore, relevant employees have been trained in the application of different tools used in these tests.

Outsourcing has become a large area within Topdanmark, and therefore, Topdanmark investigates and evaluates the data security with new collaboration partners and service partners, as well as follow-up on data security with existing partners in order to prevent cybercrime.

New employees receive information on information security, and all employees and consultants in Topdanmark conduct an annual e-learning course on information security.

Topdanmark's employees pay great attention to cyber threats, and Group Information Security or Topdanmark's IT Service Desk are often contacted e.g. if the employee receives suspicious emails or experience deviating incidents.

Regarding the risk of fire, there fire protection and fire inhibiting measures such as sprinklers, fire doors etc are set up.

C.5.4. Liquidity risk

Please refer to section C.4.

C.5.5. Risk sensitivity

In relation to the outbreak of epidemics/pandemics, such as COVID-19, it has been assessed that in the event that the Group's employees are sent home in quarantine due to danger of infection, many of the employees can work from home without any problems. Therefore, the Group assesses that it is possible to maintain fairly normal operations.

Risk sensitivity is also particularly important for the IT area. Group Information Security categorises potential negative events according to their severity. IT security is determined based on this categorisation.

C.5.6. Other significant information

There is no further significant information.

C.6: Other significant risks

Compliance risks

Compliance in Topdanmark includes compliance with all requirements set by legislature and management in relation to Topdanmark's corporate governance.

The compliance risk is the risk of Topdanmark not having sufficient knowledge of current or coming rules. Furthermore, the compliance risk is violation of the rules as well as the losses this would entail for Topdanmark and Topdanmark's customers. Such losses can be direct financial losses or indirect losses in the form of sanctions or damaged reputation as a consequence of non-compliance with the rules.

Rules includes all rules, both internal rules of Topdanmark's policies and related guidelines and procedures as well as all relevant legislation and associated sub-rules. Furthermore, rules include defined industry codes of practice for performing activities in Topdanmark.

Thus, compliance also includes compliance with the regulatory framework necessary and required to ensure that Topdanmark's business is conducted in an appropriate and proper manner. Documentation of compliance for Topdanmark's stakeholders is a part of compliance.

Topdanmark has special focus on the following compliance risks

- Financial legislation
- Competition law
- Stock exchange legislation
- The Danish Data Protection Act
- Consumer protection
- Money laundering (for life insurance)

Regarding money laundering (for life insurance)

Topdanmark Livsforsikring A/S has conducted a risk assessment with identification and description of existing risks of Topdanmark Livsforsikring A/S being exploited for money laundering and terror financing. The risk assessment is updated on an on-going basis and at least once a year. The inherent risk of Topdanmark being exploited for money laundering and terror financing is generally low. In the risk assessment, Topdanmark Livsforsikring A/S has identified a few products and customer groups in which the risk is assessed to be higher. Among the most significant factors are the access to set up non-deductible savings products (the so-called section 53A insurances) and customers who are characterised as being politically exposed persons (PEP).

Based on the risk assessment, Topdanmark Livsforsikring A/S has implemented a number of necessary mitigating actions, including policies and procedures in accordance with the Danish Anti-Money Laundering Act. Furthermore, for the areas in which risk is considered to be higher, Topdanmark Livsforsikring A/S has implemented special actions. Based on the implemented actions, the risk of Topdanmark being exploited for money laundering and terror financing is generally very limited.

Regarding the Danish Data Protection Act

Topdanmark has procedures and guidelines for data protection. Both Topdanmark's employees and selected business partners process personal data. In the communication with customers and when implementing and developing new systems, it happens that data breaches unintentionally occur. If the data breach is of such nature that it poses a risk to the concerned party, Topdanmark is obliged to report the data breach to the Danish Data Protection Agency as well as notify the concerned party. Topdanmark continuously implement and update the security measures intended to reduce

the risk of data breaches. However, despite these measures, there will always be an inherent risk of data breaches due to human error. Protection of personal data is an area that gets great focus from the authorities, the general public and the media, and in addition to the reputational risk, there is the risk of large penalties if non-compliance with the rules.

Climate risk

Risks arising from climate changes include both insurance risks and investment risks. In Topdanmark, insurance risks related to climate are especially storm and water. The company includes these risks in underwriting and hedge the undertaken risks in the reinsurance programme. Stress tests show that only one out of 900 years will exceed the reinsurance cover of DKK 5.1bn in a storm event on the company's current insurance portfolio.

Stress on cloudburst events gives significantly smaller damages due to the local authorities' efforts against flooding. Overall, the company has hedged the climate-related risks sufficiently. Topdanmark Livsforsikring does not have any noticeable climate-related insurance risks. Climate-related investment risks for the companies include most significantly the property portfolio and are hedged through investments in new/newer property as well as maintenance of existing property. Furthermore, the investment policies include an exclusion list which i.a. includes companies with activities within tar sands and thermal coal. The companies' active investment management focus on the acquisition of attractive investment possibilities in "green companies", and the divestment of holdings which are assessed to become not attractive in the long-term due to their climate footprint etc. Overall, the companies have sufficient focus on climate conditions in relation to investment activities.

D: Valuation for solvency purposes

D.1: Assets

a) Valuation

Topdanmark Group

Assets are valued at market value according to the Solvency II Directive, Article 75. The valuation is based on the International Financial Reporting Standards (IFRS) provided that this valuation is a market valuation in accordance with Article 75 of the Directive.

If IFRS does not stipulate a market valuation, another valuation method in compliance with the requirement of market value will be applied.

The valuation principles according to the IFRS is described in the Topdanmark Group Annual report 2020 note 47 and in the notes of the annual reports for the individual insurance companies.

Some assets are calculated according to other principles in the solvency own funds. These principles are described below in section b).

b) Differences between SCR and accounting

Topdanmark Group

Goodwill and other intangible assets

Goodwill and other intangible assets are measured at zero in the Solvency II balance.

Own shares

Own shares are measured to a fair value based on the latest listed stock price. The value of own shares is included in the additional assets in relation to the liabilities but is deducted in the calculation of the own funds.

Topdanmark Forsikring A/S and Topdanmark Livsforsikring A/S

Equity investments in associates (Participations)

Equity investments in associates are measured in the Solvency II balance according to the adjusted equity method.

For accounting purposes, the equity investments in affiliates and associates are measured in the accounting inherent value.

The difference between the two methods is primarily insurance provisions and intangible assets.

D.2: Insurance provisions

a) Valuation

Insurance provisions are calculated in accordance with the Solvency II directive according to the following basic principles:

- Best estimate of the present value of expected future cash flows related to insurances that the company has entered into
- A risk margin equal to the amount an acquirer of a policy of insurance will be expected to require as a payment to assume the risk of discrepancies between best estimate and the final settlement of future cash flows
- A interest rate curve set for Solvency II. The Topdanmark Group applies the volatility-adjusted interest rate curve.

The Group's insurance provisions consist of the provisions in the companies, Topdanmark Forsikring A/S and Topdanmark Livsforsikring A/S. The provisions for these companies are stated in the quantitative reporting forms for the individual companies, which are annexes to the SSFCR report.

The principles are based on IFRS and can be seen in the Topdanmark Group's annual report, note 47. The principles that differ from this is described below in section c).

Like a number of other life insurance companies and pension funds (hereinafter referred to as "life insurance companies"), Topdanmark Livsforsikring A/S has received an order from the Danish FSA on the calculation of provisions in accordance with the Solvency II Directive.

The order means that Topdanmark Livsforsikring A/S and other life insurance companies must change the calculation method and the measurement of valuation of insurance provisions for the solvency calculations. Topdanmark Livsforsikring A/S already allocates sufficient funds, but going forward, the calculation should be done in a different way than the way, which up to now has been considered a recognised method.

As the Danish FSA estimates that it will take several years for the companies, including Topdanmark Livsforsikring A/S, to implement the changes in the calculation principles, the companies have to the end of 2022 to comply with the order.

Topdanmark Livsforsikring A/S expects to comply with the order within the given deadline.

b) Significant estimates and uncertainties

In the preparation of the Group's accounts and solvency own funds, estimates and judgements have been applied which affect the size of the insurance provisions and thus the result of present year and coming year. These estimates and uncertainties are described in the Topdanmark Group annual report, note 46 on risks and note 47 on accounting policies.

c) Differences between SCR and accounts

Premium provisions, provision for outstanding claims and life insurance premiums are calculated after the same principles in the accounts and in the solvency balance.

Furthermore, for the gross accounting provisions and in the reinsurers' share, a profit margin is included which is not part of the solvency balance as the profit margin is calculated in the solvency own funds on the time the insurance is taken out.

In addition, there are minor differences between solvency and accounts in the calculation of risk margin, which in the solvency balance is calculated according to the Cost of Capital method. For the accounts in Topdanmark Forsikring A/S, the solvency calculated risk margin is applied for one staggered quarter. For illness and accident in Topdanmark Livsforsikring A/S, a model based on stress on the biometric risks has been chosen.

d) Matching adjustment

The group does not apply matching adjustment.

e) Volatility adjustment

Topdanmark A/S

Topdanmark uses the risk-free interest rate curve published by EIOPA with volatility adjustment for the calculation of the value of the provisions in Topdanmark Forsikring A/S and Topdanmark Livsforsikring A/S.

The table below illustrates the impact on the financial positions of the Topdanmark group as at 31 December 2020, if the volatility adjustment is not included:

DKKkm	Interest rate curve incl. VA	Interest rate curve excl. VA
Own funds	6,839	6,702
Solvency Capital Requirement	4,016	4,391
Solvency cover	170%	153%
Own funds MCR	5,891	5,786
Minimum Capital Requirement	2,010	2,193
Life insurance provisions subject to contribution	22,576	22,576
Life insurance provisions other	626	632
Unit-link provisions	55,790	55,790
Non-life insurance provisions incl. Annuities workers' compensation etc.	15,455	15,626

Topdanmark Forsikring A/S

The table below illustrates the impact on the financial positions of Topdanmark Forsikring A/S as at 31 December 2020 if the volatility adjustment is not included:

DKKkm	Interest rate curve incl. VA	Interest rate curve excl. VA
Own funds	5.694	5.561
Solvency Capital Requirement	2.235	2.242
Solvency cover	255%	248%
Own funds MCR	4.778	4.641
Minimum Capital Requirement	1.006	1.009
Non-life insurance incl. Annuities for workers' compensation etc.	12.407	12.527

Topdanmark Livsforsikring A/S

The table below illustrates the impact on the financial positions of Topdanmark Livsforsikring A/S as at 31 December 2020 if the volatility adjustment is not included:

DKKm	Interest rate curve incl. VA	Interest rate curve excl. VA
Own funds	3,810	3,764
Solvency Capital Requirement	2,232	2,632
Solvency cover	171%	143%
Own funds MCR	3,531	3,521
Minimum Capital Requirement	1,004	1,184
Life insurance provisions subject to contribution	22,576	22,576
Life insurance provisions other	626	632
Unit-link provisions	55,790	55,790
Non-life insurance provisions	3,047	3,100
FDB	1,930	1,554

f) Interim provision – interest rate curve

In connection with the transition to Solvency II, an interim risk-free interest rate curve could be applied according to Article 308c in Directive 2009/138/EF. The Topdanmark group and the companies have chosen to not apply this interim provision.

g) Interim provision – provisions

In connection with the transition to Solvency II, a transitional allowance could be applied according to Article 308d in Directive 2009/138/EF. The Topdanmark group and the companies have chosen to not apply interim provision.

h) (i) Reinsurance receivables

Reinsurer's share is part of the quantitative reporting tables for the individual companies, which are appendixes to the SSFCR report.

h) (ii) Significant changes in assumptions**Topdanmark A/S**

See below for the individual companies.

Topdanmark Forsikring A/S

No significant changes in assumptions have been made for the relevant assumptions applied in the calculation of insurance provisions relating to the preceding reporting period.

Topdanmark Livsforsikring A/S

The best estimates for mortality and the frequency of re-purchase, premium termination and expenses have been reviewed and updated relating to the preceding reporting period.

D.3: Other liabilities

a) Description of other liabilities

Deferred tax liabilities

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 be released as current tax, based on the tax rates and rules in force on the financial position date.

Derivatives

Amounts due to derivatives are measured at fair value. The fair value of derivatives is calculated on the same basis as financial assets.

Debt owed to credit institutions

Amounts due to credit institutions are measured at fair value. The fair value of amounts due to credit institutions usually corresponds to their nominal value.

Insurance & intermediaries payables

Amounts due to insurance and intermediaries payables are measured at fair value corresponding to nominal value.

Subordinated liabilities

Subordinated liabilities are measured at fair value on the same basis as financial assets.

The subordinated liabilities are included in own funds in accordance with the current maximisation rules cf. the section on own funds.

Any other liabilities, not elsewhere shown

Other liabilities include additional debt and accrued expenses measured at fair value corresponding to nominal value.

b) Differences between valuation in the solvency calculation and accounting

The difference in deferred tax from accounting to the solvency balance is illustrated in the table below:

Deferred tax (DKK m)	2020
Deferred tax cf. financial statement	356
Corrections for Solvency II:	
Profit margin transferred to own funds	317
Intangible assets are set to zero	(239)
Subordinated loan capital is set at market value	0
Risk margin is calculated to Cost of Capital	(37)
Deferred tax on security funds are set to zero	(306)
Deferred tax Solvency II	91

D.4: Alternative valuation methods

For the valuation of real estate, see the Topdanmark Group Annual Report 2020, note 47 Accounting policies. Furthermore, refer to Topdanmark Group's Annual Report 2020, note 16 tangible assets and note 17 investment properties. At the end of March 2020, the Group has transferred structured products (CLOs) to the value of DKK 6,628m from valuation with indicative prices (level 2) to valuation models based on non-observable inputs.

See note 47 on Accounting policies in Topdanmark Group's Annual Report 2020 and note 34 on financial assets.

D.5: Other information

There is no further information to add.

E: Own funds and solvency

E.1: Own funds

a) Purpose, policies and processes

The purpose of capital planning is – based on Topdanmark's strategy and risk appetite – to calculate future own funds and solvency capital requirements at the companies continued operation in accordance with expectations. The future own funds may possibly be covered by future earnings, capital increase, subordinated loan capital or by risk transfer e.g. reinsurance. Own funds are updated with the latest forecast for the next 1-5 years.

At company and group level, the own funds are calculated based on the shareholder's equity with corrections of which the most important are:

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

When calculating the own funds to coverage of the minimum capital requirement (MCR) the same model is applied, however, the usable share of the subordinated loan is lowered to max. 20% of MCR.

b) Size and quality per tier

See below item c).

c) Own funds which cover SCR

(DKK m)	Topdanmark Group	Topdanmark Forsikring	Topdanmark Livsforsikring
31 December 2019			
Share capital	90	101	12
Reconciliation reserve	4,817	4,402	3,387
Subordinated loan capital	400	0	0
Tier 1	5,307	4,503	3,399
Subordinated loan capital	1,353	1,204	480
Tier 2	1,353	1,204	480
Own funds SCR	6,660	5,707	3,879
31 December 2020			
Share capital	90	101	12
Reconciliation reserve	4,999	4,475	3,318
Subordinated loan capital	400	0	0
Tier 1	5,489	4,577	3,330
Subordinated loan capital	1,350	1,118	480
Tier 2	1,350	1,118	480
Own funds SCR	6,839	5,694	3,810
Development in own funds	179	(13)	(69)
Which is composed as follows:			
Tier 1			
Profit for the year and shareholders' equity items	1,247	1,153	52
Dividend	(1,035)	(1,050)	0
Intangible assets (after tax)	(185)	(185)	(77)
Change in profit margin (after tax)	238	238	30
Other changes	(82)	(82)	(73)
Development tier 1	182	73	(69)
Tier 2			
Subordinated loan capital			
Value adjustment etc.	(3)	(3)	0
Change in maximization		(83)	0
Development tier 2	(3)	(86)	0
Development in own funds	179	(13)	(69)

d) Own funds which cover MCR

For the coverage of the minimum capital requirement, the subordinated loan capital, tier 2 is reduced to max. 20% of MCR.

31 December 2020 (DKKm)	Topdanmark Group	Topdanmark Forsikring	Topdanmark Livsforsikring
Tier 1			
Share capital	90	101	12
Reconciliation reserve	4,999	4,475	3,318
Subordinated loan capital	400	0	0
Tier 1	5,489	4,577	3,330
Tier 2			
Subordinated loan capital	402	201	201
Tier 2	402	201	201
Own funds MCR	5,891	4,778	3,531

e) Differences between own funds and solvency capital

31 December 2020 (DKKm)	Topdanmark Group	Topdanmark Forsikring	Topdanmark Livsforsikring
Shareholders' equity	6,879	6,672	3,707
<i>Regulation</i>			
Subordinated loan to market value	(1)	0	
Own shares	663		
Deferred tax on security funds	306		
Profit margin non-life insurance	1,075	1,075	0
Profit margin life insurance	367	367	367
Risk margin non-life - difference	(143)	(143)	(152)
Risk margin life - difference	(24)	(24)	(24)
Intangible assets	(1,529)	(1,529)	(675)
Tax effects	(41)	(41)	106
Surplus assets in relation to liabilities	7,552	6,377	3,330
Own shares	(663)		
Ordinary dividend	(1,800)	(1,800)	0
Subordinated loan capital to cover SCR	1,750	1,118	480
Own funds to cover SCR	6,839	5,694	3,810

Regulation of shareholders' equity:

Subordinated loans are obtained in the accounts to amortised cost price. In the Solvency II balance, subordinated loans are obtained to market value.

Own shares are not included in the accounts at any value. In the solvency balance, own shares are included to latest listed share price.

Deferred tax of security funds includes deferred tax on untaxed provisions to security funds under the shareholders' equity. Security funds will be taxed in shares of 10% for every time insurance bonds for own account decrease by 10pp in relation to the level end of 1994. A decrease to 10% below the 1994-level is not considered possible in a situation in which Topdanmark Forsikring A/S, in which company the provisions have been made, continues its operations, and taxation will thus only be possible if the insurance portfolio is transferred or the company ceases to operate.

Deferred tax of security funds is included in the IFRS group accounts at nominal value.

In the solvency II balance, the deferred tax of security funds is registered at zero, as the tax is not expected to be paid and thus have no financial substance.

In the accounts for Topdanmark Forsikring A/S, which is reported in accordance with The Executive Order on Financial Reports from the Danish FSA, the deferred tax is also registered at zero as the tax is not expected to be paid and thus have no financial substance.

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

For the accounts, the profit margin is included in insurance provisions, whereas it is assigned to own funds in the solvency balance.

Risk margin is calculated for the accounts in Topdanmark Forsikring A/S according to the Cost of Capital method with a time lag. In Topdanmark Livsforsikring A/S, the risk margin for the accounts is calculated according to a internal model.

In the solvency balance, the risk margin is calculated according to the Cost of Capital method.

The differences between the account value and the solvency II value are included in the own funds.

Intangible assets, including goodwill, are included in the accounts at a depreciated value based on the cost price cf. section D1.

In the solvency II balance, the intangible assets are recorded at zero.

Regulation of additional assets in relation to liabilities

Own shares are registered at market value in the additional assets in relation to liabilities but is deducted in the calculation of the own funds.

Subordinated loan capital which can be calculated is added to the own funds.

f) Interim provisions according to the Directive's Article 308.b

No capital elements are included in the interim provisions.

g) Unpaid (supplementing) equity elements

The group and the companies within the group do not have supplementing equity elements.

h) Any limitations

No elements are deducted from the own funds.

i) Deferred tax assets

Topdanmark does not have any deferred tax assets in the Solvency II balance.

E.2: Solvency capital requirements and minimum capital requirements

a) Solvency capital requirements and minimum capital requirements

Topdanmark Group

DKKm	2019	2020
Solvency Capital Requirement	3,773	4,016
Minimum Capital Requirement	1,953	2,010

The solvency capital requirement amounts to DKK 4,016 and has increased by DKK 243m in 2020. This is primarily due to a decrease in individual bonus potentials used for loss absorption. The individual bonus potentials have decreased as a consequence of the drop in interest rates in 2020.

The minimum capital requirement increases by DKK 57m as a consequence of the increasing solvency capital requirements.

Topdanmark Forsikring A/S

DKKm	2019	2020
Solvency Capital Requirement	2,408	2,235
Minimum Capital Requirement	1,083	1,006

The solvency capital requirement amounts to DKK 2,235m and has decreased by DKK 173m in 2020. The decrease is mainly due to a decrease in market risks as a consequence of a decrease in share and concentration risks.

The minimum capital requirement decreases by DKK 77m as a consequence of the increasing solvency capital requirements.

Topdanmark Livsforsikring A/S

DKKm	2019	2020
Solvency Capital Requirement	1,933	2,232
Minimum Capital Requirement	870	1,004

The solvency capital requirement amounts to DKK 2,232m and has increased by DKK 299m in 2020. This is primarily due to a decrease in individual bonus potentials used for loss absorption. The individual bonus potentials have decreased as a consequence of the drop in interest rates in 2020.

The minimum capital requirement increases by DKK 134m as a consequence of the increasing solvency capital requirement.

b) Solvency capital requirements according to risk module/ risk category

Topdanmark Group

The Topdanmark Group uses a partial internal model to the calculation of the solvency capital requirement. The below table specifies as per 31 December 2020 solvency capital requirement calculated according to a partial internal model and the standard model:

DDKkm	SCR partial internal model		SCR standard formula	
	Net	Gross	Net	Gross
Market risk	2.328	4.858	2.328	4.858
Counterparty default risk	149	192	149	192
Life underwriting risk	101	522	101	522
Health underwriting risk	995	995	1.735	1.735
Non-life underwriting risk	238	238	1.773	1.773
Sum	3.811	6.805	6.086	9.080
Diversification	-914	-1.315	-2.028	-2.651
Basic SCR	2.897	5.490	4.058	6.429
Operational risk	478	478	478	478
Loss-absorbing capacity of deferred taxes	-467	-467	-649	-649
Loss-absorbing capacity of technical provisions	931	-1.662	708	-1.662
SCR associates	102	102	102	102
Capital add-on	75	75	75	75
Solvency capital requirement	4.016	4.016	4.772	4.772

Topdanmark Forsikring A/S

Topdanmark Forsikring A/S uses a partial internal model to the calculation of the solvency capital requirement. The below table specifies as per 31 December 2020 the solvency capital requirement calculated according to a partial internal model and the standard model:

DKKkm	SCR incl. Internal model	SCR Standard model
Market risks	2,049	2,049
Counterparty risks	135	135
Life insurance risks		
Health insurance risks	719	1,512
Non-life insurance	238	1,773
Risks - total	3,141	5,469
Diversification effect	(693)	(1,796)
Primary solvency capital requirement	2,448	3,673
Operational risk	278	278
Loss-absorbing tax	(491)	(627)
Solvency capital requirements	2,235	3,325

Topdanmark Livsforsikring A/S

The company applies the standard model, and the solvency capital requirement as per 31 December 2019 can be specified in the following risk modules:

DKKm	2020
Market risks	3,367
Counterparty risks	59
Life insurance risks	522
Health insurance risks	388
Primary solvency capital requirements	4,336
Diversification effect	(659)
Operational risks	199
Loss-absorbing provisions	(1,662)
Loss-absorbing tax	(57)
Capital add-on	75
Solvency capital requirements	2,232

c) Information on simplified calculations**Topdanmark A/S**

Simplifications mentioned under the individual companies are applied to the same extent in the group.

Topdanmark Forsikring A/S

The company does not apply simplifications.

Topdanmark Livsforsikring A/S

The company applies simplifications in the calculation of expense risks for health insurances.

d) Information on any company specific parameters

The companies do not apply any company specific parameters.

e) Application of Article 51 paragraph 2, third section of Directive 2009/138/EF

The companies have not applied this option.

f) Consequence of company specific parameters

The companies do not apply any company specific parameters.

g) Input to the calculation of the minimum capital requirements**Topdanmark A/S**

The minimum capital requirement in the Topdanmark group is calculated as the sum of minimum capital requirement in Topdanmark Forsikring A/S and Topdanmark Livsforsikring A/S.

Topdanmark Forsikring A/S

The linear minimum capital requirement - according to the European Commission's rules for group 1 insurance companies - exceeds 45% of the company's solvency capital requirement, so the minimum capital requirement is set at 45% of its solvency capital requirement.

Topdanmark Livsforsikring A/S

The linear minimum capital requirement - according to the European Commission's rules for group 1 insurance companies - exceeds 45% of the company's solvency capital requirement, so the minimum capital requirement is set at 45% of its solvency capital requirement.

h) Significant changes in the solvency capital requirement and the minimum capital requirement during the reporting period

Changes in SCR and MCR as well as significant deviation statements can be found in section E.2.a.

i) The loss absorbing capacity of deferred taxes

(i) Adjustment for the loss absorbing capacity of deferred taxes etc.

Topdanmark A/S

Topdanmark's solvency capital requirement is adjusted for the loss absorbing capacity of deferred taxes by DKK 467m. Two models are employed: the profit model and the shock model.

The profit model is based on the tax rule of section 12 (2) of the Danish Corporation Tax Act that, for tax purposes, we can carry forward a maximum of old loss corresponding to 60% of the taxable income / profit for the current financial year and the applicable corporate tax rate. Cf. the forecast, a maximum of the income of next 5 years is applied with caution which is discounted back. That way, the maximum useable income is calculated.

The shock model means that a maximum of deferred tax can be calculated of the shock in the solvency statement calculated as the discounted tax of the sum of the Basic Solvency Capital Requirement, BSCR, and Operational risk

Then, the maximum amount for the loss absorbing capacity of deferred taxes is the smallest amount of the maximum useable income (profit model) and deferred taxes of the shock (shock model).

For a number of years, Topdanmark has reliably forecasted the results 5 quarters ahead, and based on this, built 5 years on the capital plan. Therefore, a 5-year time frame is applied in the calculation of future profit. The expected future results for the coming 5 years will always appear from the capital plan.

Topdanmark Forsikring A/S

See above, under Topdanmark A/S.

Topdanmark Livsforsikring A/S

For Topdanmark Livsforsikring A/S, a tax asset corresponding to a tax of 18% is recognised (future tax rate 22% discounted back). The model for loss absorbing tax includes 60% of the coming years' pre-tax result for a maximum of 5 years. The model is based on the tax rule that, for tax purposes, we can only carry forward a maximum of old loss corresponding to 60% of the taxable income / profit for the current financial year. The pre-tax result derives from the solvency capital calculation of the current period from which the shareholders' equity's loss on market risks is applied as estimate for the results of the coming years and is expected to be realised over 5 years.

ii) Underlying assumptions for deferred tax assets

Topdanmark does not have any deferred tax assets in the SII balance.

E.3: Application of the maturity-based share risk sub-module to the calculation of the solvency capital requirement

a) Maturity-based share risk

This is not applied in any Topdanmark companies.

b) Size of any capital requirements

Not relevant.

E.4: Differences between the internal model and the standard model

a) Application of the internal model

Topdanmark A/S

Topdanmark Forsikring A/S uses a partial internal model for risks in the standard model's risk modules for non-life and health insurance. This internal model is also used in Topdanmark's SCR statement and covers the same risks as it covers in Topdanmark Forsikring A/S. Topdanmark Livsforsikring A/S does not use an internal model.

Topdanmark Forsikring A/S

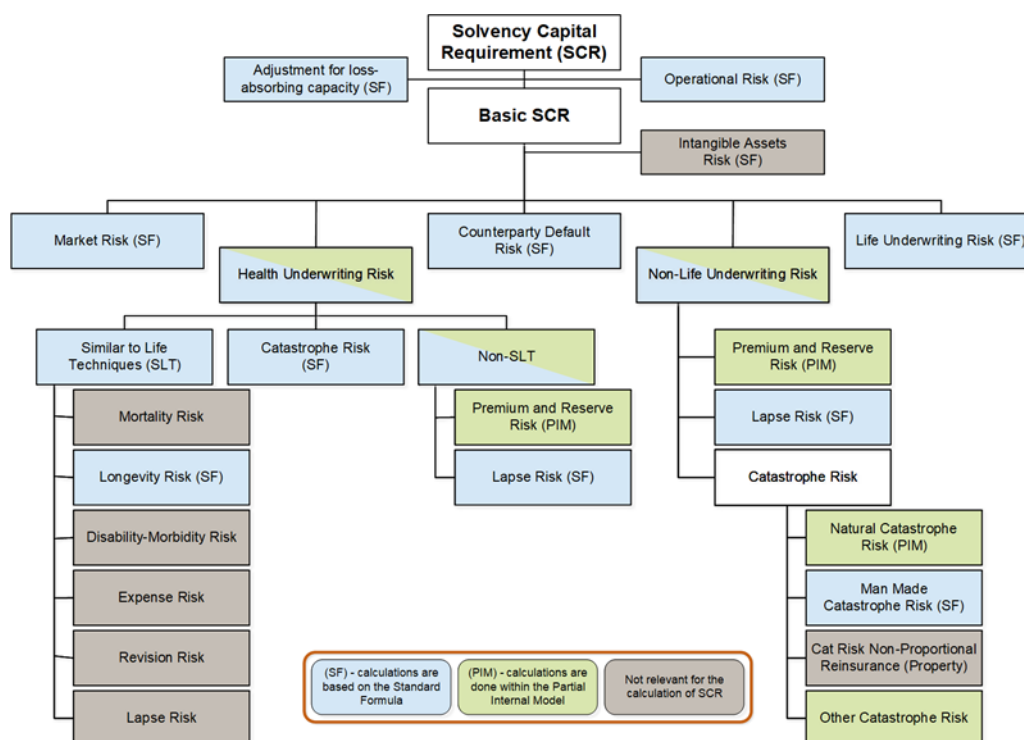
The internal model has the following use:

- Annual quantification of the risk and solvency consequences of alternative reinsurance programmes in connection with large contract renewals
- Visibility of the cost of capital per insurance industry, i.e. the price of the capital with which the individual industries charge the company
- Reconciliation of the divisions' own profit expectations against the model's profit expectations
- Technical monitoring
- Statement of solvency capital requirements
- Quantitative risk description in the risk register
- Risk overview for the Board of Directors and the Risk Committee
- Full and marginal capital allocation
- Purchase and sale of insurance portfolios.

b) Risks included in the internal model

Topdanmark Forsikring A/S

The internal model comprises the majority of the standard model's risk modules Non-Life and Health. Basically, the model is constructed with the same methodology as the standard model with premiums - provision risk and catastrophic risks modelled separately - see the figure below.



In addition, the company's non-life insurance products are industry divided into homogeneous risk groups, which is shown in the table below in a comparison with the standard model's industries.

	Standard Model	Intern Model
Health	(01) Medical Expense Insurance	N/A as illness/accident is part of Topdanmark Liv
	(02) Income Protection Insurance	(PIM 01) Accident
	(03) Workers' Compensation Insurance	(PIM 02) Workers' Compensation Insurance
	(25) Non-Proportional Health Reinsurance	N/A
Non-Life	(04) Motor Vehicle Liability Insurance	(PIM 03) Motor Vehicle Liability Insurance
	(05) Other Motor Insurance	(PIM 04) Comprehensive Motor Vehicle insurance
	(06) Marine, Aviation and Transport Insurance	(PIM 05) Marine/cargo (PIM 13) Hull insurance (provisions alone)
	(07) Fire and Other Damage to Property Insurance	(PIM 06) Property (SME and Agricultural) (PIM 07) Content (SME and Agricultural) (PIM 08) Technical (PIM 09) House contents (PIM 10) House (PIM 11) Holiday home (incl. contents) (PIM 18) Others (Animals, Boat and Roadside assistance)
	(08) General Liability Insurance	(PIM 12) Building damage (PIM 14) Change of ownership (PIM 15) SME liability (PIM 16) Agricultural liability
	(09) Credit and Suretyship Insurance	N/A
	(10) Legal Expenses Insurance	Not as independent industry
	(11) Assistance	(PIM 17) Travel insurance
	(12) Miscellaneous Financial Loss	(PIM 19) Unemployment insurance
	(26) - (28) Non-Proportional Non-Life Reinsurance	N/A

c) Inclusion of the internal model in the standard model

Topdanmark Forsikring A/S

The design of the internal model is consistent with the standard model, and output from the internal model is included 1-1 in the modules of the standard model. The estimation of Topdanmark's premium and provision risk as well as catastrophic risks does not take into consideration the split-up of health and non-life risks in the standard model. All industries are handled as one large group of non-life risks in the calculation core and is diversified in the internal model based on company specific correlations. However, it is possible – by the industry divisions in the model – to split up the results unambiguously in the standard model's risk modules.

After the inclusion of the solvency capital requirements from the internal model into the standard model, the correlations in the standard model are applied to the following calculations in accordance with the current Solvency II legislation. No changes are made to the formulas or correlations in the standard model, and there are no risk modules or underlying risk modules in which the numbers from both the internal model and the standard model is calculated in the same module.

d) Methods in the internal model

Topdanmark Forsikring A/S

In the standard model, premium – provision and catastrophic risks are calculated according to formulas which sole purpose is to calculate a negative 200-year event. The internal model describes both positive and negative events by estimating both the results and uncertainties for the non-life business.

The result is generated in the model's calculation core. Compensation costs and run-off on provisions are parameterised by known probability distributions in analyses which are prior to the generation of the result in the calculation core. The result is found both gross and net, i.e. before and after reinsurance.

e) Differences in the methods and assumptions compared to the standard model

Topdanmark Forsikring A/S

The most significant differences between the internal model and the standard model (SM) described below:

- SM expresses the risk of a single figure, whereas the internal model finds a distribution for the company's result. In connection with this, the internal model recognises the expected profit of Topdanmark Forsikring A/S, which is not done in SM. SM assumes an expected result of zero corresponding to a combined ratio (CR) of 100. The internal model has an expected result corresponding to a CR, which is expected for the coming period
- The internal model applies a more detailed industry classification than SM
- SM operates with a breakdown of insurance risk into a health insurance module and a non-life insurance module. The internal model handles the industries for the two types of insurances collectively
- SM calculates natural catastrophic risks using 11 Cresta zones covering Denmark. The internal model calculates natural catastrophic risks on storms and cloudbursts and distributes claims costs to the industries concerned
- For correlations, the calculation of the actual values is different. For the SM, the correlations are given in the current SII legislation, whereas the correlations in the internal model are based on assessments from Topdanmark's own experts. In the internal model, there is an industry-dependent correlation between premium and provision risks, which is often 0, while a fixed correlation of 0.5 between premium and provision risks in SM is applied.
- There is no correlation in the same way. SM finds 200-year events in boxes and then aggregates them into a single solvency capital requirement using correlation matrices. The internal model simulates a large number of annual results by varying gross claims expenses and gross provisions for the individual industries, using distributions found in different analyses. Topdanmark's reinsurance programme is then used to find the net result. For each simulation in the calculation core, the industry result - both gross and net - is aggregated to company level by a simple addition of the results. The internal model's correlation structure ensures interdependencies of the industries
- The internal model first calculates a gross profit and then uses Topdanmark Forsikring A/S's reinsurance programme to calculate a net profit. SM only uses the reinsurance programme for natural disasters to come from a gross to net view
- The nominal effects of the correlations (the diversification effects) are significantly greater in the internal model compared to SM, and in the internal model, the diversification effect is relatively larger compared to the total solvency capital requirement
- At the industry level, there is a great difference in the calculation of the solvency capital requirement. SM overestimates the risk for several industries, but also underestimates some risks.

The main reason for the differences between the internal model and SM is that the internal model is developed based on data and comprehensive knowledge of the company's business, whereas SM is a European common denominator which is cautiously set due to the diverse conditions within EU.

f) Risk management goals and time horizon

Topdanmark Forsikring A/S

The risk management goals and time horizon are in full compliance with solvency II. The foundation is that the company is a "going concern". The calculation covers the coming 12 months and corresponds to the 0.5% fractile in the calculation

of the expected technical result for Topdanmark Forsikring A/S in the period corresponding to Value-at-Risk with a confidence interval of 99.5%

g) Data applied to the internal model

Topdanmark Forsikring A/S

Basic data in the form of policy and claims data is mainly supplied by Topdanmark's own policy and claim systems. These systems are covered by the Topdanmark Forsikring A/S data policy which ensures a classification of data and a control of these, including any tracks of control and transactions. Extern data such as interest rate curve and salary index are reconciled to the external source and are quality controlled in relation to the data classification made. In the internal model, data is used for:

- Industry analyses (UW)
- Analysis of provision uncertainty
- Calculation core
- Any supplementing data for the validation of the internal model.

Data for industry analyses (UW) is founded in the same (claims) basic data that are applied for the general risk management in the company, just as provision data (run-off triangles), applied for the calculation of provision uncertainty in the internal model, corresponds to the provisions in the Topdanmark Forsikring A/S accounts.

E.5: Lack of compliance to MCR and SCR a)-d)

All companies are in compliance with the MCR- and SCR-requirements for the entire period.

E.6: Other significant information

Significant information is including in the above E.1 to E.5.

F: Supplement SSFCR group reporting

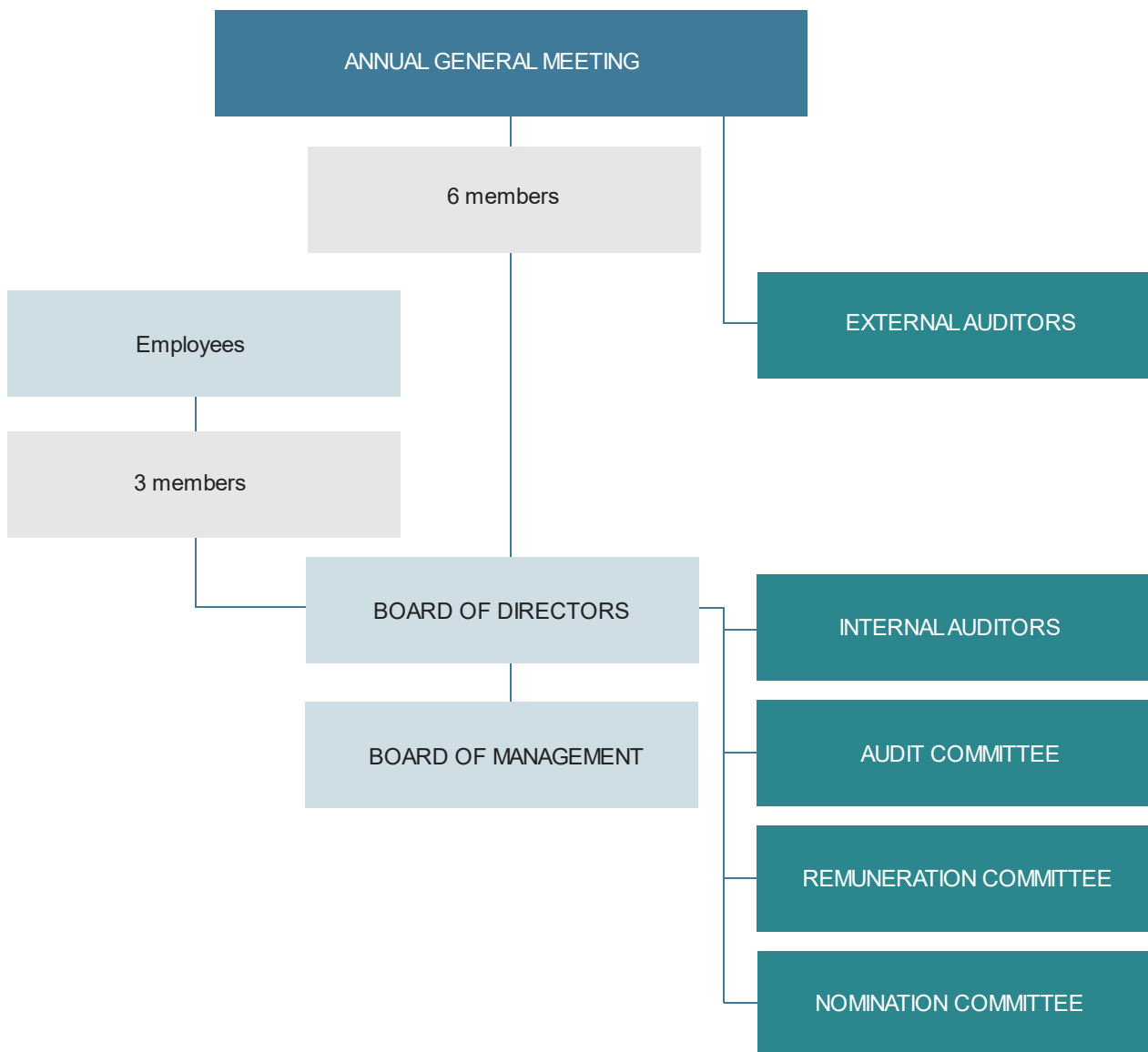
F.1: The group's solvency and financial condition

a) Business and results

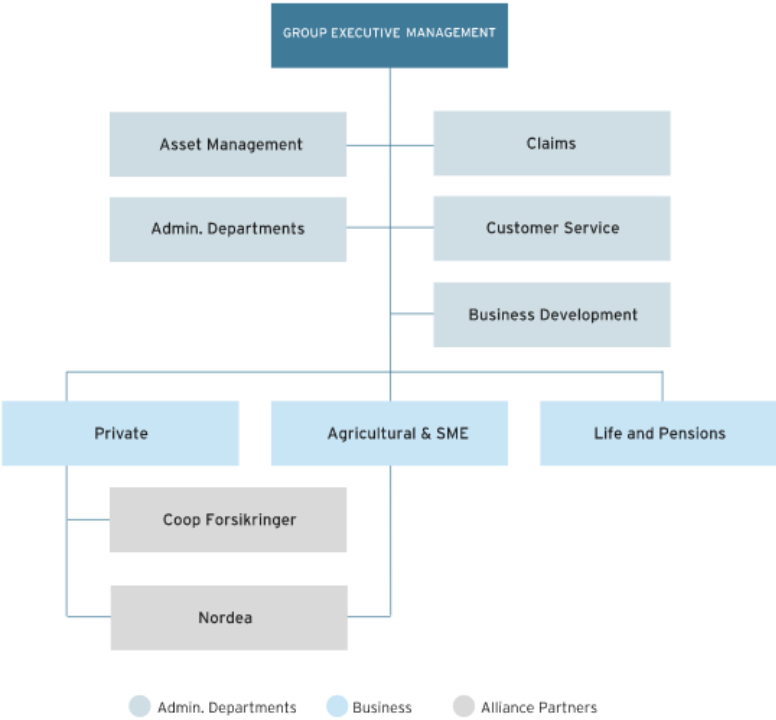
(i) Legal and organisational structure

The legal structure is illustrated in section A.1, e).

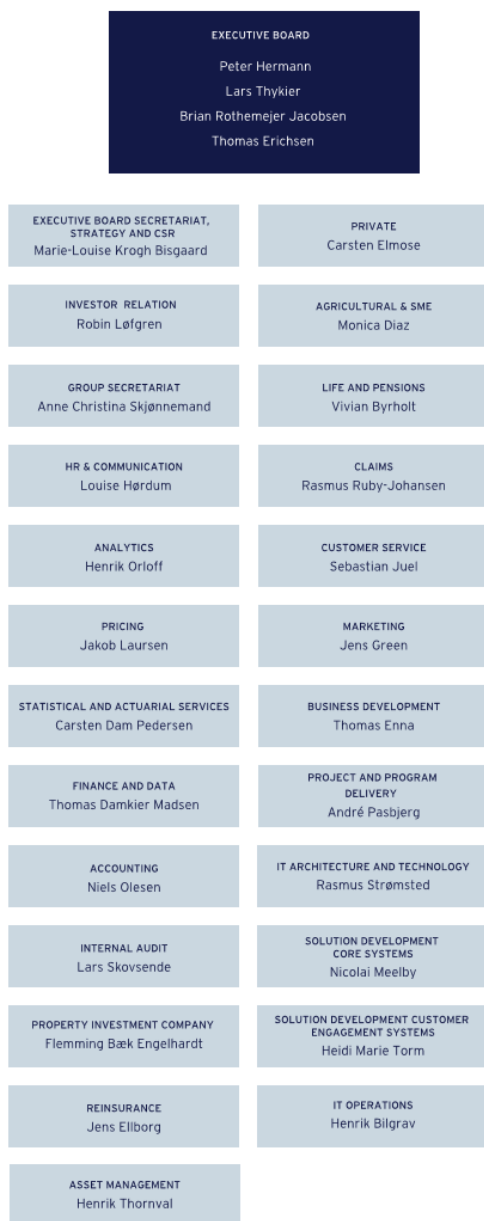
Topdanmark's decision and control structure is illustrated below:



The business structure is as follows:



The organisational structure is illustrated in the below organisational chart.



(ii) Group activities

Are described in section A.1.

b) Management system

(i) Risk management and the internal control systems

The group's risk management is described in section B.3, a).

The group's internal control systems are described in section B.5.

The group has defined a common set of rules for the individual companies' ORSA, thus ORSA is carried out consistently in all the companies. The ORSA reports in the group is described in section B.4.

(ii) Common ORSA report cf. Directive's art. 246, paragraph 4

Topdanmark prepares a common ORSA report.

(iii) Group internal outsourcing agreements

All companies have outsourced their asset management to Topdanmark Kapitalforvaltning.

Topdanmark Livsforsikring A/S has outsourced operation, monitoring, maintenance, support and development of the company's IT operations to Topdanmark Forsikring A/S.

c) Significant risk concentrations

Market risk concentrations are described in section C.2.2. which is also covers the group.

Insurance risk concentrations are described in section C.2.1 which also covers the group.

d) Differences in valuation for the group and the individual companies

The group and its companies apply the same foundation, methods and primary assumptions for valuation for solvency purposes.

e) Solvency capital requirements and own funds

(i) Method for the calculation of the group solvency

For the calculation of the solvency capital requirements, method 1 is applied in accordance with the Solvency II Directive's Article 230 i.e. based on the consolidated financial statements.

(ii) Limitations to the application of the group's own funds to the individual companies

The funds in an insurance subsidiary cannot via profit or reduction in capital be reduced to below the solvency capital requirement.

Both companies, Topdanmark Forsikring A/S and Topdanmark Livsforsikring A/S, have sufficient free equity for the capital to be reduced to below the solvency capital requirement. Based on this, there are no restrictions in any of the two companies other than compliance with the solvency capital requirement.

Put into practice, the Board's adopted policies require that there must be a significant excess cover, even after a capital reduction.

(iii) The group's solvency capital requirement after the consolidation method

The group's solvency capital requirement according to section E.2, a) is calculated after the consolidation method.

(iv) Diversification effects

The standard model's correlation matrix between the main risk modules has the following values:

	Market	Counterparty	Life insurance	Health insurance	Non-life insurance
Market	100%	25%	25%	25%	25%
Counterparty	25%	100%	25%	25%	50%
Life insurance	25%	25%	100%	25%	0%
Health insurance	25%	25%	25%	100%	0%
Non-life insurance	25%	50%	0%	0%	100%

Within each main module there are sub-modules with fixed correlations between these risks.

The biggest risks are market risks, and the correlations with market risks are the most important diversification effects. The Solvency Capital Requirement for main modules and their diversification can be found in section E.2, b).

(v) Minimum capital requirement

Minimum Capital Requirement (DKKm)	2020
Topdanmark Forsikring A/S	1,006
Topdanmark Livsforsikring A/S	1,004
Topdanmark Group	2,010

(vi) Companies included in the internal model

Topdanmark Forsikring A/S is the only company in the Topdanmark group included in a (partial) internal model.

(vii) Difference in the internal model in a single company and in a group

The same internal model is used when calculating the Group's solvency capital requirement as when calculating the solvency capital requirement in Topdanmark A/S' non-life insurance business.

Appendix

The following reporting forms are appendixes to the report. The forms are divided into 3 excel files, each of which constitutes a reporting unit. The files can be found at www.topdanmark.com in the same place as this report.

Tables for the report	Topdanmark Group	Topdanmark Forsikring A/S	Topdanmark Livsforsikring A/S
Balance sheet	S.02.01.02	S.02.01.02	S.02.01.02
Premiums, claims and expenses by line of business	S.05.01.02	S.05.01.02	S.05.01.02
Premiums, claims and expenses by country	S.05.02.01	S.05.02.01	S.05.02.01
Life and Health SLT Technical Provisions	-	S.12.01.02	S.12.01.02
Non-life Technical Provisions	-	S.17.01.02	S.17.01.02
Non-life Technical Provisions	-	S.19.01.21	S.19.01.21
Impact of long term guarantees and transitional measures	S.22.01.22	S.22.01.21	S.22.01.21
Own funds	S.23.01.22	S.23.01.01	S.23.01.01
Solvency Capital Requirement - for undertakings on Standard Formula	-	-	S.25.01.21
Solvency Capital Requirement - for groups on Standard Formula	-	-	-
Solvency Capital Requirement - for undertakings using the standard formula and partial internal model	-	S.25.02.21	-
Solvency Capital Requirement - for groups using the standard formula and partial internal model	S.25.02.22	-	-
Solvency Capital Requirement - for undertakings on Full Internal Models	-	-	-
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity	-	S.28.01.01	-
Minimum capital Requirement - Both life and non-life insurance activity	-	-	S.28.02.01
Undertakings in the scope of the group	S.32.01.22	-	-