

Annual Report 2020

Topdanmark A/S



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Topdanmark's equity story

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

Focused strategy

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

See the presentation of Topdanmark's equity story on www.topdanmark.com → Investors → Share profile

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

TOPDANMARK ANNUAL REPORT FOR 2020

18 February 2021, Announcement No. 03/2021

Key features 2020

- Post-tax profit of DKK 1,124m (2019: DKK 1,547m)
- EPS was DKK 12.9 (2019: DKK 17.7)
- Combined ratio: 86.5 (2019: 83.7)
- Combined ratio excluding run-off: 88.2 (2019: 88.3)
- Premiums increased by 3.6% in non-life insurance and decreased by 1.1% in life insurance.
- Profit on life insurance was DKK 117m (2019: DKK 327m).
- After return on non-life insurance provisions, the investment return was DKK 52m (2019: DKK 179m).

Q4 2020

- Post-tax profit of DKK 571m (Q4 2019: DKK 431m)
- EPS was DKK 6.5 (Q4 2019: DKK 4.9)
- Combined ratio: 85.1 (Q4 2019: 88.3)
- Combined ratio excluding run-off profits: 87.1 (Q4 2019: 92.1)
- Premiums increased by 6.0% in non-life insurance and decreased by 13.9% in life insurance.
- Profit on life insurance was DKK 74m (Q4 2019: DKK 36m).
- After return on non-life insurance provisions, the investment return was DKK 292m (Q4 2019: DKK 230m).

Dividend distribution for 2020

- The Board of Directors will recommend to the AGM on 25 March 2021 that a dividend of DKK 1,035m will be distributed for 2020, representing DKK 11.5 per share. This represents a pay-out ratio of 92.1 and a dividend yield of 4.4.
- At the AGM in 2020, it was decided to postpone pay-out of the second half of the dividend for 2019 until the AGM on 25 March 2021. The Board of Directors will recommend to the AGM that the remaining dividend of DKK 8.5 per share (DKK 765m) will be distributed as an extraordinary dividend.
- Given the AGM approval, the total dividend distributed in connection with the AGM will be DKK 1,800m or DKK 20 per share.

Profit forecast model for 2021

- Compared with the profit forecast model for 2021 in the Q3 Report, the assumed combined ratio for 2021 has been improved from about 90 to 89-90 excluding run-off.
- The expected premium growth in non-life remains unchanged at just above 3%.
- The post-tax profit forecast model for 2021 amounts to DKK 1,000-1,100m, excluding run-off.

Efficiency programme

- As announced in the Q3 Report, Topdanmark has upscaled investments to become more efficient. The efficiency programme is expected to generate annual gross efficiency gains of DKK 500m in 2025.
- The gross efficiency gains in 2021 are expected to amount to DKK 120m.
- Compared with 2020, additional costs following the increased level of investments in the efficiency programme will impact costs for 2021 negatively by DKK 100m.
- In 2021, the net impact of the efficiency programme has been improved from negative DKK 30m, as assumed in the Q3 Report, to now DKK 20m in 2021.

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Financial highlights

						Q4	Q4
(DKKm)	2016	2017	2018	2019	2020	2019	2020
Premiums earned:							
Non-life insurance	8,858	8,985	9,135	9,397	9,732	2,347	2,487
Life insurance	7,430	8,525	10,111	11,106	10,981	2,991	2,575
	16,288	17,510	19,247	20,502	20,713	5,338	5,062
Results:							
Non-life insurance	1,712	1,909	1,420	1,601	1,302	486	648
Life insurance	189	249	228	327	117	36	74
Parent company etc.	41	77	54	60	34	29	9
Pre-tax profit	1,942	2,235	1,702	1,987	1,453	551	731
Tax	(407)	(502)	(371)	(441)	(329)	(120)	(159)
Profit	1,536	1,733	1,331	1,547	1,124	431	571
Run-off profits, net of reinsurance	470	344	353	433	164	90	50
Shareholders' equity of parent company at 1 January	4,948	5,009	6,497	6,322	6,703	6,251	6,598
Profit	1,536	1,733	1,331	1,547	1,124	431	571
Dividend paid	0	0	(1,710)	(1,350)	(765)	0	0
Dividend own shares	0	0	73	50	24	0	0
Share buy-back	(1,524)	(410)	0	0	0	0	0
Share-based payments	50	166	131	148	98	21	16
Other movements in shareholders' equity	(1)	0	1	(14)	1	0	0
Shareholders' equity of parent company end of period	5,009	6,497	6,322	6,703	7,185	6,703	7,185
Deferred tax on security funds	(306)	(306)	(306)	(306)	(306)	(306)	(306)
Shareholders' equity of Group end of period	4,702	6,191	6,016	6,397	6,879	6,397	6,879
Total assets, parent company	5,779	7,114	6,873	7,274	7,785		
Total assets, Group	73,476	80,958	83,224	98,442	109,288		
Provisions for insurance and investment contracts:							
Non-life insurance	16,264	16,091	16,056	16,175	16,462		
Life insurance	47,351	54,198	56,519	70,603	79,335		
Financial ratios (parent company)							
Post-tax profit as a percentage of shareholders' equity	30.2	30.5	21.8	24.8	16.6	6.7	8.3
Post-tax EPS (DKK)	16.8	20.2	15.4	17.8	12.9	5.0	6.5
Post-tax EPS, diluted (DKK)	16.7	20.2	15.4	17.7	12.9	4.9	6.5
Share buy-back per share, diluted (DKK)	16.6	4.8					
Dividend per share issued, proposed (DKK)		19.0	15.0	8.5	20.0		
Net asset value per share, diluted (DKK)	57.3	75.6	72.9	76.7	82.0		
Listed share price end of period	179.3	268.1	303.0	328.4	264.2		
Number of shares end of period ('000)	87,216	85,876	86,432	87,067	87,491		
Average number of shares ('000)	91,465	85,700	86,242	86,824	87,266	87,035	87,453
Average number of shares, diluted ('000)	91,721	85,873	86,637	87,229	87,475	87,367	87,634
Ratios non-life insurance							
Gross loss ratio	67.2	61.5	66.2	65.1	67.5	70.0	64.8
Net reinsurance ratio	1.4	4.3	1.2	2.5	2.6	1.4	3.5
Claims trend	68.7	65.8	67.5	67.6	70.1	71.5	68.3
Gross expense ratio	16.4	16.1	16.1	16.0	16.3	16.8	16.7
Combined ratio	85.1	82.0	83.6	83.7	86.5	88.3	85.1
Combined ratio excl. run-off profits	90.4	85.8	87.5	88.3	88.2	92.1	87.1

Results for 2020

Topdanmark's post-tax profit for 2020 was DKK 1,124m (2019: DKK 1,547m).

Pre-tax profit was DKK 1,453m (2019: DKK 1,987m).

The technical result decreased by DKK 218m to DKK 1,316m. The decrease is caused by lower run-off (DKK 269m), and by a higher claims trend on house insurance (DKK 187m). COVID-19 related issues improved the technical result in 2020 by an estimated amount of DKK 121m of which DKK 22m is run-off loss included above.

The investment return adjusted for return on non-life insurance provisions decreased by DKK 81m to

DKK 15m (loss). The investment return was impacted by the turmoil in the Danish mortgage market during Q1 2020 due to the COVID-19 outbreak, resulting in a substantial spread widening that impacted the portfolio of Danish mortgage bonds which is used for hedging of the provisions.

The profit on life insurance decreased by DKK 210m to DKK 117m, primarily due to a lower investment return (DKK 167m).

The profit of DKK 1,124m is better than assumed in the latest model profit forecast in the Q3 Report, showing a post-tax profit of DKK 750-850m. The profit improvement is mainly due to a higher investment return, run-off profits and a lower level of weather-related claims in Q4 2020 than assumed.

Results and profit forecast model (DKKm)	Results 2019	Forecast 2020 as in Q1-Q3 2020 interim report			Results 2020
Non-life insurance					
- Technical result	1,534	1,150	–	1,200	1,316
- Investment return after return and revaluations of non-life insurance provisions etc.	66	(300)	–	(250)	(15)
Profit on non-life insurance	1,601	850	–	950	1,302
Life insurance	327	50	–	100	117
Parent company etc.	60	40	–	50	34
Pre-tax profit	1,987	940	–	1,100	1,453
Taxation	(441)	(190)	–	(250)	(329)
Profit for the year	1,547	750	–	850	1,124

Results for Q4 2020

The profit for Q4 2020 was DKK 571m (Q4 2019: DKK 431m).

Pre-tax profit increased by DKK 180m to DKK 731m.

The technical result increased by DKK 96m to DKK 371m due to, among other things, benign weather conditions (DKK 49m) and COVID-19 related issues, including motor- and travel insurance (DKK 63m).

On the other hand, a lower run-off level (DKK 40m) and a higher claims trend on house insurance (DKK 38m) had a negative impact on the claims trend in Q4 2020.

After return on non-life insurance provisions, the investment return in non-life insurance increased by DKK 65m to DKK 277m. The investment return was mainly driven by gains on listed equities.

The profit on life insurance increased by DKK 38m to DKK 74m.

Trend in profit (DKKm)	Q4 2019	Q4 2020
Non-life insurance		
- Technical result	275	371
- Investment return after return and revaluations of non-life insurance provisions etc.	212	277
Profit on non-life insurance	486	648
Life insurance	36	74
Parent company etc.	29	9
Pre-tax profit	551	731
Tax	(120)	(159)
Profit	431	571

Impact of the COVID-19 situation

Topdanmark has a robust business model with a high degree of diversification between the business activities, a very low liquidity risk and a solid capital base (a solvency cover of 170 at the end of 2020).

In the Q3 Report, the impact from COVID-19 on the combined ratio for 2020 was assumed to be positive 0.5-1.0pp. Also in Q4, COVID-19 reduced the number of claims on i.a. travel and motor insurance. Consequently, COVID-19 impacted the combined ratio for 2020 by

1.2pp. Including the investment return, the total impact of COVID-19 is assumed to be DKK 21m in 2020.

During the COVID-19 pandemic, Topdanmark's online claims handling platform has been used by a large number of customers. Also, the use of chatbot services tripled when the amount of customer inquiries within travel insurance peaked.

Non-life insurance in 2020

Premiums earned

Premiums earned increased by 3.6% to DKK 9,732m. The private segment accounted for a 1.3% increase, and the SME segment accounted for a 6.2% increase. Adjusted for a change in segmentation, premium growth was 2.1% and 5.3% in the private segment and SME segment, respectively.

The growth was impacted by a change in provisions for future losses in illness and accident (0.8%) caused by the strengthening of provisions in Q4 2019 and by price increases in H2 2020.

In the private segment, premiums were negatively impacted by the termination of the distribution agreement with Danske Bank at the end of H1 2019. However, the new distribution agreement with Nordea starting on 1 January 2020 has been off to a good start.

In 2020, the change of distribution partner had a negative impact of 1.1pp on Topdanmark's total non-life premium income, split between 1.0pp growth from the new distribution agreement with Nordea and a decline of 2.1pp from the previous distribution agreement with Danske Bank.

Topdanmark continues to assume that distribution through Nordea will compensate fully for the terminated distribution agreement with Danske Bank during 2021 in terms of premiums.

On 1 October, Sydbank terminated the distribution agreement with Topdanmark. The distribution agreement was established in 2015. At the end of 2020, the Sydbank portfolio represented DKK 0.5bn of which DKK 0.3bn was written by Topdanmark before the agreement was established. The distribution agreement with Sydbank represented approx. 5% of Topdanmark's new sales in 2020. The termination of the agreement became effective by the end of 2020. As Topdanmark has good momentum in new sales and low churn rates, the terminated distribution agreement with Sydbank only has a marginal negative impact on the premium growth in 2021.

According to the Top 1-2-3 strategy, Topdanmark intends to expand through organic growth, through direct sales, digital sales and distribution partners. When it comes to

growth through distribution partners, Topdanmark will further strengthen its cooperation with existing distribution partners, and in addition to this, look for new distribution partners including banks.

Claims trend

The claims trend deteriorated to 70.1 in 2020 from 67.6 in 2019.

The run-off profit excluding COVID-19, net of reinsurance, was DKK 186m (2019: DKK 433m), representing a 2.5pp negative effect on the claims trend. Run-off profits were primarily generated in workers' compensation, in illness and accident and on motor third-party liability whereas run-off losses were generated within accident, property and professional liability.

The lower level of run-off profits in 2020 compared with previous years was affected by outliers in the short tail business lines with substantial run-off losses on professional liability and property, but also by the steady fall of the risk premium on motor third-party liability and accident, which has characterised the past many years, now levelling off. As stated in the Q2 Report, Topdanmark assumes that the risk premium on motor third-party liability and accident will remain stable in the coming years.

In 2020, weather-related claims amounted to DKK 102m (2019: DKK 70m), representing a 0.3pp deterioration of the claims trend. Thereby, the level of weather-related claims was DKK 68m below the assumed normal level of DKK 170m.

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, representing a 0.3pp deterioration of the claims trend. The large-scale claims were DKK 14m below the assumed normal annual level of DKK 100m.

On motor insurance, the claims trend, adjusted for the COVID-19 effect, improved due to higher average premiums. The development on motor improved the claims trend by 0.8pp.

On illness and accident, and workers' compensation, the claims trend improved due to price increases and more efficient claims handling. The improvements were 1.0pp and 0.3pp respectively.

The claims trend on house insurance deteriorated by DKK 187m in 2020 corresponding to a negative impact on the claims trend of 1.9pp. Among the reasons are a higher level of water claims due to the rainy start of the year, and that COVID-19 caused a higher level of refurbishment on houses increasing the number of water

pipe and fungus claims, and that Topdanmark was hit by a couple of very large fire claims.

The increased level of claims on house insurance especially from houses built in the 1960s and 1970s represents a change in the risk picture. Consequently,

Topdanmark has taken actions by way of risk-based price increases, stricter acceptance criteria and increased focus on claims prevention.

Claims trend	Q4 2019	Q4 2020	2019	2020
Claims trend	71.5	68.3	67.6	70.1
Run-off excl. COVID-19	3.8	1.9	4.6	1.9
Weather-related claims	(0.6)	(0.0)	(0.7)	(1.0)
Large-scale claims	(0.6)	(0.6)	(0.6)	(0.9)
Other	(0.4)	0.1	0.2	0.3
Claims before run-off, weather, large-scale claims and other	73.7	69.6	71.1	70.4
Rain	0.0	0.0	0.0	(0.5)
Discounting		0.3		(0.2)
COVID-19	0.0	2.5	0.0	1.2
Underlying claims trend	73.7	72.4	71.1	71.0

Run-off loss of DKK 22m related to COVID-19-effects on income protection insurance is included in the line COVID-19.

The claims trend adjusted for run-off, weather-related claims, large-scale claims, and other positions including change of risk margin improved by 0.7pp to 70.4 in 2020.

As already mentioned, the claims trend in 2020 was impacted by many water claims on houses owing to a record high level of rain. Claims related to the high level of rain impacted the claims trend negatively by 0.5pp.

The claims trend was negatively impacted by the lower level of interest rates. The discounting effect (movements in the yield curve used for discounting the provisions) had a negative impact on the claims trend of 0.2pp compared with 2019.

Compared with 2019, COVID-19 is assumed to have had a net positive impact on the adjusted claims trend of DKK 121m (1.2pp) including a run-off loss of DKK 22m on income protection insurance. The positive impact of COVID-19 was on motor (DKK 76m), on contents (DKK 44m), on travel (DKK 58m), and on accident (DKK 26m).

On the other hand, COVID-19 impacted the adjusted claims trend related to income protection insurance negatively by DKK 63m due to the increase in unemployment.

In addition, COVID-19 is assumed to have a negative impact on illness and accident (DKK 10m) and workers' compensation (DKK 10m). Illness and accident will be affected by a higher level of customers making use of their health insurance getting treatments in private hospitals as the public hospitals have focused on COVID-19 patients.

Both illness and accident as well as workers' compensation will be hit by the higher level of unemployment (harder to reactivate injured employees).

The underlying claims trend, which is adjusted for the extraordinary rain claims in Q1 and Q3 2020, discounting and COVID-19 impact, improved by 0.1pp to 71.0.

Expense ratio

The expense ratio was 16.3 up from 16.0 in 2019.

The increase in expense ratio is impacted by high sales through Nordea, and COVID-19 related expenses.

The level of the expense ratio is also affected by significant investments in digital solutions and automation. Topdanmark expects that these investments will pay off in the coming years through efficiency gains, see "Targeted gross efficiency gains of DKK 500m in 2025" and "Profit forecast model for 2021" on pages 12-14.

Combined ratio

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

The general trend of wages and salaries and the increase in pay roll tax from 15.0% in 2019 to 15.2% in 2020 impacted the combined ratio by 0.4pp.

Financial highlights – Non-life insurance (DKKm)	Q4 2019	Q4 2020	2019	2020
Gross premiums earned	2,347	2,487	9,397	9,732
Claims incurred	(1,644)	(1,612)	(6,121)	(6,568)
Expenses	(395)	(416)	(1,507)	(1,591)
Net reinsurance	(34)	(87)	(234)	(257)
Technical result	275	371	1,534	1,316
Investment return after return and revaluations of non-life insurance provisions	210	265	64	(50)
Other items	2	12	2	36
Profit on non-life insurance	486	648	1,601	1,302
Run-off profits, net of reinsurance	90	50	433	164
Gross loss ratio	70.0	64.8	65.1	67.5
Net reinsurance ratio	1.4	3.5	2.5	2.6
Claims trend	71.5	68.3	67.6	70.1
Gross expense ratio	16.8	16.7	16.0	16.3
Combined ratio	88.3	85.1	83.7	86.5
Combined ratio excl. run-off profits	92.1	87.1	88.3	88.2

Non-life insurance in Q4 2020

Premiums earned in Q4 2020 increased by 6.0% to DKK 2,487m. The private segment increased by 3.0%, and the SME segment increased by 9.2%. Adjusted for a change in segmentation, premium growth was 5.0% and 6.9% in the private segment and SME segment, respectively.

The change of distribution partner from Danske Bank to Nordea had a net negative impact of 0.1pp in Q4 2020.

The growth was positively impacted by a change in provisions for future losses in illness and accident (1.2%).

The claims trend was 68.3 in Q4 2020 down from 71.5 in Q4 2019.

Large-scale claims were DKK 16m in Q4 2020, which was DKK 1m higher than the large-scale claims of DKK 15m in Q4 2019.

Weather-related claims were DKK 1m in Q4 2020. In Q4 2019, the weather-related claims were DKK 14m, representing an improvement of the claims trend of 0.5pp.

The run-off profit excluding COVID-19, net of reinsurance, was DKK 48m (Q4 2019: DKK 90m), representing a 1.9pp negative effect on the claims trend.

The claims development on motor adjusted for COVID-19 improved due to higher average premiums, improving the claims trend by 1.5pp.

The claims trend was impacted by a DKK 38m deterioration on house insurance (1.5pp) due to an

increased claims frequency and an increased average size of claims on burst water pipes and fungus claims.

The claims trend adjusted for run-off, weather-related claims, large-scale claims and change of risk margin improved by 4.1pp to 69.6 in Q4 2020.

In Q4 2020, COVID-19 had an assumed positive impact on the adjusted claims trend of DKK 63m (2.5pp).

COVID-19 impacted the claims trend positively on travel insurance (1.3pp), motor (0.7pp), and contents (0.7pp).

In Q4 2020, COVID-19 negatively impacted the adjusted claims trend related to income protection insurance by DKK 11m (0.4pp).

The underlying claims trend, which is adjusted for discounting and the impact of COVID-19, improved by 1.3pp to 72.4.

The expense ratio was 16.7 in Q4 2020 (Q4 2019: 16.8).

The combined ratio was 85.1 in Q4 2020 (Q4 2019: 88.3). Excluding run-off, the combined ratio was 87.1 (Q4 2019: 92.1).

In Q3 2020, Topdanmark launched a new online sales platform targeting the private segment in the Topdanmark brand.

Following the introduction of the online sales platform, Topdanmark launched a branding campaign in print, on TV, and on digital channels. The focus of the campaign is Topdanmark's brand promise: "We're here to help" which

is based on the values that the customers already know Topdanmark for.

During Q4 2020, the branding campaign continued on broad channels, albeit with a significant reduction towards December. The campaign still performs well and before the Christmas downturn, there was a significant increase in the level of unaided awareness. Campaign spending resumes in the new year, aiming at improving digital sales.

Segment reporting

Private

The private segment offers policies to individual households in Denmark.

Premiums increased by 1.3% to DKK 5,179m. Premiums were negatively impacted by an adjusted segmentation in terms of accounting between the private and SME segments (DKK 43m). With this adjustment, premiums increased by 2.1%.

The technical result was DKK 527m in 2020, representing a decrease of DKK 159m compared with 2019.

The claims trend deteriorated by 3.0pp to 73.9. The claims trend was negatively impacted by a lower level of run-off profits (2.0pp), a higher level of weather-related claims and house insurance see pages 5-6.

Compared with 2019, the claims trend was favourably influenced by a positive development in motor, travel insurance, and on theft due to the COVID-19 situation.

The expense ratio deteriorated to 15.9 from 15.7 in 2019 due to increased acquisition costs and investments in digitalisation and automation.

The combined ratio was 89.8 (2019: 86.6).

Excluding run-off, the combined ratio was 92.1 in 2020 (2019: 90.9).

In Q4 2020, premiums increased by 3.0% to DKK 1,304m. Adjusted for the change in segmentation (DKK 25m) and change in reservation for future losses in illness and accident (DKK 29m), premiums increased by 2.7%.

In Q4 2020, the claims trend improved by 5.9pp to 73.5 due to a lower level of claims from illness and accident and improved claims trend on motor, contents, and travel insurance related to COVID-19.

The combined ratio in Q4 2020 was 90.1 compared with 96.2 in Q4 2019. Excluding run-off, the combined ratio improved to 92.0 in Q4 2020 from 98.7 in Q4 2019.

Private (DKKm)	Q4 2019	Q4 2020	2019	2020
Gross premiums earned	1,266	1,304	5,114	5,179
Claims incurred	(993)	(956)	(3,555)	(3,787)
Expenses	(212)	(217)	(802)	(824)
Net reinsurance	(12)	(2)	(70)	(41)
Technical result	48	129	686	527
Run-off profits, net of reinsurance	32	24	221	116
Gross loss ratio	78.5	73.3	69.5	73.1
Net reinsurance ratio	0.9	0.2	1.4	0.8
Claims trend	79.4	73.5	70.9	73.9
Gross expense ratio	16.8	16.7	15.7	15.9
Combined ratio	96.2	90.1	86.6	89.8
Combined ratio excl. run-off profits	98.7	92.0	90.9	92.1

SME

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

Premiums increased by 6.2% to DKK 4,571m. Adjusted for the change in segmentation between the private and the SME segments, premiums increased by 5.3%.

Topdanmark continues to have positive momentum in new sales to SMEs and agricultural businesses.

The technical result decreased by DKK 59m to DKK 789m in 2020.

The claims trend deteriorated by 2.2pp to 66.0 caused by a lower level of run-off profits (3.6pp) and a higher level of weather-related claims. By contrast, especially workers' compensation and motor improved.

The expense ratio was 16.8 compared with 16.4 in 2019.

The expense ratio in 2020 was impacted by changes in the sales force organisation and by COVID-19 related issues.

The combined ratio was 82.7 in 2020 up from 80.3 in 2019.

Excluding run-off, the combined ratio was 83.8 in 2020 (2019: 85.2).

In Q4 2020, premiums increased by 9.2% to DKK 1,186m. Adjusted for the change in segmentation (DKK 25m), premiums increased by 6.9%.

The claims trend in Q4 2020 deteriorated by 0.5pp to 62.8 impacted by a lower level of run-off profits.

In Q4 2020, the combined ratio deteriorated by 0.4pp to 79.6. Excluding run-off, the combined ratio improved by 2.8pp to 81.7 in Q4 2020.

SME (DKKm)	Q4 2019	Q4 2020	2019	2020
Gross premiums earned	1,086	1,186	4,302	4,571
Claims incurred	(655)	(659)	(2,583)	(2,799)
Expenses	(183)	(199)	(707)	(767)
Net reinsurance	(22)	(85)	(164)	(216)
Technical result	226	242	848	789
Run-off profits, net of reinsurance	58	25	212	47
Gross loss ratio	60.3	55.6	60.0	61.2
Net reinsurance ratio	2.0	7.2	3.8	4.7
Claims trend	62.3	62.8	63.8	66.0
Gross expense ratio	16.9	16.8	16.4	16.8
Combined ratio	79.2	79.6	80.3	82.7
Combined ratio excl. run-off profits	84.5	81.7	85.2	83.8

Life insurance in 2020

The result from life insurance was a profit of DKK 117m (2019: DKK 327m).

Profit on life insurance activities comprises the profit on life insurance plus the investment return of Topdanmark

Liv Holding. These profits are calculated in accordance with the stated policy for the calculation of profit for the life insurance company: see www.topdanmark.com → About Topdanmark → Strategy and business → Non-life and Life insurance → [Policy for the calculation of profit in life insurance](#).

Result of life insurance (DKKm)	Q4 2019	Q4 2020	2019	2020
Investment return on shareholders' equity	23	59	186	19
Sales and administration	(23)	(12)	(22)	(43)
Insurance risk	1	(10)	23	(10)
Risk return on shareholders' equity	35	37	141	152
Profit on life insurance	36	74	327	117

Developments in 2020

Compared with 2019, the negative development in 2020 for life insurance primarily derives from investment return on shareholders' equity. The investment return on shareholders' equity was DKK 19m in 2020 (2019: DKK 186m) and was impacted by the situation on the financial markets due to COVID-19.

The result of sales and administration which decreased by DKK 21m to DKK 43m (loss) derived from costs

connected to the implementation of the new core IT system launched in 2019. The insurance risk result has decreased by DKK 33m to DKK 10m (loss). The insurance risk result is quite volatile.

Trend in premiums

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 3,394m in 2020. Single premiums decreased by 3.1% to DKK 7,587m in 2020.

Gross premiums decreased by 13.9% to DKK 2,575m in Q4 2020 of which premiums on unit-linked pension schemes were DKK 2,399m, a 13.0% decrease compared with Q4 2019.

Life insurance in Q4 2020

The result in Q4 2020 increased from DKK 36m to DKK 74m, primarily due to an improved investment return on shareholders' equity.

Regular premiums increased by 1.0% to DKK 882m in Q4 2020, whereas single premiums decreased by 20.1% to DKK 1,693m.

Sources of gross premiums (DKKm)	Q4 2019	Q4 2020	2019	2020
With-profit products	134	114	466	399
Unit-linked products	692	716	2,540	2,727
Group life	47	52	269	268
Regular premiums	874	882	3,275	3,394
With-profit products	53	10	344	98
Unit-linked products	2,065	1,683	7,487	7,489
Single premiums	2,118	1,693	7,831	7,587
Gross premiums	2,991	2,575	11,106	10,981

Investment activities

Topdanmark Group excl. life insurance

The investment return of the Topdanmark Group excluding life insurance was DKK 426m in 2020 (2019: DKK 794m). Return and revaluation of non-life insurance provisions were a loss of DKK 374m in 2020 (2019: loss of DKK 616m).

The investment return including return and revaluation of non-life insurance provisions was DKK 52m, and thus DKK 150m lower than the projected return for 2020, when calculated using Topdanmark's forecast model at the beginning of 2020. The lower return should be seen in the light of COVID-19. Lockdowns imposed by numerous countries slowed down the economic activity in large parts of the world. The economic uncertainty has had a negative impact on some high-risk assets such as CLOs.

Others, such as global equities have fully recovered, and during Q4 reached a new record high.

The Danish mortgage bond market is dominated by AAA bonds where spreads to swaps in March widened much faster and further than during the financial crisis a decade ago. Despite some easing of tensions up to the end of Q1 2020 and in the following three quarters, the losses from the assets hedging of the interest sensitivity of the provisions still dominate their revaluations by a wide margin.

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									
	2019	2020	Return Q4 2019		Return Q4 2020		Return 2019		Return 2020	
	(DKKbn)		(DKKkm)	%	(DKKkm)	%	(DKKkm)	%	(DKKkm)	%
Danish equities	0.3	0.2	29	11.1	47	17.8	60	26.6	78	30.6
Foreign equities	0.8	0.9	50	6.8	100	13.2	174	28.7	81	10.4
Unlisted equities and hedge funds	0.4	0.4	6	1.6	46	14.6	21	6.4	26	7.8
Government and mortgage bonds	16.5	15.6	(212)	(1.2)	71	0.4	350	2.1	191	1.1
Credit bonds	0.0	0.0	0	1.5	0	0.0	3	6.8	0	0.0
Index linked bonds	0.3	0.3	(16)	(5.1)	3	0.9	18	6.8	10	3.3
CLOs	0.6	0.6	(2)	(0.3)	59	11.5	22	4.0	(10)	(1.7)
Properties	1.3	1.2	8	0.6	22	1.7	83	6.9	62	5.0
Expenses, money markets etc.	1.3	2.9	(5)	(0.3)	(18)	(0.7)	(9)	(0.6)	(60)	(3.2)
Subordinated loan capital	(1.7)	(1.7)	(11)	(0.6)	(11)	(0.6)	(46)	(2.6)	(46)	(2.6)
	19.6	20.2	(153)	(0.7)	319	1.6	678	3.4	332	1.6
Asset management			48		29		116		94	
Investment return			(105)		348		794		426	
Return and revaluations of non-life insurance provisions			335		(56)		(616)		(374)	
Investment return after return on non-life insurance provisions			230		292		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 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 30 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.

Parent company etc.

The parent company, Topdanmark, does not perform any independent activities. The profit of the parent company etc. includes the profits of subsidiaries not within the insurance business (primarily Topdanmark Asset Management), finance costs and other expenses. The profit of the parent company decreased DKK 26m to DKK 34m in 2020.

Taxation

The tax charge was DKK 329m of the pre-tax profit of DKK 1,453m, corresponding to an effective tax rate of 22.6% (2019: 22.2%).

Targeted gross efficiency gains of DKK 500m in 2025

As mentioned in the Q3 2020 Report, Topdanmark will upscale the level of investments to improve the efficiency of the company.

The main focus areas in the efficiency programme are:

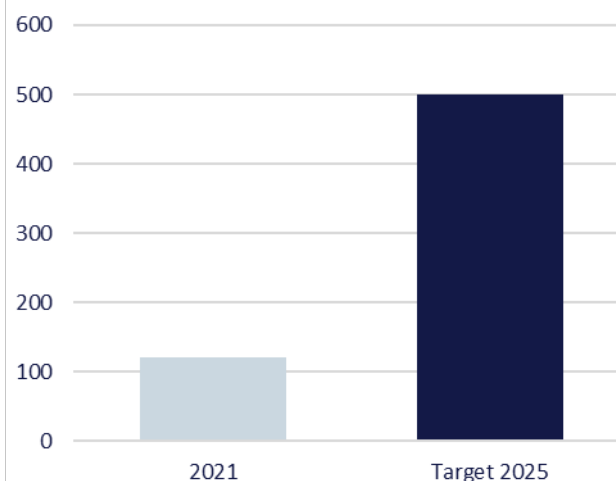
- Automation/digitalisation of routine-based processes
- Risk and pricing
- Procurement and cost

The annual gross efficiency gains are targeted to be DKK 500m in 2025. It is assumed that this improvement in efficiency will provide a good basis for Topdanmark's competitive position in the future market.

DKK 120m of the efficiency gains are assumed to impact the 2021 result. Compared with 2020, additional costs following the increased level of investments in the efficiency programme will impact the technical result for 2021 negatively by approx. DKK 100m.

Consequently, the net impact of the efficiency programme will be DKK 20m in 2021, and the DKK 20m are included in the 2021 forecast.

Assumed gross impact of efficiency programme - Implemented with expected full year effect in 2021



The net effect of the annual gross efficiency gains of DKK 500m may be impacted by deviations to the assumed future:

- Due to competition, some of the efficiency gains may be lost by way of lower prices.
- New efficiency programmes may affect the gains expected to be realised before 2025.
- The market environment may be different from the one assumed.
- The automatic price indexation is expected to cover claims inflation, and it is assumed that Topdanmark will make no general price increases above the automatic price indexation. This may not be the case.
- It is assumed that there will be no major external obstacles like new pandemics, additional levies, etc.

New IT systems

A key element in unfolding Topdanmark's 1-2-3 strategy is new core IT systems in both life and non-life. In the life division, the new core IT system was implemented in 2019. In non-life, the IT system will start being implemented in 2021. Consequently, Topdanmark will start depreciating the cost in relation to the new non-life system in 2021.

The new core IT systems support Topdanmark's ambition of increasing the strategic and operational use of data-driven processes for business transformation and optimisation across all business areas in Topdanmark.

The assumed level of depreciation on the non-life core system will increase from approx. DKK 25m in 2021 to a peak at approx. DKK 230m in 2026.

Profit forecast model for 2021

Traditionally, Topdanmark does not publish actual profit forecasts, but instead, the expected level of results provided that a number of assumptions about the return in the financial markets are met. The return on financial assets changes on a daily basis, and consequently Topdanmark's profit forecast model will already deviate from actual expectations by the time it is published. Therefore, set out at www.topdanmark.com → Investors → Risk management, we provide additional information on how changes in the assumptions underlying the profit forecast model will affect the results.

As can be seen, the investment return forecast model is not based on a specific estimate of the expected investment return for the rest of the year, but solely on a long-term standard assumption regarding the return.

Non-life insurance

In the Q3 Report, it was disclosed that Topdanmark assumed premium growth for 2021 of just above 3%. This was based upon the following assumptions:

- The change in distribution partner from Danske Bank which was terminated at the end of Q2 2019 and the new distribution agreement with Nordea as at 1 January 2020 will in terms of premium level out during 2021.
- The terms of the termination of the distribution agreement with Sydbank have yet to be finally negotiated, but it is expected that the termination will have a negative impact on growth of approx. 0.2pp.
- The automatic premium indexing in the private segment will be 2.3% in 2021. Approx. 70% of Topdanmark's premiums earned are comprised by automatic premium indexing. Thus, the premium effect of the automatic premium indexing on non-life insurance is approx. 1.6%.

The claims trend on house insurance has deteriorated in 2020. In order to improve profitability on house insurance, Topdanmark has launched price increases in 2020 which will be implemented during 2021 and 2022. Furthermore, price increases on illness and accident insurance and income protection insurance have been launched.

Topdanmark still assumes premium growth for 2021 in non-life of just above 3%.

In the Q3 Report, Topdanmark also assumed a combined ratio for 2021 of about 90, excluding run-off.

This was based on the following assumptions:

- Weather-related claims of DKK 170m. The weather-related claims, broken down by quarter, are assumed to be as follows:
 - o Q1: DKK 50m
 - o Q2: DKK 25m
 - o Q3: DKK 45m
 - o Q4: DKK 50m

- Large-scale claims (large-scale claims of a value exceeding DKK 5m after reinsurance) of DKK 100m
- A negative impact of COVID-19 of 0.6 compared with 2020
- An expense ratio of approx. 16
- A level of interest rates corresponding to the interest rate curve on 30 September 2020
- Efficiency gains of approx. 0.7pp from the efficiency programme
- Topdanmark will upscale investments in the efficiency programme and compared with 2020 the increased level of investments will impact the combined ratio for 2021 negatively by approx. 1pp.
- Consequently, the net impact of the efficiency programme is assumed to impact the combined ratio negatively by approx. 0.3pp in 2021.

Since the announcement of the Q3 Report, the assumed efficiency gains in 2021 have been improved by DKK 50m. As a result, the assumed net impact on the combined ratio in 2021 has been improved from negative 0.3pp to positive 0.2pp.

Furthermore, profitability improving measures on house insurance are assumed to improve the combined ratio in 2021 by 0.5-0.7pp compared with 0.25-0.5pp which was assumed in the Q3 Report.

The outbreak of a new COVID-19 mutation has had a positive impact on the 2021 assumptions. It is expected that the new lockdowns will lead to a positive impact on travel and motor insurance and a negative impact on income protection insurance, thus resulting in net improvement of the combined ratio to the tune of 0.3pp.

Finally, discounting rates (including changes in VA) have decreased relatively to the guidance for 2021 in the Q3 Report, representing a 0.5pp deterioration of the combined ratio. Therefore, the assumed combined ratio for 2021 is improved from about 90 to 89-90, excluding run-off.

The overall assumed pre-tax result for non-life insurance is DKK 1,130-1,230m.

Life insurance

In the Q3 Report, Topdanmark assumed a pre-tax profit in the life division of DKK 50-100m in 2021.

The assumed life result for 2021 was affected by teething problems in the implementation of the new core IT system. The work is progressing, but some problems are yet to be solved, meaning that some of the implementing costs are carried over to 2021 and 2022. On top of this, the assumptions for the investment return for Life was lowered due to the lower interest rate and lower assumptions for the investment return in general.

Topdanmark assumes a decrease in regular premiums of 0-5% in 2021. At this time, it is pointless to make assumptions about the level of single premiums.

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

- Full recognition as income of risk return for shareholders' equity from all interest rate groups
- No profit from the shadow account.

Since the announcement of the Q3 Report, the assumed investment return has improved due to price increases and growth in AUM.

Consequently, the pre-tax profit for the life division has been upgraded from DKK 50-100m to DKK 100-150m.

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

Parent company

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

Taxation

Given a corporation tax rate of 22%, the tax charge is expected to be DKK 270-330m.

Total Group profit

Topdanmark's overall post-tax profit according to the profit forecast model for 2021 is DKK 1,000-1,100m representing an EPS of DKK 12.0. The assumed profit is exclusive of run-off.

The profit forecast model assumes an annual 7.0% return on equities, and unchanged foreign exchange rates from the level as at 30 December 2020.

Furthermore, it is assumed that the return on interest-bearing assets hedging the discounted provisions exactly suffices to cover discounting and revaluation of the provisions, while the return on the remaining interest-bearing assets is assumed to be 1.47% (risk-free interest rate plus 2.0pp).

Profit forecast 2021 (DKKm)	Results 2020	Forecast 2021 30 December 2020		
Non-life insurance				
- Technical result	1,316	1,050	–	1,100
- Investment return after return and revaluations of non-life insurance provisions etc.	(15)	80	–	130
Profit on non-life insurance	1,302	1,130	–	1,230
Life insurance	117	100	–	150
Parent company etc.	34	40	–	50
Pre-tax profit	1,453	1,270	–	1,430
Taxation	(329)	(270)	–	(330)
Profit for the year	1,124	1,000	–	1,100

Risk management

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

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

At the end of 2020, Topdanmark's solvency ratio was 170. Topdanmark assesses that with this solvency ratio, the Company will be able to maintain normal operations and implement planned measures even in the event of, for example, another collapse in the financial markets as in 2008.

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

because both risk-reducing measures will reduce the profitability of the Topdanmark Group.

Topdanmark's assessment is that the current level of the solvency ratio is comfortable considering the wish for a sound own funds base and satisfactory profitability. In order to ensure strict control of the overall risk, the exposures are calculated as often as deemed necessary, i.e. daily, monthly, quarterly or in a few cases annually, according to the nature of the exposure.

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

Topdanmark's risk management function identifies, assesses and quantifies risks. It reports to the Risk Committee, which is responsible for risk policies, risk limits, solvency calculation, capital plans, Topdanmark's own risk and solvency assessment (ORSA), and Topdanmark's partial, internal model for non-life insurance risks. The members of the Risk Committee are the CFO of the Group, the head of the Compliance Function and the heads of the primary risk areas, which are: Asset Management, Statistical Services, Reinsurance, Finance and Life Actuarial Services.

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

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

The risk management function implements an annual ORSA process identifying risks in the business, quantifying these risks and collecting them in a risk register. Additionally, the principles of solvency calculation are reviewed, and the risk management process is updated. An ORSA report has been prepared, which, together with the risk register and risk management process, was considered at a Board Meeting in the autumn of 2020.

On an ongoing basis, the risk management function addresses the rules for solvency calculation and reporting

etc. of the Solvency II Directive to ensure that Topdanmark meets this set of rules.

Overview

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

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

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

Risk scenarios

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

Risk scenarios (DKKm) after corporate tax and pension return tax				2019	2020
Non-life insurance					
Underwriting risk					
Combined ratio – 1pp increase				(73)	(76)
Provisioning risk					
Provisions on own account – 1% increase				(98)	(101)
Storm claims up to DKK 5,100m (Plus reinstatement premium etc.)				(78)	(78)
Life insurance					
Disability intensity - 35% increase*				(8)	(12)
Mortality intensity - 20% decline				(25)	(22)
Market risk					
Interest-bearing assets	1 pp increase			(521)	(536)
Provisions for claims and benefits etc.	in effective interest rate			510	537
Index-linked bonds	5% loss			(22)	(21)
Equities	10% loss			(86)	(89)
CLOs < AA	10% loss			(59)	(53)
Properties	10% loss			(144)	(144)
Annual currency loss with an up to 2.5% probability (VaR)				(6)	(1)
*35% increase first year, subsequently 25%, coincident with 20% decline in reactivation rates.					

Solvency calculation and capital requirements

Solvency II gives the companies the opportunity to fully or partially develop their own internal risk model for solvency calculation. Topdanmark uses a partial internal model developed in-house to calculate the non-life risk.

This model, approved by the Danish FSA, provides the basis for including non-life risks in Topdanmark's solvency calculations.

Own funds

Principal elements of own funds:

Shareholders' equity

- Proposed dividend

+ Deferred tax on security funds

+ Profit margin

- Intangible assets

+ Tax effect

+ Usable share, subordinated loan tier 1

(max. 20% of tier 1-capital)

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

Own funds

As at 11 December 2020, Topdanmark Forsikring A/S has redeemed subordinated notes of DKK 500m issued in 2015. The subordinated notes were replaced by a new subordinated loan of DKK 500m with provisions in

accordance with the requirements of Solvency II as at 30 December. The issue was a private placement subscribed by If P&C Insurance Ltd.

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

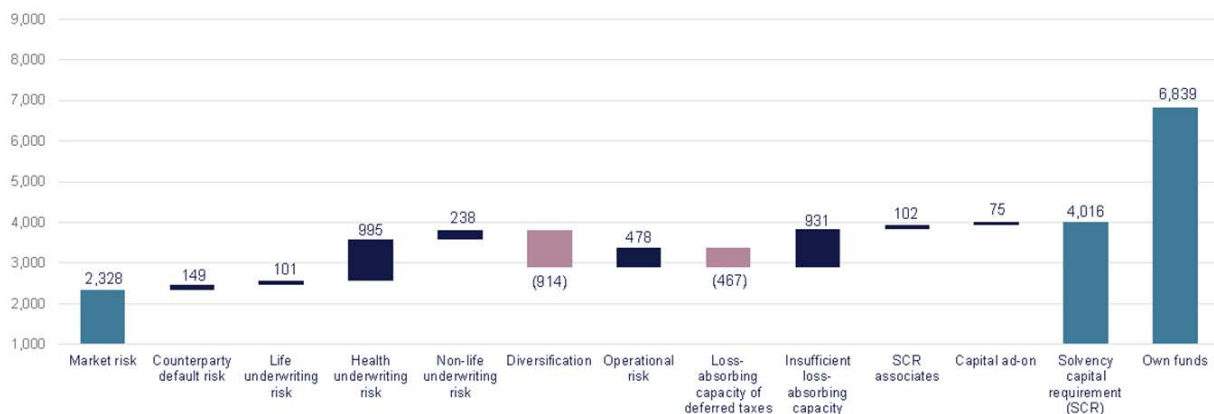
Topdanmark Forsikring has outstanding subordinated tier 2 notes in two tranches:

- DKK 500m, call in 2025, expiry in 2030.
- DKK 850m, call in 2021, expiry in 2026.

Solvency cover (DKKm)	2016	2017	2018	2019	2020
Own funds*	6,348	6,370	6,509	6,660	6,839
Solvency requirement	3,643	3,116	3,322	3,773	4,016
Solvency cover (%)	174	204	196	177	170

*) Proposed dividend has been deducted.

Solvency requirement (SCR) and own funds for the Topdanmark Group (DKKm) 31 December 2020



Capital model

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

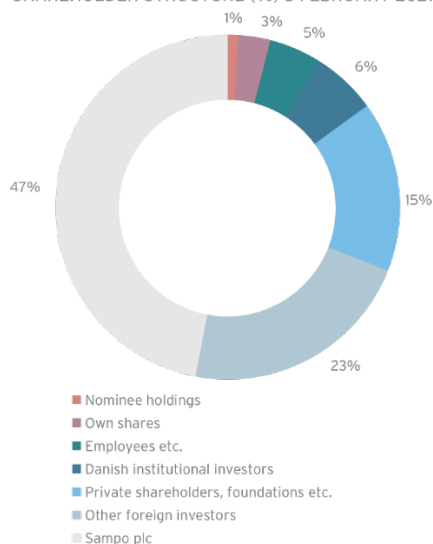
The size of the necessary solvency capital, i.e. shareholders' equity reduced by the value of assets not included in the solvency cover, has been calculated at DKK 3,400m. Further solvency cover is ensured through outstanding subordinated notes.

Capital structure and ownership

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

At the end of 2020, Topdanmark's share capital totalled DKK 90,000,000 divided into shares of DKK 1 each, corresponding to 90,000,000 voting rights. As at 5 February 2021, Topdanmark held 2,403,487 shares representing 2.67% of the share capital.

SHAREHOLDER STRUCTURE (%) 5 FEBRUARY 2021



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

Sampo plc
Fabianinkatu 27
FL-00100 Helsinki
Finland

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

Board of Directors and Articles of Association

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

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

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

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

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

Board members are elected individually.

The Board of Directors has addressed its composition and qualifications in "Policy on diversity at board level". The Company believes that, by imposing in advance very specific requirements on the Board members, it may prevent the election of an evidently qualified Board candidate, if they do not fully meet the requirements. Topdanmark wants to make an individual decision on each Board candidate based on an overall consideration of the candidate's qualifications as compared with the Company's business model and associated risks, present needs and the composition of the rest of the Board of Directors. Topdanmark believes that in a company like Topdanmark, its Board members should possess combined skills within organisation, strategic management, insurance operations, reinsurance, long-tail business, financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private and commercial markets, marketing and branding, outsourcing, finance, own funds, solvency and minimum capital requirements, rules for internal models, audit, financing and investment, regulatory environment, compliance, IT and IT security, digitalisation as well as recruitment and human resources. Information on the defined competencies possessed by each of the Board members elected by shareholders at the annual general meeting is provided in the section on the Board of Directors in the Annual Report. Taking the latest evaluation of the Board into account, it is assessed that Topdanmark's Board of Directors with its current composition possesses the above-mentioned skills and qualifications.

Diversity

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

Four of the nine Board members are women, two of them elected by the annual general meeting and two by Topdanmark's employees. Consequently, Topdanmark

meets its goal: that the Board has a minimum of three persons of each gender. Topdanmark meets the statutory definition of an equal gender distribution.

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

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

Topdanmark's Board of Directors has adopted policies on diversity. "Policy on diversity at Board level" and "Policy on diversity and the under-represented gender in the management body of Topdanmark" have been published on Topdanmark's website. More information on diversity including "Women in management" is available in the [CSR Report 2020](#).

Evaluation of the Board of Directors

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

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

Amendments to the Company's Articles of Association

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

Severance pay

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

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

For two members of the present Executive Board and one member of Orienteringsforum and one member of Topdanmark's other management level, it was agreed that, in continuation of Sampo Group's take-over of de facto control of Topdanmark in 2013, they would earn remuneration equivalent to six months' salary per vesting year over a period of three years. The vesting period is over, and the remuneration will be paid when employment ends. The remuneration is regulated annually in relation to the current salary level.

Remuneration structure

Topdanmark's remuneration policy is intended to optimise long-term value creation at group level and support

Topdanmark business strategy. At the same time, Topdanmark's remuneration policy should strengthen the attraction, retention and motivation of qualified members of Topdanmark's management, as well as ensure consistency between the interests of management, the company and shareholders. The annual general meeting has adopted "Remuneration policy of the Topdanmark Group."

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

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

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

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

The remuneration paid to the Executive Board, Orienteringsforum and other material risk takers should be competitive with remuneration at comparable companies and can be composed 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") and extraordinary variable remuneration.

The determination of the fixed basic remuneration paid to the Executive Board, Orienteringsforum and other material risk takers is based on a specific assessment of

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

Topdanmark's LTI programme for the Executive Board 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.

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

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

The Executive Board is not paid a special pension contribution. The 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. Reference is also made to the Topdanmark Group's [Remuneration Report 2020](#) and [Payment Report 2020](#)

Share options

For 2021, Topdanmark has granted 77,684 share options to its Executive Board and 148,279 share options to senior management. The strike price of DKK 291 was

fixed at 110% of the market price of Topdanmark's shares on 30 December 2020 (average of all trades).

Besides the revolving scheme referred to above, further 80,000 share options have been granted for 2021 to a number of other executives who have made a special effort or otherwise contributed extraordinarily to value creation in the Company.

Share options granted	Executive Board	Senior Executives	Total
2017	96,416	351,971	448,387
Market value of those options granted (DKKm)	2	8	10
2018	49,216	262,059	311,275
Market value of those options granted (DKKm)	2	9	11
2019	58,756	217,868	276,624
Market value of those options granted (DKKm)	2	8	10
2020	57,557	188,984	246,541
Market value of those options granted (DKKm)	2	8	10
2021	77,684	228,279	305,963
Market value of those options granted (DKKm)	2	7	10

The options granted for 2021 are not to be exercised any earlier than subsequent to the publication of the 2023 annual results in 2024, and any later than subsequent to the publication of the 2025 annual results in 2026. In the intervening period, the options can only be exercised up to three banking days after Topdanmark's publication of its annual, half year and interim reports.

The value of issuing the options amounts to DKK 10m, using the Black and Scholes model assuming a share price of DKK 264.37, an interest rate equivalent to the zero coupon rate based on the swap curve of 30 December 2020, future annual volatility of 22%, a pattern of exercise similar to Topdanmark's previous allocations of share options and otherwise in accordance with IFRS 2 on share-based payments.

Including the granted options for 2021, the exposure of the options held by the Executive Board represented 0.3% of the number of outstanding shares.

Topdanmark's Remuneration Report for 2020 and Topdanmark's Payment Report for 2020 provides additional information on remuneration in Topdanmark and Topdanmark's option scheme. Detailed information is available on www.topdanmark.com → Investors → Reports and presentations → [Remuneration reports and Payment reports](#).

Distribution of dividend for 2020

Given Topdanmark's solid own funds, the Board of Directors will recommend to the AGM that a distribution of an ordinary dividend of DKK 1,035m from this year's profit of DKK 1,124m will take place, representing a pay-out ratio of 92.1. To comply with the Danish FSA's recommendation of 18 December 2020 on continued prudence in relation to financial companies' capital distribution, Topdanmark has been cautious when determining the recommended distribution of dividend, and has, as a precautionary measure, secured that the pay-out ratio is kept below Topdanmark's customary pay-out level, and that Topdanmark's conservative capital base is maintained.

The recommended ordinary dividend distribution represents a dividend yield of 4.4 and a dividend of DKK 11.5 per share.

As a consequence of the COVID-19 situation in 2020, only DKK 8.5 of the previously announced dividend of DKK 17 per share for 2019 was paid out in connection with the AGM on 2 April 2020.

During 2020, it was stated that when the situation was back to normal, the Board of Directors would have the option to distribute in part or in full the remaining DKK 8.5 of the previously announced dividend of DKK 17 per share as extraordinary dividend. If so, this extraordinary dividend would be paid out later in 2020 or after the ordinary general meeting in 2021.

On 26 June 2020, the Danish FSA decided to recommend Danish financial companies not to complete capital distribution for the remainder of 2020. Based on the Danish FSA's recommendation Topdanmark's Board of Directors decided to postpone the pay-out of the

remainder of the dividend for 2019 until the AGM on 25 March 2021.

The Board of Directors will recommend to the AGM on 25 March 2021 that the remaining DKK 8.5 of the previously announced dividend of DKK 17 per share for 2019 will be distributed on top of the ordinary dividend for 2020.

Consequently, the Board will propose to the AGM on 25 March 2021 to pay out an ordinary dividend for 2020 of DKK 1,035m and an extraordinary dividend for 2019 of DKK 765m. In total a dividend pay-out of DKK 1,800m corresponding to DKK 20 per share.

Subject to the approval from the AGM, the distribution of dividend will take place immediately after the AGM on 25 March 2021.

Corporate Governance

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

CSR

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

Annual General Meeting

The Annual General Meeting will be held on 25 March 2021, 15:00 (CET) as a virtual AGM according to Executive Order no. 2240 of 29 December 2020 on temporary derogation from provisions on physical attendance at general meetings of companies' articles of association or similar agreements in the area of the Danish Business Authority and the Danish FSA in connection with COVID-19.

The agenda for the Annual General Meeting will be published in the period from 17 February to 3 March 2021.

New Head of Investor Relations

As at 1 March 2021, Robin Løfgren will take up the position as Head of Investor Relations in Topdanmark. Robin Løfgren comes from a position as Chief IR Officer at Danske Bank. Robin Løfgren will replace Steffen Heegaard who resigned from his position in Topdanmark by the end of August 2020. Steffen Heegaard will continue as Head of IR until 1 March 2021.

Financial calendar

AGM	25 Mar 2021
Q1 2021 Interim Report	26 Apr 2021
2021 Half-year Report	16 July 2021
Q1-Q3 2021 Interim Report	21 Oct 2021
Announcement of 2021 Annual Results	21 Jan 2022
Deadline for submitting items for AGM agenda	9 Feb 2022
2021 Annual Report	17 Feb 2022

Company announcements

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

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

2021

22 Jan 02/2021 Topdanmark announcement of 2020 Annual Results

04 Jan 01/2021 Issue of options

2020

29 Dec 14/2020 Topdanmark Forsikring A/S issues DKK 500m of subordinated notes (subordinated loan capital)

04 Dec 13/2020 Mawer Investment Management's shareholding in Topdanmark exceeds 5%

23 Oct 12/2020 Topdanmark Forsikring A/S – Redemption of subordinated notes

23 Oct 11/2020 Topdanmark Interim Report for Q1-Q3 2020

16 Sep 10/2020 Employee shares

31 Aug 09/2020 Topdanmark's Group Communications and IR Director Steffen Heegaard has resigned

17 Jul 08/2020 Topdanmark Half-Year Report for 2020

24 Apr 07/2020 Topdanmark Interim Report for Q1 2020

02 Apr 06/2020 Annual General Meeting of Topdanmark – 2 April 2020

23 Mar 05/2020 Suspension of the profit forecast, and proposal that half of the dividend payout for 2019 is postponed

03 Mar 04/2020 Notice convening the Annual General Meeting on 2 April 2020

20 Feb 03/2020 Topdanmark Annual Report for 2019

23 Jan 02/2020 Topdanmark announcement of 2019 Annual Results

02 Jan 01/2020 Issue of options

Board of Directors



Ricard Wennerklint, Chairman

Elected at the AGM.

DOB:

2 September 1969.

Nationality:

Swedish.

Joined Topdanmark's Board of Directors:

2017.

Current position held:

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

Previous positions held:

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

Education:

- Business Administration and Finance, Stockholm School of Economics.

Offices held:

Member of the Board of Directors of:

- If P&C Insurance Holding Ltd
- Nordax Bank AB (publ)
- Hastings Group Holdings Ltd, UK (Chairman).

Member of:

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

Rate of attendance 2020:

100%.

Expertise and qualifications:

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

Independence:

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



Jens Aaløse, Deputy Chairman

Elected at the AGM.

DOB:

26 September 1966.

Nationality:

Danish.

Joined Topdanmark's Board of Directors:

2016.

Current position held:

Senior Executive Vice President, TDC A/S.

Previous positions held:

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

Education:

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

Offices held:

Member of the Board of Directors of:

- Dansk Erhverv (the Danish Chamber of Commerce) (Deputy Chairman)
- FDM Travel A/S
- Sticks N Sushi (Chairman).

Member of:

- The Remuneration Committee and the Nomination Committee of Topdanmark.

Rate of attendance 2020:

100%.

Expertise and qualifications:

The Board has defined the required competencies and qualifications for board members of Topdanmark.

Among these, Jens Aaløse possesses knowledge and experience of the following:

Board assignments in financial businesses, organisation, strategic management, insurance operations, financial and insurance reporting, risk management and risk assessment, sales to the private market, sales to the professional market, marketing and branding, outsourcing, finance, own funds, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources.

Independence:

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



Elise Bundgaard

Elected by employees.

DOB:

14 January 1968.

Nationality:

Danish.

Joined Topdanmark's Board of Directors:

2019.

Current position held:

- Chairman of De Overordnedes Forening.

Offices held:

Member of the Board of Directors of:

- Bjatola A/S.

Rate of attendance 2020:

100%.



Anne Louise Eberhard

Elected at the AGM.

DOB:

24 April 1963.

Nationality:

Danish.

Joined Topdanmark's Board of Directors:

2019.

Current position held:

Professional Board Member and Senior Advisor.

Previous positions held:

2012-2014: Senior Executive VP, Global Head of Corporate & Institutional Banking and Transactional Credit, Danske Bank A/S

2014-2017: Member of the Board of Directors of Solix Group AB

2015-2017: Member of the Board of Directors of Sampension KP Livsforsikring A/S

2016-2018: CCO, Intrum Justitia AB / Lindorff AS.

Education:

- B.Com. (Business Administration), Management Accounting & Informatics, CBS
- Master of Law, University of Copenhagen.

Offices held:

Member of the Board of Directors of:

- FLSmidt & Co. A/S and FLSmidt A/S
- Finansiell Stabilitet SOV (Deputy Chairman)
- Bavarian Nordic A/S
- Knud Højgaards Fond og Højgaard Ejendomme A/S
- VL52 ApS
- Moneyflow Group A/S (Chairman).

Member of:

- The Audit Committee of FLSmidt & Co. A/S
- The Finance, Risk & Audit Committee of Bavarian Nordic A/S (Chairman)
- The Audit Committee of Topdanmark

- The Investment Committee of Knud Højgaards Fond
- Faculty member at Copenhagen Business School, Board Educations.

Rate of attendance 2020:

100%.

Expertise and qualifications:

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

Independence:

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



Mette Jensen

Elected by employees.

DOB:

20 June 1976.

Nationality:

Danish.

Joined Topdanmark's Board of Directors:

2015.

Current position held:

Chairman of the Staff Association of Topdanmark.

Member of:

The Remuneration Committee of Topdanmark.

Rate of attendance 2020:

100%.



Cristina Lage

Elected at the AGM.

DOB:

13 November 1954.

Nationality:

Danish.

Joined Topdanmark's Board of Directors:

2019.

Current position held:

Professional Board Member.

Previous positions held:

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

Education:

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

Offices held:

Member of the Board of Directors of:

- Arbejdsmiljørådet (Chairman)
- LEO Pharma A/S
- LEO Fondet
- C.L. Davids Fond
- Det Obelske Familiefond.

Member of:

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

Rate of attendance 2020:

100%.

Expertise and qualifications:

The Board has defined the required competencies and qualifications for board members of Topdanmark. Among these, Cristina Lage possesses knowledge and experience of the following:

Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, reinsurance, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private market, sales to the professional market, marketing and branding, outsourcing, finance, own funds, solvency and minimum capital requirements, rules for internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources.

Independence:

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



Ole Lomholt Mortensen

Elected by employees.

DOB:

29 June 1957.

Nationality:

Danish.

Joined Topdanmark's Board of Directors:

2019.

Current position held:

Chairman of Assurandørforeningen of Topdanmark.

Rate of attendance 2020:

90%.



Petri Niemisvirta

Elected at the AGM.

DOB:

19 February 1970.

Nationality:

Finnish.

Joined Topdanmark's Board of Directors:

2017.

Current position held:

Managing Director, Mandatum Life Insurance Company Limited.

Previous positions held:

1995-1999: Kaleva Mutual Insurance Company

1999-2000: Sampo Life Insurance Company Limited

2000-2001: Managing Director, Evli Life Ltd.

Education:

- LL.M., University of Turku.

Offices held:

Member of the Board of Directors of:

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

Member of:

- The Group Executive Committee of Sampo
- The Audit Committee of Alma Media Corporation
- The Life Insurance Executive Committee of Finance Finland (Chairman)
- The Confederation of Finnish Industries EK, Finance and Tax Commission
- The Council of World Wild Fund for Nature, Finland.

Rate of attendance 2020:

100%.

Expertise and qualifications:

The Board has defined the required competencies and qualifications for board members of Topdanmark. Among these, Petri Niemisvirta possesses knowledge and experience of the following:

Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private market, sales to the professional market, marketing and branding, finance, own funds, solvency and minimum capital requirements, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources.

Independence:

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



Morten Thorsrud

Elected at the AGM.

DOB:

23 December 1971.

Nationality:

Norwegian.

Joined Topdanmark's Board of Directors:

2019.

Current position held:

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

Previous positions held:

1996-2002: Various positions including Associate Partner, McKinsey & Company, Inc., Norway/Europe

2002-2004: Head of Corporate Strategy, If P&C Insurance Ltd. (publ)

2004-2005: Head of Industrial Underwriting and Claims, If P&C Insurance Ltd (publ)

2005-2013: Head of BA Industrial, If P&C Insurance Ltd (publ)

2013-2019: Group Executive Vice President, Head of BA Private, If P&C Insurance Ltd (publ).

Education:

- Master of Business and Economics, Norwegian School of Management.

Offices held:

Member of the Board of Directors of:

- Finans Norge
- Euronext N.V.
- Hastings Group.

Member of:

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

Rate of attendance 2020:

100%.

Expertise and qualifications:

The Board has defined the required competencies and qualifications for board members of Topdanmark. Among these, Morten Thorsrud possesses knowledge and experience of the following:

Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, reinsurance, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private market, sales to the professional market, marketing and branding, outsourcing, finance, own funds, solvency and minimum capital requirements, rules for internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources.

Independence:

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

Executive Board



Peter Hermann

CEO of Topdanmark A/S.

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

Education:

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

Managerial responsibilities:

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

Member of the Board of Directors of:

- Forsikring & Pension.



Brian Rothemejer Jacobsen

COO of Topdanmark A/S.

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

Education:

- Henley Executive MBA.

Managerial responsibilities:

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

Member of the Board of Directors of:

- Bornholms Brandforsikring A/S
- Forsikringsakademiet A/S (Deputy Chairman)
- Finanssektorens Arbejdsgiverforening.



Lars Thykier

CFO of Topdanmark A/S.

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

Education:

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

Managerial responsibilities:

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

Member of the Board of Directors of:

- Green World Society Ltd.



Thomas Erichsen

CTO of Topdanmark A/S.

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

Education:

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

Managerial responsibilities:

- Business Development
- Project & Program Delivery
- IT Architecture & Technology
- IT Operations
- Solution Development
- Portfolio & Performance.

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

Five-year summary • Group

(DKKm)	2016	2017	2018	2019	2020
NON-LIFE INSURANCE					
Gross premiums earned*	8,906	9,051	9,197	9,463	9,763
Claims incurred	(5,939)	(5,514)	(6,037)	(6,109)	(6,556)
Bonuses and rebates	(48)	(66)	(62)	(66)	(31)
Insurance operating expenses	(1,432)	(1,435)	(1,453)	(1,483)	(1,565)
Net reinsurance	(126)	(389)	(111)	(234)	(257)
TECHNICAL RESULT FROM NON-LIFE INSURANCE	1,361	1,646	1,534	1,571	1,354
LIFE INSURANCE					
Gross premiums written	7,430	8,525	10,111	11,106	10,981
Allocated investment return, net of reinsurance	3,147	3,372	(2,326)	8,357	5,291
Pension return tax	(501)	(522)	28	(1,094)	(617)
Claims and benefits	(3,453)	(4,701)	(4,088)	(4,133)	(6,393)
Change in the life insurance provisions and profit margin	(6,197)	(6,232)	(3,352)	(13,820)	(8,877)
Insurance operating expenses	(416)	(433)	(420)	(486)	(559)
Net reinsurance	(4)	(2)	(1)	(1)	(2)
TECHNICAL RESULT FROM LIFE INSURANCE	7	8	(48)	(71)	(176)
Profit on investment activities after transfer to technical results	619	608	251	526	320
Other income	19	23	23	19	14
Other expenses	(64)	(51)	(58)	(57)	(59)
PRE-TAX PROFIT	1,942	2,235	1,702	1,987	1,453
Taxation	(407)	(502)	(371)	(441)	(329)
PROFIT FOR THE YEAR	1,536	1,733	1,331	1,547	1,124
Run-off profits, net of reinsurance	470	344	353	433	164
Provisions for insurance and investment contracts:					
Non-life insurance	16,264	16,091	16,056	16,175	16,462
Life insurance	47,351	54,198	56,519	70,603	79,335
Total insurance assets	685	574	635	585	541
Total shareholders' equity	4,702	6,191	6,016	6,397	6,879
Total assets	73,476	80,958	83,224	98,442	109,288
NON-LIFE INSURANCE					
Gross loss ratio	67.2	61.5	66.2	65.1	67.5
Net reinsurance ratio	1.4	4.3	1.2	2.5	2.6
Claims trend	68.7	65.8	67.5	67.6	70.1
Gross expense ratio	16.4	16.1	16.1	16.0	16.3
Combined ratio (operating ratio)	85.1	82.0	83.6	83.7	86.5
Combined ratio excl. run-off profits	90.4	85.8	87.5	88.3	88.2
Relative run-off profits, net of reinsurance (%)	3.7	2.7	2.8	3.5	1.3
LIFE INSURANCE**					
Rate of return related to with-profit products (%)	5.2	4.6	(0.4)	7.2	4.9
Rate of return related to unit-linked products (%)	10.3	8.6	(6.1)	16.3	7.5
Risk on return related to unit-link products	4.50	4.50	4.50	4.50	5.25
Expense ratio of provisions	0.9	0.8	0.8	0.8	0.8
Cost per policyholder (DKK)	2,685	2,729	2,758	3,064	3,418
Return on shareholders' equity (%)	32.2	32.2	23.0	26.1	17.4

* Before bonuses and rebates.

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

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

Income statement • Group

(DKK m)	Note	2019	2020
NON-LIFE INSURANCE			
Gross premiums written	3	9,494	9,803
Ceded reinsurance premiums		(609)	(592)
Change in the provisions for unearned premiums	3	1	282
Change in profit margin and risk margin	3	(32)	(323)
Change in the reinsurers' share of the provisions for unearned premiums		4	3
Premiums earned, net of reinsurance		8,858	9,174
Claims paid		(6,503)	(6,500)
Reinsurance cover received		345	292
Change in the provisions for claims		376	(87)
Change in risk margin		18	30
Change in the reinsurers' share of the provisions for claims		(53)	(41)
Claims incurred, net of reinsurance	4	(5,817)	(6,305)
Bonuses and rebates		(66)	(31)
Acquisition costs		(949)	(1,015)
Administrative expenses		(534)	(550)
Reinsurance commission and share of profits		78	81
Insurance operating expenses, net of reinsurance		(1,405)	(1,484)
TECHNICAL RESULT FROM NON-LIFE INSURANCE	5	1,571	1,354
LIFE INSURANCE			
Gross premiums written	6	11,106	10,981
Ceded reinsurance premiums		(1)	(1)
Premiums, net of reinsurance		11,105	10,980
Allocated investment return, net of reinsurance		8,357	5,291
Pension return tax		(1,094)	(617)
Claims and benefits paid	7	(4,133)	(6,393)
Reinsurance cover received		4	6
Claims and benefits paid, net of reinsurance		(4,129)	(6,387)
Change in the life insurance provisions	8	(13,759)	(8,839)
Change in the reinsurers' share		(4)	(7)
Change in the life insurance provisions, net of reinsurance		(13,763)	(8,847)
Change in profit margin		(61)	(38)
Acquisition costs		(166)	(184)
Administrative expenses		(319)	(375)
Insurance operating expenses, net of reinsurance		(485)	(559)
TECHNICAL RESULT FROM LIFE INSURANCE		(71)	(176)

Income statement • Group

(DKKm)	Note	2019	2020
NON-TECHNICAL ACTIVITIES			
Technical result from non-life insurance		1,571	1,354
Technical result from life insurance		(71)	(176)
Income from associates	18	165	92
Income from investment properties	9	135	191
Interest income and dividends etc.		2,301	1,909
Revaluations	10	7,029	3,981
Interest charges		(78)	(102)
Expenses on investment activities		(53)	(86)
Total investment return		9,499	5,986
Return and revaluations of non-life insurance provisions	11	(616)	(374)
Investment return transferred to life insurance business		(8,357)	(5,291)
Other income		19	14
Other expenses	12	(57)	(59)
PRE-TAX PROFIT		1,987	1,453
Taxation	13	(441)	(329)
PROFIT FOR THE YEAR		1,547	1,124
EPS (DKK)	14	17.8	12.9
EPS, diluted (DKK)	14	17.7	12.9

Statement of comprehensive income • Group

Profit for the year	1,547	1,124
Items which cannot subsequently be reclassified as profit or loss:		
Revaluation / Reversed revaluation owner-occupied properties	(18)	1
Taxation	4	(0)
Other comprehensive income	(14)	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,533	1,125

Assets • Group

(DKK m)	Note	2019	2020
INTANGIBLE ASSETS	15	1,291	1,486
Operating equipment		113	108
Owner-occupied properties		834	837
TOTAL TANGIBLE ASSETS	16	948	946
Investment properties	17	4,034	3,934
Equity investments in associates	18	1,668	1,741
Total investments in associates		1,668	1,741
Equity investments		5,087	4,751
Unit trusts		6	2
Bonds		43,632	41,776
Loans guaranteed by mortgages		6	6
Deposits with credit institutions		2,745	4,989
Derivatives		198	1,405
Total other financial investment assets		51,675	52,928
TOTAL INVESTMENT ASSETS		57,376	58,603
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	19	36,104	44,997
Reinsurers' share of the provisions for unearned premiums	20	95	96
Reinsurers' share of the life insurance provisions		12	5
Reinsurers' share of the provisions for claims	21	478	440
Total reinsurers' share of provisions		585	541
Receivables from policyholders		265	283
Receivables from insurance companies		151	71
Receivables from associates		286	252
Other receivables		225	584
TOTAL RECEIVABLES		1,512	1,731
Deferred tax assets	22	25	33
Liquid funds		550	846
Other		28	20
TOTAL OTHER ASSETS		603	899
Accrued interest and rent		388	415
Other prepayments and accrued income		219	210
TOTAL PREPAYMENTS AND ACCRUED INCOME		607	626
TOTAL ASSETS		98,442	109,288

Shareholders' equity and liabilities • Group

(DKK m)	Note	2019	2020
Share capital		90	90
Revaluation reserve		0	1
Security fund		1,146	1,146
Other reserves		72	79
Total reserves		1,218	1,225
Profit carried forward		3,559	3,763
Proposed dividend		1,530	1,800
TOTAL SHAREHOLDERS' EQUITY		6,397	6,879
OTHER SUBORDINATED LOAN CAPITAL	23	1,747	1,749
Provisions for unearned premiums	24	1,849	1,590
Profit margin, non-life insurance contracts	24	838	1,150
With-profit products	25	23,618	23,178
Unit-linked products	26	46,656	55,790
Total life insurance provisions		70,274	78,968
Profit margin, life insurance and investment contracts	27	329	367
Provisions for claims	28	13,071	13,364
Risk margin, non-life insurance contracts		253	226
Provisions for bonuses and rebates		163	130
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		86,778	95,797
Pensions and similar commitments		30	31
Deferred tax liabilities	22	71	83
Deferred tax on security funds		306	306
TOTAL PROVISIONS		407	420
DEPOSITS RECEIVED FROM REINSURERS		69	33
Debt relating to direct insurance operations		194	165
Debt relating to reinsurance operations		26	23
Amounts due to credit institutions		155	1,350
Current tax liabilities		27	60
Derivatives		679	983
Other debt		1,867	1,727
TOTAL DEBT		2,949	4,308
ACCRUALS AND DEFERRED INCOME		94	103
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		98,442	109,288

Cash flow statement • Group

(DKKm)	2019	2020
Cash flow from operations		
Gross premiums	9,410	9,741
Claims	(6,433)	(6,488)
Expenses	(1,373)	(1,437)
Reinsurance ceded	(162)	(166)
Cash flow from non-life insurance	1,443	1,651
Gross premiums	10,942	10,984
Claims and benefits	(4,138)	(6,660)
Pension return tax	(122)	(823)
Expenses	(457)	(483)
Reinsurance ceded	32	(19)
Cash flow from life insurance	6,257	2,999
Cash flow from insurance activities	7,700	4,650
Payments on investment contracts	264	145
Interest income etc.	1,487	1,483
Dividends	859	526
Interest charges etc.	(133)	(184)
Corporation tax	(414)	(313)
Other items	42	(332)
Cash flow from operations	9,805	5,975
Cash flow from investments		
Intangible assets, operating equipment	(291)	(205)
Properties	(467)	(191)
Equity investments in affiliates	-	(81)
Equity investments in associates	(0)	(8)
Dividends from associates	175	27
Equity investments	1,412	400
Unit trusts	7	12
Bonds	(8,717)	1,587
Loans	(1)	0
Derivatives	(279)	(250)
Investment assets related to unit-linked products	(1,765)	(5,157)
Balances with associates	80	34
Cash flow from investments	(9,846)	(3,831)
Cash flow from financing		
Dividend paid	(1,300)	(741)
Exercise of share options	88	33
Redemption of subordinated loan capital	0	(500)
Issue of subordinated loan capital	0	500
Amounts due to credit institutions	(87)	1,195
Cash flow from financing	(1,299)	486
Change in cash and cash equivalents	(1,340)	2,631
Cash and cash equivalents at 1 January	4,634	3,294
Revaluation of cash and cash equivalents	0	(90)
Cash and cash equivalents at 31 December	3,294	5,835
Cash and cash equivalents comprise:		
Liquid funds	550	846
Deposits with credit institutions	2,745	4,989
	3,294	5,835

Statement of changes in equity • Group

(DKK m)

	Share capital	Revalu- ation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Total
2019							
Shareholders' equity at 31 December previous year	90	14	1,146	67	3,349	1,350	6,016
Profit for the year				5	12	1,530	1,547
Other comprehensive income		(14)					(14)
Total comprehensive income for the year		(14)		5	12	1,530	1,533
Dividend paid						(1,350)	(1,350)
Dividend, own shares					50		50
Share-based payments					62		62
Exercise of share options					88		88
Taxation					(1)		(1)
Other transactions					198	(1,350)	(1,152)
Shareholders' equity at 31 December 2019	90	0	1,146	72	3,559	1,530	6,397
2020							
Shareholders' equity at 31 December previous year	90	0	1,146	72	3,559	1,530	6,397
Reduction of proposed dividend previous year					765	(765)	0
Profit for the year				7	(683)	1,800	1,124
Other comprehensive income		1					1
Total comprehensive income for the year		1		7	(683)	1,800	1,125
Dividend paid						(765)	(765)
Dividend, own shares					24		24
Share-based payments					70		70
Exercise of share options					33		33
Taxation					(5)		(5)
Other transactions					122	(765)	(643)
Shareholders' equity at 31 December 2020	90	1	1,146	79	3,763	1,800	6,879

Own funds	2019	2020
Shareholders' equity	6,397	6,879
Deferred tax on security funds	306	306
Profit margin	1,138	1,442
Intangible assets	(1,291)	(1,529)
Proposed dividend	(1,530)	(1,800)
Other	(64)	(169)
Tax effects	(49)	(41)
Usable share, subordinated loan tier 1	400	400
Usable share, subordinated notes tier 2	1,353	1,350
Own funds	6,660	6,839

Notes to the financial statements • Group

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Notes to the financial statements • Group

(DKKm)

Note 1. Segment information income statement

	Private	SME	Eli- min- ated	Non-life	Life	Parent etc.	Eli- min- ated	Group
2019								
Non-life insurance								
Gross premiums earned	5,114	4,302	(20)	9,397				9,397
Claims incurred	(3,555)	(2,583)	17	(6,121)			12	(6,109)
Expenses	(802)	(707)	2	(1,507)			24	(1,483)
Net reinsurance	(70)	(164)	(0)	(234)				(234)
Technical result on non-life insurance	686	848	(0)	1,534			36	1,571
Life insurance								
Gross premiums written					11,106			11,106
Allocated investment return					8,357			8,357
Pension return tax					(1,094)			(1,094)
Benefits and change in provisions					(17,953)			(17,953)
Expenses					(491)		6	(486)
Net reinsurance					(1)			(1)
Technical result on life insurance					(77)		6	(71)
Total investment return				711	8,508	101	179	9,499
Pension return non-life insurance				(31)	31			0
Return and revaluations of non-life insurance provisions				(616)				(616)
Transferred to technical result					(8,357)			(8,357)
Other items				2	222	(41)	(221)	(38)
Pre-tax profit				1,601	327	60	0	1,987
Taxation								(441)
Profit for the year								1,547
2020								
Non-life insurance								
Gross premiums earned	5,179	4,571	(18)	9,732				9,732
Claims incurred	(3,787)	(2,799)	17	(6,568)			12	(6,556)
Expenses	(824)	(767)	1	(1,591)			25	(1,565)
Net reinsurance	(41)	(216)	0	(257)				(257)
Technical result on non-life insurance	527	789	(0)	1,316			38	1,354
Life insurance								
Gross premiums written					10,981			10,981
Allocated investment return					5,291			5,291
Pension return tax					(617)			(617)
Benefits and change in provisions					(15,270)			(15,270)
Expenses					(563)		4	(559)
Net reinsurance					(2)			(2)
Technical result on life insurance					(180)		4	(176)
Total investment return				345	5,294	79	267	5,986
Pension return non-life insurance				(21)	21			0
Return and revaluations of non-life insurance provisions				(374)				(374)
Transferred to technical result					(5,291)			(5,291)
Other items				36	274	(46)	(309)	(45)
Pre-tax profit				1,302	117	34	0	1,453
Taxation								(329)
Profit for the year								1,124
Amortisations:								
2019	40	33		73	41	0		114
2020	41	36		77	67	0		144
Results from associates:								
2019				5	160			165
2020				7	86			92

Notes to the financial statements • Group

(DKKm)

Note 2. Segment information balance sheet

	Non-life	Life	Parent etc.	Elimin- ated	Group
2019					
Intangible assets	716	575	0		1,291
Tangible assets	925	20	3		948
Investment properties	401	3,605	27		4,034
Loans to affiliates	300	0	0	(300)	0
Equity investments in associates	67	1,601	0		1,668
Other financial investment assets	22,458	29,211	6		51,675
Investment assets related to unit-linked products	0	36,104	0		36,104
Reinsurers' share of provisions	573	12	0		585
Receivables from affiliates	0	2,809	834	(3,643)	0
Other assets	811	1,320	6		2,137
Total assets	26,251	75,258	876	(3,943)	98,442
Other subordinated loan capital	1,349	300	398	(300)	1,747
Provisions for insurance and investment contracts	16,175	70,603	0		86,778
Amounts due to affiliates	3,339	303	2	(3,643)	0
Other liabilities	1,698	1,780	41		3,519
Total liabilities	22,560	72,986	442	(3,943)	92,044
Purchase of tangible and intangible assets	191	128	0		320
2020					
Intangible assets	854	631	0		1,486
Tangible assets	923	20	3		946
Investment properties	355	3,564	15		3,934
Loans to affiliates	300	0	0	(300)	0
Equity investments in associates	72	1,670	0		1,741
Other financial investment assets	21,453	31,466	10		52,928
Investment assets related to unit-linked products	0	44,997	0		44,997
Reinsurers' share of provisions	537	5	0		541
Receivables from affiliates	280	1,803	1,822	(3,906)	0
Other assets	1,022	1,639	54		2,715
Total assets	25,796	85,795	1,904	(4,206)	109,288
Other subordinated loan capital	1,350	300	399	(300)	1,749
Provisions for insurance and investment contracts	16,462	79,335	0		95,797
Amounts due to affiliates	1,803	1,187	916	(3,906)	0
Other liabilities	2,146	2,641	76		4,863
Total liabilities	21,761	83,463	1,391	(4,206)	102,409
Purchase of tangible and intangible assets	217	123	0		340

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

Notes to the financial statements • Group

(DKKm)	2019	2020
Note 3. Gross premiums earned - non-life insurance		
Gross premiums written	9,494	9,803
Change in provisions for unearned premiums	1	282
Change in profit margin and risk margin	(32)	(323)
Gross premiums earned	9,463	9,763
Gross premiums earned, direct business, by location of the risk:		
Denmark	9,455	9,753
Other EU-countries	7	8
Other countries	1	1
	9,463	9,763

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

Run-off result:		
Gross business	388	201
Reinsurance ceded	45	(38)
Run-off result, net of reinsurance (profit)	433	164
Specification of run-off result on business lines see note 5.		
Claims incurred include revaluation of derivatives hedging the inflation risk in workers' compensation and illness and accident insurance	(149)	(153)

Note 5. Technical result - non-life insurance	2019	2020	2019	2020	2019	2020
	Illness and accident		Health		Workers' compensation	
Gross premiums written	1,343	1,434	184	188	731	727
Gross premiums earned	1,296	1,425	160	195	705	713
Claims incurred	(955)	(987)	(185)	(175)	(405)	(432)
Bonuses and rebates	(8)	(26)	0	0	(6)	(5)
Gross operating expenses	(177)	(192)	(14)	(17)	(80)	(66)
Net reinsurance	(10)	12	0	0	29	14
Technical result	146	232	(38)	4	244	224
Gross loss ratio	74.3	70.7	115.1	89.5	58.0	61.1
Combined ratio	89.0	83.8	123.5	98.1	65.4	68.6
Run-off result, net of reinsurance	125	143	(29)	(14)	211	168
Claims provisions, net of reinsurance	3,527	3,653	94	111	6,112	6,085
Number of claims incurred ('000)	30	29	30	30	7	6
Average value of claim (DKK '000)	37	38	5	6	87	91
Frequency of claims (per thousand value)	25	24	311	314	124	113
	Motor third-party liability		Motor own damage		Fire and property Private	
Gross premiums written	647	501	1,505	1,780	1,920	1,910
Gross premiums earned	671	561	1,495	1,702	1,948	1,874
Claims incurred	(329)	(438)	(922)	(916)	(1,418)	(1,566)
Bonuses and rebates	(2)	(2)	(4)	(6)	(6)	(6)
Gross operating expenses	(129)	(119)	(241)	(278)	(291)	(276)
Net reinsurance	(3)	(3)	(3)	(1)	(54)	(58)
Technical result	208	(0)	325	501	180	(32)
Gross loss ratio	49.3	78.4	61.9	54.1	73.1	84.0
Combined ratio	69.3	100.6	78.6	70.8	91.1	102.1
Run-off result, net of reinsurance	211	45	(1)	(7)	(28)	(49)
Claims provisions, net of reinsurance	1,014	932	145	114	631	756
Number of claims incurred ('000)	24	21	104	98	88	84
Average value of claim (DKK '000)	22	23	9	9	16	18
Frequency of claims (per thousand value)	42	36	204	189	132	126

Notes to the financial statements • Group

(DKKm)

Note 5. Technical result - non-life - continued	2019	2020	2019	2020	2019	2020
	Fire and property SME		Change of ownership		Liability	
Gross premiums written	1,943	2,023	69	58	471	485
Gross premiums earned	1,932	2,021	105	88	459	483
Claims incurred	(1,091)	(1,207)	(51)	(75)	(330)	(320)
Bonuses and rebates	(19)	(16)	0	0	(6)	(3)
Gross operating expenses	(366)	(410)	(8)	(7)	(65)	(71)
Net reinsurance	(202)	(141)	0	0	13	(77)
Technical result	254	247	46	6	71	13
Gross loss ratio	57.1	60.3	48.9	85.1	73.0	66.8
Combined ratio	87.2	88.1	56.5	93.3	84.7	97.7
Run-off result, net of reinsurance	(3)	(30)	7	(8)	(65)	(64)
Claims provisions, net of reinsurance	484	563	51	59	445	538
Number of claims incurred ('000)	23	22	2	3	10	9
Average value of claim (DKK '000)	47	53	23	27	24	34
Frequency of claims (per thousand value)	117	111	104	114	86	81
	Tourist assistance		Other insurance		Total	
Gross premiums written	251	238	431	459	9,494	9,803
Gross premiums earned	253	249	438	450	9,463	9,763
Claims incurred	(170)	(101)	(254)	(340)	(6,109)	(6,556)
Bonuses and rebates	(1)	(1)	(15)	34	(66)	(31)
Gross operating expenses	(39)	(39)	(74)	(90)	(1,483)	(1,565)
Net reinsurance	0	0	(4)	(2)	(234)	(257)
Technical result	43	108	92	52	1,571	1,354
Gross loss ratio	67.7	40.8	60.0	70.2	65.1	67.5
Combined ratio	83.5	56.9	78.3	89.3	83.7	86.5
Run-off result, net of reinsurance	1	3	5	(24)	433	164
Claims provisions, net of reinsurance	37	15	53	100	12,593	12,924
Number of claims incurred ('000)	18	18	81	82	418	404
Average value of claim (DKK '000)	10	6	3	4	16	17
Frequency of claims (per thousand value)	83	91	195	195	103	98

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

Note 6. Gross premiums written - life insurance	2019	2020
Individual policies	295	266
Policies which are part of a tenure	2,711	2,860
Group life	269	268
Regular premiums	3,275	3,394
Individual policies	2,179	4,226
Policies which are part of a tenure	5,652	3,361
Single premiums	7,831	7,587
Gross premiums	11,106	10,981
Unit-linked products not eligible for bonus	10,027	10,216
With-profit products	1,078	765
	11,106	10,981
Premiums by the policyholders' location:		
Denmark	11,029	10,920
Other EU-countries	65	56
Other countries	11	5
	11,106	10,981

Notes to the financial statements • Group

(DKKm)	2019	2020
Note 6. Gross premiums written - life insurance - continued		
Investment contracts (recognised in the balance sheet):		
Regular premiums	46	38
Single premiums	701	325
	747	363
Number of policyholders at 31 December:		
Insurance contracts:		
Individual policies	89,790	95,384
Policies which are part of a tenure	58,680	59,707
Group life	86,241	83,879
Investment contracts:		
Individual policies	8,952	8,442
Policies which are part of a tenure	942	838
The investment contracts do not have guarantees.		
Note 7. Claims and benefits paid - life insurance		
Claims payable on death	137	204
Claims payable on invalidity	1	1
Claims payable on maturity	141	185
Pension and annuity payments	592	582
Surrenders	3,083	5,263
Bonuses paid in cash	179	158
Claims and benefits paid	4,133	6,393
Note 8. Change in the life insurance provisions		
With-profit products	(455)	440
Unit-linked products	(13,304)	(9,279)
Change in life insurance provisions	(13,759)	(8,839)
Note 9. Income from investment properties		
Rental income	246	281
Operating expenses from properties rented out	(103)	(79)
Operating expenses from properties not rented out	(1)	(1)
Gross profit	142	201
Administrative expenses	(7)	(10)
Income from investment properties	135	191
Tenancy agreements may include a period of non-terminability for the tenant.		
Future rental income in the period of non-terminability:		
Up to 1 year	279	260
2 to 5 years	325	329
Over 5 years	165	124
Total	769	712
This year's rental income from non-terminable contracts	246	281
Note 10. Revaluations		
Held for trading:		
Equity investments	1,087	64
Unit trusts	8	7
Bonds	(204)	(269)
Deposits with credit institutions	0	(46)
Derivatives	(192)	668
Total held for trading	699	423

Notes to the financial statements • Group

(DKKm)	2019	2020
Note 10. Revaluations - continued		
Investment assets related to unit-linked products:		
Equity investments	4,679	1,486
Unit trusts	300	33
Bonds	(299)	(808)
Derivatives	1,180	2,576
Total designated at fair value	5,858	3,288
Revaluations of financial assets and liabilities at fair value through profit or loss	6,557	3,710
Of which revaluation of derivatives transferred to claims incurred	149	153
Investment properties	328	161
Liquid funds	0	(45)
Other	(6)	2
Revaluations	7,029	3,981
Note 11. Return and revaluations of non-life insurance provisions		
Amortisation		
Provisions for unearned premiums and profit margin	9	6
Reinsurers' share of provisions for unearned premiums	(1)	(1)
Provisions for claims	(40)	(25)
Reinsurers' share of the provisions for claims	1	0
	(32)	(20)
Revaluations		
Provisions for unearned premiums and profit margin	(27)	(22)
Provisions for claims	(554)	(334)
Risk margin	(7)	(1)
Reinsurers' share of the provisions for claims	4	2
	(584)	(354)
Return and revaluations of non-life insurance provisions	(616)	(374)
Note 12. Other expenses		
Holding expenses	41	46
Other	16	13
Other expenses	57	59
Note 13. Taxation		
Current tax	479	345
Change in deferred tax	(40)	(12)
Prior year adjustment	(1)	1
Tax for the year	438	334
Tax in other comprehensive income	4	(0)
Tax in shareholders' equity	(1)	(5)
Tax in the income statement	441	329
Calculated tax on profit for the year, 22%	437	320
Adjusted for the tax effect of:		
Returns on shares etc. not liable to tax	(3)	(6)
Non-deductible expenses	7	14
Prior year adjustment	(1)	0
	441	329
Effective tax rate	22.2	22.6
Note 14. Earnings per share		
Profit for the year	1,547	1,124
Average number of shares ('000)	86,824	87,266
Diluting impact of options ('000)	405	210
Average number of shares, diluted ('000)	87,229	87,475
EPS (DKK)	17.8	12.9
EPS, diluted (DKK)	17.7	12.9

Notes to the financial statements • Group

(DKKm)

Note 15. Intangible assets

	Goodwill	Software	Completed development projects	Development projects under construction	Total
2019					
Cost at 1 January	441	216	647	534	1,838
Additions	0	8	0	274	281
Transferred	0	0	611	(611)	0
Cost at 31 December	441	223	1,258	196	2,119
Impairment and amortisation at 1 January	0	(207)	(539)	0	(747)
Amortisation for the year	0	(5)	(76)	0	(81)
Impairment and amortisation at 31 December	0	(213)	(615)	0	(828)
Intangible assets 2019	441	10	643	196	1,291
2020					
Cost at 1 January	441	223	1,258	196	2,119
Additions	0	6	0	296	302
Transferred	0	0	79	(79)	0
Cost at 31 December	441	229	1,337	414	2,421
Impairment and amortisation at 1 January	0	(213)	(615)	0	(828)
Amortisation for the year	0	(7)	(101)	0	(108)
Impairment and amortisation at 31 December	0	(220)	(716)	0	(936)
Intangible assets 2020	441	9	621	414	1,486

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

Goodwill:

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

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

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

Primary assumptions:

The calculation of premiums earned is based on the insurance portfolio adjusted to reflect the expected effect of business decisions and market development. The portfolio is indexed by the wage and salary index. Claims incurred are based on the current levels adjusted to reflect the normalised level of weather and large-scale claims. Furthermore, in general, the expected development in the level of claims and the effect of loss prevention activities are included. The levels of claims are adjusted to reflect the expected inflation. Expenses are calculated by projecting the expenditure base by the expected changes in activities and pay increases obtained through collective agreement, changes in taxes and duties etc. The reinsurance result is calculated in accordance with the current reinsurance programme and adjusted to reflect known and expected changes in prices and the size of cover. The calculation of the terminal value includes a growth rate of 0% (2019: 0%).

The pre-tax discount rate is 7.7% (2019: 7.7%) and the post-tax rate 6.0% (2019: 6.0%).

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

Development projects:

Completed development projects primarily comprise the new policy administration systems for life, DKK 521m.

The remaining expected useful lifetime end of 2020 is 8 years. Completed development projects are assessed for impairment end of year and at indications of impairment. The assessment showed no need for write-downs.

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

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

Notes to the financial statements • Group

(DKKm)

Note 16. Tangible assets

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

2020

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

	2019	2020
Owner-occupied properties are measured at a revalued amount corresponding to fair value (level 3).		
The weighted average of the rates of return on which fair value of individual properties was based	5.3%	5.3%
An increase in the required rate of return of 0.5pp will reduce the total fair value by	75	75
Carrying amount if the properties had been valued at cost less depreciations	716	717

Note 17. Investment properties

Fair value at 1 January	4,137	4,932
Additions, acquisitions	448	197
Additions, improvements	126	60
Disposals	(99)	(68)
Fair value revaluation for the year taken to revaluations	319	161
Fair value at 31 December	4,932	5,281
Investment properties are recognised in the balance sheet as follows:		
Investment properties	4,034	3,934
Investment assets related to unit-linked products	898	1,347
The weighted average of the rates of return on which fair value of individual properties was based	5.0%	4.8%

Notes to the financial statements • Group

(DKKm)

Note 17. Investment properties - continued

	Private residence		Office property	
	2019	2020	2019	2020
Fair value DKKm	1,558	1,595	3,374	3,489
The weighted average of the rates of return on which fair value of individual properties was based	4.2%	4.1%	5.4%	5.2%
Area (1,000 square meters)	60	60	237	226
Price per square meter (DKK 1,000)	26	26	14	15
Number of properties	7	7	23	20
Investment properties are measured at fair value (level 3).				
The basis of the measurement is an expected annual operating return and rate of return.				
The rate of return used in the valuation spans from 4.0% to 8.0% (2019: 4.0% to 9.0%).				
An increase in the required rate of return of 0.5pp will reduce the total fair value by			476	490
The fair value includes properties under construction			0	197

Note 18. Equity investments in associates

	2019	2020
Carrying amount at 1 January	1,678	1,668
Additions	0	8
Share of profit	165	92
Dividends received	(175)	(27)
Equity investments in associates	1,668	1,741

	Percentage share	Activity	Share-holders' equity	Result
2019				
Carlsberg Byen P/S, Copenhagen	23	Property development	2,230	312
Havneholmen P/S, Kgs. Lyngby	50	Property	1,085	98
Margretholm P/S, Frederiksberg	50	Property	627	116
Bornholms Brandforsikring A/S, Rønne	27	Insurance	237	12
P/S Ejendomsholding Banemarksvej, Odense	40	Property	121	9
P/S Ottilia, Copenhagen	50	Property	564	65
Heap A/S, Copenhagen*	50	Development	-	-

2020

		Property		
Carlsberg Byen P/S, Copenhagen	23	development	1,624	169
Havneholmen P/S, Kgs. Lyngby	50	Property	1,170	110
Margretholm P/S, Frederiksberg	50	Property	735	109
Bornholms Brandforsikring A/S, Rønne	27	Insurance	258	23
P/S Ejendomsholding Banemarksvej, Odense	40	Property	153	32
P/S Ottilia, Copenhagen	50	Property	501	(38)
Heap A/S, Copenhagen*	50	Development	-	-

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

*Heap A/S was founded in 2019 and the first financial year runs until 31 December 2020. The first annual report has not been published at the time of the presentation of Topdanmark's financial statements.

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

Notes to the financial statements • Group

(DKKm)	2019	2020
Note 19. Investment assets related to unit-linked products		
Equity investments	21,588	20,844
Unit trusts	541	665
Bonds	13,078	22,141
Investment properties	898	1,347
Investment assets related to unit-linked contracts	36,104	44,997

Note 20. Reinsurers' share of the provisions for unearned premiums		
1 January	92	95
Change in accrued commissions	(1)	(1)
Ceded reinsurance premiums	609	592
Earned reinsurance premiums	(605)	(589)
Amortisation	(1)	(1)
Reinsurers' share of the provisions for unearned premiums at 31 December	95	96
Net present value of expected future cashflows	66	21
Profit margin	29	75

Note 21. Reinsurers' share of the provisions for claims		
1 January	527	478
Reimbursement of claims relating to previous years	(265)	(193)
Change in expected income relating to previous years (run-off)	45	(38)
Reimbursement of claims relating to this year	(79)	(99)
Expected income relating to this year	247	289
Amortisation	1	0
Revaluation	4	2
Reinsurers' share of the provisions for claims at 31 December	478	440

Note 22. Deferred tax			
	2018	2019	2020
Properties	50	57	76
Operating equipment	21	7	(16)
Liabilities provided	(6)	(7)	(7)
Deferred pension return tax	33	0	0
Other	(12)	(11)	(3)
Deferred tax	86	46	50
Recognised as:			
Deferred tax assets	(17)	(25)	(33)
Deferred tax liabilities	103	71	83
	86	46	50
Change included in tax for the year		(40)	(12)
Acquisitions		0	16
Change for the year		(40)	5

Notes to the financial statements • Group

(DKKm)

Note 23. Other subordinated loan capital

	Hybrid core capital	Subordinated loan capital (redeemed 2020)	Subordinated loan capital	Subordinated loan capital
Borrower	Topdanmark A/S	Topdanmark Forsikring A/S	Topdanmark Forsikring A/S	Topdanmark Forsikring A/S
Principal	400	500	500	850
Carrying value				
2020	399	-	500	850
2019	398	500	-	849
Market value (level 2)				
2020	400	-	500	850
2019	400	503	-	850
Date of issue	November 2017	December 2015	December 2020	December 2015
Maturity	Bullet	11 December 2025	30 December 2030	11 June 2026
If permitted by the Danish FSA, the borrower can give notice of termination from	23 November 2022	11 December 2020	30 December 2025	11 June 2021
Interest rate	Cibor 3 months +275bp	2.92% to 11 December 2020	Cibor 3 months +160bp	Cibor 3 months +270bp
Subsequently		Cibor 3 months +250bp		
			2019	2020
Interest charges			46	46

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

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

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

Provisions for unearned premiums at 1 January	1,819	1,849
Profit margin at 1 January	807	838
	2,626	2,687
Gross premiums written	9,494	9,803
Gross premiums earned	(9,463)	(9,763)
Change in risk margin	12	(3)
Amortisation	(9)	(6)
Revaluation	27	22
Provisions for unearned premiums at 31 December	1,849	1,590
Profit margin at 31 December	838	1,150
Provisions for unearned premiums and profit margin at 31 December	2,687	2,741

Notes to the financial statements • Group

(DKKm)	2019	2020			
Note 25. Life insurance provisions with-profit products					
Life insurance provisions direct business at 1 January	23,134	23,618			
Profit margin at 1 January	82	79			
Total insurance provisions at 1 January	23,216	23,697			
Collective bonus potential at 1 January	(1,632)	(1,961)			
Accumulated revaluation at 1 January	(1,466)	(1,994)			
Retrospective provisions at 1 January	20,118	19,742			
Gross premiums written	1,078	765			
Addition of return	334	214			
Claims and benefits	(1,643)	(1,716)			
Expense loading inclusive of expense bonus	(91)	(84)			
Risk gain after allocating policyholders' risk bonus	(61)	21			
Other	53	(9)			
Intra-group transfers	(46)	(220)			
Retrospective provisions at 31 December	19,742	18,714			
Accumulated revaluation at 31 December	1,994	2,739			
Collective bonus potential at 31 December	1,961	1,810			
Total insurance provisions direct business at 31 December	23,697	23,263			
Profit margin at 31 December	(79)	(86)			
Life insurance provisions with-profit products	23,618	23,178			
Portfolios analysed by guaranteed interest rates	Guaranteed interest rate	Guaran- teed benefits	Individual bonus potential	Collective bonus potential	Life insurance provisions
2019					
Interest rate group 9	1%	2,386	151	65	2,601
Interest rate group 10	1%	659	1	56	716
Interest rate group 1	]1%-2%]	7,989	204	376	8,570
Interest rate group 3	]1%-2%]	734	1	84	819
Interest rate group 2	]2%-3%]	2,676	16	123	2,814
Interest rate group 4	]2%-3%]	934	2	100	1,037
Interest rate group 5	]3%-4%]	2,504	0	329	2,833
Interest rate group 6	]4%-5%[	2,786	0	457	3,243
Interest rate group 7	5%	29	0	56	85
Risk groups		0	0	303	303
Cost groups		0	0	12	12
Total contribution		20,697	376	1,961	23,034
Group Life					170
U74-life annuities					137
Other					278
Total 2019		20,697	376	1,961	23,618
2020					
Interest rate group 9	1%	2,346	67	102	2,515
Interest rate group 10	1%	610	1	57	669
Interest rate group 1	]1%-2%]	8,186	11	195	8,392
Interest rate group 3	]1%-2%]	802	3	83	888
Interest rate group 2	]2%-3%]	2,619	1	160	2,780
Interest rate group 4	]2%-3%]	1,027	5	81	1,113
Interest rate group 5	]3%-4%]	2,399	0	318	2,717
Interest rate group 6	]4%-5%[	2,660	0	476	3,136
Interest rate group 7	5%	27	0	50	76
Risk groups		0	0	288	288
Total contribution		20,677	89	1,810	22,576
Group Life					194
U74-life annuities					112
Other					296
Total 2020		20,677	89	1,810	23,178

Notes to the financial statements • Group

(DKKm)

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

Risk margin (part of guaranteed benefits)	Guaranteed interest rate	2019	2020
Interest rate group 9	1%	10	13
Interest rate group 10	1%	0	0
Interest rate group 1	]1%-2%]	33	37
Interest rate group 3	]1%-2%]	2	2
Interest rate group 2	]2%-3%]	13	13
Interest rate group 4	]2%-3%]	4	5
Interest rate group 5	]3%-4%]	19	21
Interest rate group 6	]4%-5%[	33	34
Interest rate group 7	5%	1	1
Total contribution		114	126
U74-life annuities		3	2
Other		2	1
Total risk margin		119	130

Bonus ratio and return	Guaranteed interest rate	Bonus ratio		Return (%)	
		2019	2020	2019	2020
Interest rate group 9	1%	8.6	7.2	6.6	4.2
Interest rate group 10	1%	8.8	9.7	6.7	0.8
Interest rate group 1	]1%-2%]	7.3	2.7	6.3	4.4
Interest rate group 3	]1%-2%]	12.1	11.3	7.2	0.8
Interest rate group 2	]2%-3%]	5.7	7.2	8.4	8.9
Interest rate group 4	]2%-3%]	12.2	9.5	7.1	0.8
Interest rate group 5	]3%-4%]	16.2	17.2	8.6	6.7
Interest rate group 6	]4%-5%[	22.3	25.8	8.9	6.8
Interest rate group 7	5%	246.0	238.2	7.1	0.8

Risk groups

Risk result after addition of risk bonus	59	9
Risk result after addition of risk bonus (%)	0.3	0.0

Cost groups

Customers' share of administration expenses after addition of expense bonus	64	57
Insurance operating expenses	(209)	(239)
Result of sales and administration	(145)	(182)
Result of sales and administration (%)	(0.7)	(0.1)
Return on customer funds after expenses before tax (%)	6.2	4.1

Note 26. Life insurance provisions unit-linked products

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

Notes to the financial statements • Group

(DKKm)

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

2020	Insurance contracts	Investment contracts	Total
Gross provisions at 1 January	42,515	4,141	46,656
Profit margin at 1 January	234	16	250
Retrospective provisions at 1 January	42,749	4,157	46,906
Gross premiums written	10,216	363	10,578
Addition of return	3,387	287	3,675
Claims and benefits	(4,677)	(508)	(5,185)
Expense loading inclusive of expense bonus	(95)	(9)	(104)
Risk gain after addition of risk bonus	(20)	0	(20)
Other	1	0	2
Intra-group transfers	211	9	220
Retrospective provisions at 31 December	51,773	4,299	56,072
Profit margin at 31 December	(266)	(15)	(281)
Gross provisions 31 December 2020	51,506	4,284	55,790
		2019	2020
Return on customer funds after expenses before tax (%)		17.9	8.3

Note 27. Profit margin, life insurance and investment contracts

With-profit products	79	86
Unit-linked products	250	281
Profit margin, life insurance and investment contracts	329	367

Note 28. Provisions for claims

Gross		
Provisions at 1 January	13,003	13,071
Claims paid relating to previous years	(3,147)	(3,192)
Change in expected claims payments relating to previous years (run-off)	(388)	(201)
Claims paid relating to this year	(3,356)	(3,308)
Expected claims payments relating to this year	6,514	6,788
Inflation hedging	(149)	(153)
Amortisation	40	25
Revaluation	554	334
Provisions for claims	13,071	13,364
Net of reinsurance		
Provisions at 1 January	12,476	12,593
Claims paid relating to previous years	(2,882)	(2,998)
Change in expected claims payments relating to previous years (run-off)	(433)	(164)
Claims paid relating to this year	(3,276)	(3,209)
Expected claims payments relating to this year	6,267	6,499
Inflation hedging	(149)	(153)
Amortisation	39	25
Revaluation	550	332
Provisions for claims, net of reinsurance	12,593	12,924
Provisions net of reinsurance for business lines being settled in whole or partly as annuities:		
Workers' compensation insurance	6,112	6,085
Average period of settlement	6 years	6 years
Illness and accident insurance, administered by the life insurance business	2,507	2,631
Average period of settlement	13 years	12 years

Notes to the financial statements • Group

(DKKm)

Note 28. Provisions for claims - continued

Claims liabilities analysed by claims year

Gross	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
End of year	7,203	6,414	7,549	6,652	6,599	6,468	5,928	6,400	6,527	6,814	65,886
1 year later	7,347	6,439	7,755	6,715	6,685	6,448	6,043	6,568	6,701		
2 years later	7,282	6,455	7,771	6,691	6,592	6,367	6,059	6,650			
3 years later	7,274	6,402	7,742	6,646	6,589	6,346	6,147				
4 years later	7,209	6,321	7,646	6,472	6,547	6,159					
5 years later	7,160	6,303	7,571	6,376	6,426						
6 years later	7,118	6,229	7,478	6,312							
7 years later	7,029	6,215	7,442								
8 years later	7,028	6,214									
9 years later	7,020										
Less paid incl. inflation hedging	6,656	5,770	6,992	5,847	5,802	5,497	5,210	5,426	4,959	3,311	55,470
Provisions before discounting at 31 December	365	444	450	465	624	662	937	1,224	1,742	3,503	10,416
Discounting	0	0	1	1	1	1	1	3	4	10	22
	365	444	450	466	625	664	939	1,227	1,746	3,512	10,438
Provisions relating to previous years at 31 December											2,926
Gross provisions at 31 December 2020											13,364
Net of reinsurance											
End of year	6,164	6,028	6,387	6,259	6,183	6,007	5,736	6,016	6,281	6,525	60,821
1 year later	6,268	6,098	6,461	6,301	6,270	6,027	5,832	6,175	6,424		
2 years later	6,218	6,115	6,476	6,288	6,190	5,942	5,855	6,257			
3 years later	6,205	6,066	6,449	6,242	6,179	5,924	5,945				
4 years later	6,151	5,990	6,354	6,069	6,097	5,733					
5 years later	6,103	5,972	6,279	5,964	6,050						
6 years later	6,065	5,898	6,179	5,900							
7 years later	5,976	5,886	6,143								
8 years later	5,970	5,877									
9 years later	5,966										
Less paid incl. inflation hedging	5,602	5,442	5,700	5,439	5,458	5,114	5,009	5,078	4,789	3,213	50,843
Provisions before discounting at 31 December	364	436	443	462	592	619	936	1,179	1,635	3,313	9,978
Discounting	0	0	0	0	1	1	1	3	4	9	20
	364	436	444	462	592	620	938	1,182	1,639	3,322	9,998
Provisions relating to previous years at 31 December											2,926
Provisions, net of reinsurance, at 31 December 2020											12,924
Reconciliation:											
Provisions for claims											13,364
Less reinsurers' share of provisions											(440)
Provisions, net of reinsurance, at 31 December 2020											12,924
Composition of expected payments, net of reinsurance:											
Original payment	6,062	5,991	6,397	6,199	6,200	6,001	5,728	6,010	6,263	6,495	61,346
Loss / (gain) on settlement	(370)	(294)	(418)	(446)	(261)	(364)	102	140	99		(1,812)
Amortisation / revaluation											
workers' compensation											
and illness and accident	274	180	165	148	110	96	115	106	62	31	1,286
	5,966	5,877	6,143	5,900	6,050	5,733	5,945	6,257	6,424	6,525	60,821

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

Notes to the financial statements • Group

(DKKm)	2019	2020
Note 29. Technical basis for risk allowance and shadow account		
Customers' share of technical basis for risk allowance	629	(95)
Share of technical basis for risk allowance allocated to shareholders' equity	139	(17)
Insurance technical result	767	(112)
The allocation of the technical basis for risk allowance to policyholders is in accordance with the executive order on the contribution principle.		
Shadow account at 1 January	55	57
Depreciation	(5)	(5)
Provided	7	39
Shadow account at 31 December	57	91
Expected future recognition	1	0
Note 30. Expenses		
Expenses in the income statement presented by nature:		
Staff costs (excl. commissions)	1,821	1,951
Executive Board	27	28
Board of Directors	6	6
Other staff costs	76	57
Commissions non-life	176	230
Commissions life	45	41
Premises costs etc.	116	104
IT operations and maintenance	318	336
Impairment and amortisation	114	144
Other expenses	300	289
Total expenses	2,998	3,186
Note 31. Auditors' fee		
Fee to the auditors elected at the Annual General Meeting		
EY Godkendt Revisionspartnerselskab:		
Fee for statutory audit of the annual accounts	4.3	4.2
Fee for other assurance engagements*	0.2	0.2
Fee for services, other than audit work	0.2	0.3
	4.6	4.8
*Fee for other assurance engagements includes fee for issuance of reports to the Danish Tax Authority and other public authorities. Fee for services, other than audit work, includes general accounting advisory and participation in meetings with the Danish FSA.		
The Group has an internal audit department which carries out most of the audit work.		
Note 32. Staff costs		
Salaries	1,436	1,568
Pensions	241	257
Social security costs	37	32
Payroll tax	256	274
Share options	8	8
Employee shares	50	57
	2,029	2,195
Average number of full-time employees	2,318	2,460

Notes to the financial statements • Group

(DKKm)

Note 32. Staff costs - continued

Share options

Topdanmark's share option scheme comprises the Executive Board and senior executives. The strike price has been fixed at 110% of the market price on the last trading date in the prior financial year (average of all trades).

The options may be exercised 3-5 years subsequent to the granting. The scheme is settled by shares (equity instruments).

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

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

Total number of options ('000)		Strike price	Executive Board	Senior executives	Resigned	Total
2019						
Outstanding at 1 January		208	139	788	365	1,293
Granted		333	59	207	10	276
Transferred			0	(113)	113	0
Exercised		187	(20)	(235)	(222)	(477)
Forfeited		318	0	0	(7)	(7)
Outstanding at 31 December 2019		230	178	648	260	1,086
Fair value at 31 December 2019			18	66	31	115
Fair value of granting 2019			2	8	0	11
Average current price on date of exercise 2019		332				
2020						
Outstanding at 1 January		230	178	648	260	1,086
Granted		362	58	188	1	247
Transferred			0	(120)	120	0
Exercised		168	(11)	(118)	(67)	(195)
Forfeited		324	0	0	(7)	(7)
Outstanding at 31 December 2020		260	224	598	308	1,130
Fair value at 31 December 2020			10	22	18	50
Fair value of granting 2020			2	8	0	10
Average current price on date of exercise 2020		300				
Per granting:		Exercise period				
2016	January 2019 - January 2021	173	12	8	35	55
2017	January 2020 - January 2022	155	55	123	98	276
2018	January 2021 - January 2023	254	41	131	118	290
2019	January 2022 - January 2024	310	59	163	42	264
2020	January 2023 - January 2025	354	58	173	14	245

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a price of DKK 329.05 (2019: DKK 302.68) per share, an interest rate corresponding to the zero coupon rate based on the swap curve end of December the previous year, future volatility of 22% (2019: 22%) p.a. and a pattern of exercise similar to Topdanmark's previous granting of share options, resulting in an average life of the options of approximately 4 years. The volatility has been calculated on the basis of previous years' volatility, which continues to be Management's best estimate of future volatility. The stated strike prices for outstanding options are reduced by dividend distributions.

	2019	2020
Number of options which could be exercised on 31 December ('000)	106	331

Employee shares

For the period November 2019 to October 2020, Topdanmark has allotted 228,556 shares at a value of DKK 59m for a salary cut. The annual costs amount to DKK 60m.

For the period November 2018 to October 2019, Topdanmark has allotted 163,870 shares at a value of DKK 49m for a salary cut. The annual costs amount to DKK 51m.

Severance pay

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

Notes to the financial statements • Group

(DKKm)

Note 33. Related parties

Possessing an ownership interest of 48.00% of the shares outstanding, Sampo plc, Fabianinkatu 27, Helsinki, Finland has a controlling influence on Topdanmark A/S.

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

Remuneration of the Board of Directors

Directors' fees adopted by the AGM were DKK 5,871m (2019: DKK 5,871m). As the former Chairman of the Board of Directors in 2019 has renounced a remuneration for attending in the Remuneration Committee, the director's fees for 2019 amount to DKK 5,839m. The board counts nine members.

The fee includes DKK 289 thousands (2019: DKK 289 thousands) concerning Topdanmark Forsikring A/S.

(DKK '000)	2019	2020
Ricard Wennerklint	1,380	1,733
Jens Aaløse	963	962
Elise Bundgaard	257	385
Anne Louise Eberhard	385	578
Mette Jensen	481	481
Cristina Lage	385	578
Ole Lomholt Mortensen	257	385
Petri Niemisvirta	385	385
Morten Thorsrud	257	385
Former board members:		
Tina Møller Carlsson	128	-
Torbjörn Magnusson	449	-
Lone Møller Olsen	193	-
Annette Sadolin	193	-
Søren Vestergaard	128	-
Total fee paid	5,839	5,871

For foreign board members, social charges of DKK 344 thousands (2019: DKK 362 thousands) have additionally been paid.

The Board of Directors solely receives a fixed remuneration.

Remuneration of the Executive Board

	Peter Hermann	Thomas Erichsen	Brian R. Jacobsen	Lars Thykier	Total
2020					
Salaries etc.	7.3	5.2	5.9	5.9	24.5
Remuneration*			0.4	0.4	0.8
Fixed remuneration	7.3	5.2	6.4	6.3	25.3
Share options	0.7	0.5	0.6	0.6	2.3
Performance-related pay**	0.0	0.0	0.0	0.0	0.0
Variable remuneration	0.7	0.5	0.6	0.6	2.3
Salaries earned	8.0	5.7	6.9	6.9	27.6

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

**STI bonus agreements have been signed for all four executives. The bonus pay for 2020 is calculated and granted in 2021, and will be disclosed in the Annual Report for 2021.

	Peter Hermann	Thomas Erichsen	Brian R. Jacobsen	Lars Thykier	Total
2019					
Salaries etc.	6.8	4.8	5.9	5.9	23.3
Remuneration*			0.3	0.4	0.7
Fixed remuneration	6.8	4.8	6.2	6.3	24.1
Share options	0.6	0.5	0.6	0.5	2.2
Performance-related pay**	0.5				0.5
Variable remuneration	1.1	0.5	0.6	0.5	2.7
Salaries earned	7.9	5.3	6.8	6.8	26.8

Notes to the financial statements • Group

(DKKm)

Note 33. Related parties - continued

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

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

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

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

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

	2019	2020
Material risk takers		
In addition to the Executive Board, another 27 (2019: 26) employees have material influence on Topdanmark's risk profile.		
Fixed remuneration	54.3	58.6
Variable remuneration	7.6	10.3
	61.9	68.9

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

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

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

Board of Directors

Ricard Wennerklint	2,000	2,000
Jens Aaløse	50	50
Elise Bundgaard	1,024	1,458
Anne Louise Eberhard	100	100
Mette Jensen	936	1,125
Cristina Lage	450	450
Ole Lomholt Mortensen	1,794	1,221
Petri Niemisvirta	500	500
Morten Thorsrud	500	500

Executive Board

Peter Hermann	821	4,776
Thomas Erichsen	1,319	4,070
Lars Thykier	450	3,835
Brian Rothemejer Jacobsen	450	15,073

(DKKm)

Sampo plc held subordinated notes in Topdanmark Forsikring A/S	405	270
If P&C Insurance Ltd, a subsidiary in the Sampo Group, held subordinated notes in Topdanmark Forsikring A/S	-	500
If P&C Insurance Ltd, held subordinated notes in Topdanmark A/S	133	133

Associates

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

Trading takes place under normal market conditions.

Notes to the financial statements • Group

(DKKm)	2019	2020
Note 34. Financial assets		
Financial assets at fair value through profit and loss		
Held for trading:		
Equity investments	5,087	4,751
Unit trusts	6	2
Bonds	43,632	41,776
Loans guaranteed by mortgages and other loans	6	6
Derivatives	198	1,405
	48,930	47,939
Designated at fair value:		
Deposits with credit institutions	2,745	4,989
Investment assets unit-linked products excl. property:		
Equity investments	21,588	20,844
Unit trusts	541	665
Bonds	13,078	22,141
	35,206	43,650
Designated at fair value, total	37,951	48,639
Total financial assets at fair value through profit and loss	86,881	96,578
Loans and receivables at amortised cost		
Receivables from policyholders	265	283
Receivables from insurance companies	151	71
Other receivables	225	584
Liquid funds	550	846
Other	314	272
	1,504	2,056
Accrued interest and rent	388	415
Total financial assets	88,773	99,050

	Quoted prices Level 1	Observable inputs Level 2	Non- observable inputs Level 3	Total
Financial assets at fair value				
2019				
Held for trading:				
Equity investments	3,610	1,477		5,087
Unit trusts		6		6
Bonds	39,583	3,717	332	43,632
Loans guaranteed by mortgages and other loans		6		6
Derivatives		198		198
Designated at fair value:				
Deposits with credit institutions		2,745		2,745
Equity investments	21,588	0		21,588
Unit trusts		541		541
Bonds	6,366	6,672	39	13,078
Investment assets related to unit-linked products	27,954	7,213	39	35,206
Total financial assets at fair value	71,148	15,362	371	86,881
2020				
Held for trading:				
Equity investments	3,312	1,439		4,751
Unit trusts		2		2
Bonds	37,853	2,484	1,439	41,776
Loans guaranteed by mortgages and other loans		6		6
Derivatives		1,405		1,405
Designated at fair value:				
Deposits with credit institutions		4,989		4,989
Equity investments	20,844	0		20,844
Unit trusts		665		665
Bonds	15,651	651	5,839	22,141
Investment assets related to unit-linked products	36,496	1,315	5,839	43,650
Total financial assets at fair value	77,660	11,640	7,278	96,578

Notes to the financial statements • Group

(DKKm)	2019	2020
Note 34. Financial assets - continued		
Financial assets recorded at fair value based on non-observable input (level 3):		
1 January	469	371
Purchases	49	583
Transferred from level 2	0	6,628
Repayments	(150)	(327)
Revaluations	3	23
	371	7,278

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

Collateralised Loan Obligations (CLO) are actively managed loan portfolios investing in Leveraged Loans. Each CLO contains different investment opportunities, ranging from the most secure AAA rated tranche to unrated Sub-Ordinated Notes (Equity). Topdanmark Asset Management invests across the debt-stack and has investments within Equity as well.

CLO investments are measured based on the present value of expected future cashflow. The cashflows are estimated by modelling the collateral pool in each CLO ensuring that the deal is in compliance with e.g. collateral quality tests on each payment date. If such tests are breached, cashflows for lower rated tranches are diverted to buy additional collateral and/or redeem tranches with the highest rating. Cashflows are to be diverted as long as collateral tests are breached. Lower rated tranches might receive Paid-In-Kind coupons during such periods which are to be paid in full before cashflows to unrated tranches are resumed.

Most significant inputs:

Discount rate:

AAA	1.0%
A & BBB	2.7%
BBB and lower	7%

Expected recovery	62-65%
Reinvestment price	97.5-99.5%
Constant default rate	5-2%

Sensitivities:	Reasonably possible changes	Effect on market value
Discount rate	+1%	DKK 253m loss
Expected recovery	-1%	DKK 46m loss
Reinvestment spread	-25bps	DKK 120m loss
Constant default rate	+0.5%	DKK 296m loss

Besides CLOs the portfolio consists of construction financing of property projects (DKK 240m) and bonds (DKK 111m), for which current return depends on payment on life annuity contracts.

Revaluations are recognised in the income statement in the line "Revaluations". Of the amount of revaluations DKK 22m is unrealised (2019: DKK 2m).

	2019	2020
Expected loss on receivables from policyholders and insurance companies:		
1 January	58	59
Changes	1	(9)
31 December	59	50
Group companies have agreed to lend equities against security:		
Carrying value of equities lent	1,555	1,596
Fair value of bonds received as security for the loan	1,927	1,888
Outline of equity investments can be obtained on application.		

Notes to the financial statements • Group

(DKKm)	2019	2020
Note 35. Financial liabilities		
Financial liabilities at fair value through profit and loss		
Held for trading:		
Derivatives	679	983
Designated at fair value:		
Amounts due to credit institutions	155	1,350
Total financial liabilities at fair value (observable inputs level 2)	835	2,333
Financial liabilities at amortised cost		
Other subordinated loan capital	1,747	1,749
Deposits received from reinsurers	69	33
Debt relating to direct insurance operations	194	165
Debt relating to reinsurance operations	26	23
Current tax liabilities	27	60
Other debt	1,867	1,727
Total financial liabilities at amortised cost	3,931	3,757
Total financial liabilities	4,766	6,089

	Other subordinated loan capital	Amounts due to credit institutions
Liabilities concerning financing activities		
Beginning 2019	1,746	242
<i>Cash flow from financing</i>		
Redemption/net change	0	(87)
<i>Other changes</i>		
Amortisation	2	0
End 2019	1,747	155
<i>Cash flow from financing</i>		
Redemption/net change	(500)	1,195
Issue	500	0
<i>Other changes</i>		
Amortisation	1	0
End 2020	1,749	1,350

Note 36. Collateral relating to financial assets and liabilities

	Gross position	Offsetting	Carrying value	Collateral Bonds	Cash	Net position
2019						
Assets						
Derivatives, investment assets	198	0	198			
Derivatives hedging inflation, other assets	16	0	16			
	214	0	214	0	(131)	83
Liabilities						
Derivatives	(679)	0	(679)		1,945	1,265
	(679)	0	(679)	0	1,945	1,265
2020						
Assets						
Derivatives, investment assets	1,405	0	1,405			
Derivatives hedging inflation, other assets	7	0	7			
	1,412	0	1,412	0	(1,031)	381
Liabilities						
Repos debt	(257)	0	(257)	257		(0)
Derivatives	(983)	0	(983)		2,651	1,668
	(1,240)	0	(1,240)	257	2,651	1,668

Notes to the financial statements • Group

(DKKm)

Note 37. Cash flow statement

2020

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

The purchase price was compounded as follows:

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

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

Assets related to with-profit products	Carrying value		Return (%)*
	1 January	31 December	
Land and buildings	3,622	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.

Assets related to unit-linked products

Land and buildings	1,345	2,017	7.3
Listed equity investments	13,834	15,772	19.4
Total equity investments	13,834	15,772	19.4
Government and mortgage bonds	4,926	11,941	(0.2)
Credit bonds and emerging market bonds	6,664	6,510	(0.2)
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.

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

Notes to the financial statements • Group

(DKKm)

Note 39. Return and risk - unit-linked products

Selected age points in relation to time of retirement	Years to retirement	Percentage of average provisions	Return in percentage before PAL	Risk
2019				
Life cycle:				
	30 years	1.1	12.6	4.50
	15 years	3.1	9.7	4.25
	5 years	1.3	6.9	3.75
	5 years later	0.0	5.4	3.50
Non life-cycle		29.3	14.1	4.75
2020				
Life cycle:				
	30 years	1.1	5.1	5.75
	15 years	2.9	4.2	5.25
	5 years	1.3	3.4	4.50
	5 years later	0.0	3.5	4.25
Non life-cycle		31.9	6.1	5.75

Note 40. Number of shares

	2019	2020
Reconciliation of the number of shares ('000)		
Shares issued at 1 January	90,000	90,000
Own shares at 1 January	(3,568)	(2,933)
Number of shares at 1 January	86,432	87,067
Shares sold	635	424
Shares issued at 31 December	90,000	90,000
Own shares at 31 December	(2,933)	(2,509)
Number of shares at 31 December	87,067	87,491

Note 41. Own shares

	Number of shares '000	Nominal value DKKm	Percentage of share capital	Proceeds on sale DKKm
Held at 1 January 2019	3,568	4	4.0	
Sold in 2019	(635)	(1)	0.7	(137)
Held at 31 December 2019	2,933	3	3.3	
Sold in 2020	(424)	(0)	0.5	(92)
Held at 31 December 2020	2,509	3	2.8	

Number of shares held to cover the granting of options: 1,130 thousands (2019: 1,086 thousands).

Own shares are held solely by the parent company.

Note 42. Collateral

	2019	2020
The Group's insurance companies have registered the following assets as security for technical provisions:		
Equity investments in associates	414	382
Unit trusts	0	2
Equity investments	2,682	3,670
Bonds	28,396	27,092
Deposits with credit institutions	400	1,300
Investment assets related to unit-linked products	36,104	44,997
Accrued interest	295	331
Equity investments in and receivables from affiliates eliminated in the consolidated accounts	6,275	4,963
Registered assets	74,567	82,736
Bonds provided as security for loans in accordance with standard repo-contracts for Danish mortgage and government bonds	0	257

Notes to the financial statements • Group

(DKK m)

2019

2020

Note 43. Contingent liabilities

Contract liabilities	0	501
Adjustments to VAT liabilities	136	136
Other liabilities	4	1
Capital commitments made to loan funds and private equity funds etc.	398	356

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

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

Note 44. Group companies

Name	Registered office	Activity
Topdanmark A/S	Ballerup	Holding
Non-life:		
Topdanmark Forsikring A/S	Ballerup	Insurance
TDP.0007 A/S	Ballerup	Property
Topdanmark EDB A/S	Ballerup	IT services
Topdanmark EDB IV ApS	Ballerup	IT services
E. & G. Business Holding A/S	Ballerup	Holding
Topdanmark Holding S.A.	Luxembourg	Holding
Risk & Insurance Services S.A.	Luxembourg	Administration
Life:		
Topdanmark Liv Holding A/S	Ballerup	Holding
Topdanmark Livsforsikring A/S	Ballerup	Insurance
Topdanmark EDB II ApS	Ballerup	IT services
Topdanmark Ejendom A/S	Ballerup	Property
TDE.201 ApS	Ballerup	Property
Rådhuskontorene ApS	Ballerup	Property
Bygmestervej ApS	Ballerup	Property
Other companies:		
Topdanmark Kapitalforvaltning A/S	Ballerup	Asset management
Topdanmark Invest A/S	Ballerup	Investment
Topdanmark Ejendomsadministration A/S	Ballerup	Property

All of the companies are 100% owned.

Note 45. Other disclosures

The five-year summary, in accordance with Section 91(a) of the Danish Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds is shown on page 29. Sensitivity information according to Section 126 is part of "Risk Scenarios" in Management's review.

There have been no events in the period from 31 December 2020 until the presentation of the consolidated financial statements which could change the assessment of the annual report.

Notes to the financial statements • Group

Note 46. Risk factors

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

Non-life insurance Personal, liability and property insurance for the private, SME, and agricultural markets.		
Most important risks	Risk preferences	Risk reducing activities
Underwriting risk • Acceptance policy • Follow-up policy. Reserve risk: • Provisions for outstanding claims • Provisions for unearned premiums. Catastrophe risks: • Storm and cloudburst • Fire • Terror • Workers' comp. Cumulative risk.	Profit on both product and customer level. Spread of risk on different types of insurance/customer groups. Limited effect on results from individual claims events by means of reinsurance.	Advanced risk-based price models. Clear rules for new business. Risk equalisation through extensive reinsurance programme. Systematic follow-up on profitability. High data quality. Use of statistical models for calculation of provisions.

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

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

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

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

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

Climate		
Most important risks	Risk preferences	Risk reducing activities
Storm and cloudburst	Generally, the area of climate risk is to be reduced to an acceptable level.	Risk equalisation through extensive reinsurance programme.
Investment in 'frozen assets'		Topdanmark follows UN Global Compact
Investment property.		Focus on measuring and reporting ESG factors.

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

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

Non-life insurance

Underwriting risk

Acceptance policy

Topdanmark's acceptance policy is based on a wish to make a profit from both products and customers. Topdanmark varies the pricing of its products depending on the relevant risk criteria and the costs of administering those products.

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

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

Follow-up policy

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

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

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

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

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

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

Claims handling

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

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

Topdanmark helps its customers when they require assistance

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

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

Efficient management of claims incurred

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

- Promptness
- Better claims procurement
- Quality.

Promptness

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

Typically, the claims department operates with day-to-day management of claims notifications and other claims handling in order that the value of the claim does not increase. Customers increasingly undertake notification of claims online. Turnaround times are continuously monitored.

Better claims procurement

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

Quality

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

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

Claims handling supported by Topdanmark's claims handling system

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

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

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

Composition of Topdanmark's overall provisions for outstanding claims:

Distribution of provisions for outstanding claims	2019		2020	
	%	Duration	%	Duration
Short-tail	12	1	13	1
Annuity provisions in workers' compensation	27	11	26	10
Other claims provisions in workers' compensation	22	2	21	2
Accident	29	10	29	10
Motor personal liability	7	2	6	2
Commercial liability	4	2	4	2

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

Contingency plan

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

Loss prevention and loss limitation

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

Provisioning risk

Provisions for outstanding claims

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

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

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

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

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

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

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

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

Provisions for unearned premiums

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

Catastrophe risks

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

Storm and cloudburst

Reinsurance covers storm claims of up to DKK 5.1bn with a retention of DKK 100m. Snow load, snow thawing and cloudburst are also covered. Reinstatement for the proportion of the cover used up is activated by payment of a reinstatement premium. In the event of another storm within the same year, there is cover of a further DKK 5.1bn with a retention of DKK 100m. In the event of a third and fourth storm, there is cover of up to DKK 670m

with a retention of DKK 20m if the events occur within the same calendar year. To this should be added the cover not already hit twice by the first two storms. The cover of a third or fourth storm is dependent on the storm programme not having been hit previously by two individual storms each exceeding DKK 2.9bn. The storm programme is renewed on 1 July.

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

Fire

Topdanmark has a proportional reinsurance programme for fire with a maximum retention of DKK 25m per claim on any one business.

Terrorism

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

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

Workers' compensation

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

Cumulative risk

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

Life insurance

Loss absorbing buffers in the event of low interest rates

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

Low interest rates mean that the market value of the guarantees granted is high, and that the related bonus

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

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

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

Disability

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

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

Longevity

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

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

Pandemic risks

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

Market

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

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

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

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

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

Expected cash flows (DKKm)	Carrying amount	1	2-6	7-16	17-26	27-36	>36
Provisions for claims							
2019	13,071	3,801	5,310	2,790	1,059	461	9
2020	13,364	4,075	5,231	2,655	1,001	363	80
Life insurance provisions with-profit							
2019	23,618	2,066	7,557	9,685	4,035	1,190	310
2020	23,178	2,018	6,994	9,153	3,833	1,142	304
Bond portfolio including interest derivatives							
2019	41,411	13,115	20,322	13,571	4,470	0	0
2020	39,651	16,240	16,950	11,782	4,917	0	0

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

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

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

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

Generally, there are no maturity concentrations on derivative contracts.

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

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

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

Investment

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

Interest-bearing assets by rating (%)	2019	2020
>A+	82	81
A+, A, A-	7	4
BBB+, BBB, BBB-	0	0
<BBB-	9	11
Money market deposits	2	5

Counterparty risk

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

Reinsurance

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

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

Operational risk

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

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

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

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

IT

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

Risk assessment

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

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

Cybercrime risk

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

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

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

Outsourcing is increasingly used in Topdanmark.

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

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

IT emergency plan

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

Accessibility

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

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

Digitisation/automation

Topdanmark is working continuously on digitisation and automation to ensure efficient business and a good customer experience. Focus is on automation of a number of processes, which will help to reduce the risk of human errors. Digitisation is not only robots of which Topdanmark has introduced some so far. Topdanmark also needs to focus on the future and what it requires to navigate in an increasingly and rapidly changing technological development going forward.

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

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

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

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

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

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

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

Internal Audit

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

Central Claims

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

Incident register

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

Pandemic risk

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

Compliance risk

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

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

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

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

Compliance Function's work

The Compliance Function is intended to:

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

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

The Compliance Function's work comprises the following principal tasks:

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

Incident register

The Compliance Function administers Topdanmark's incident register.

Climate risk

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

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

Topdanmark Livsforsikring does not have significant climate-related insurance risks. Investment risks for the companies related to climate mainly comprise the property portfolios and are hedged through investments in new / newer properties as well as maintenance of existing properties. In addition, the investment policies include an exclusion list which i.a. includes companies with activities within tar sands and thermal coal. In Topdanmark's active investment management, there is a focus on acquiring attractive investment opportunities in "green companies" and divestments of holdings which in the long run are considered to be unattractive as a result of their climate footprint, etc. Overall, Topdanmark has the necessary focus on climate conditions in relation to the investment company.

Notes to the financial statements • Group

Note 47. Accounting policies

Topdanmark Group's 2020 Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional Danish disclosure requirements of the Danish Financial Business Act on annual reports prepared by listed financial services companies.

Topdanmark Group has implemented the IFRS standards and interpretations that take effect from 2020. None of these has affected recognition or measurement in 2020.

Apart from this, the accounting policies remain unchanged compared with 2019.

Future accounting standards

IFRS

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

IFRS 9 "Financial instruments" came into force on 1 January 2018. However, under certain circumstances, insurance groups may postpone IFRS 9 to 2023 at the time where IFRS 17 "Insurance contracts" is expected to come into force. However, IFRS 17 has not yet been adopted by the EU.

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

As a consequence, the Topdanmark Group has chosen to postpone the implementation of IFRS 9 to the implementation of IFRS 17, which is expected to take effect on 1 January 2023.

The standard classifies the financial assets based on the company's business model for holding of assets and the cash flow generated by the asset. The standard is not expected to substantially affect the presentation of accounts for the Group.

IFRS 17 "Insurance Contracts"

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

From 2021, expenses for loss preventing activities will be reclassified from administrative expenses to claims incurred due to a change in the Danish FSA's Executive Order on Financial Reports for Insurance Companies. The effect is expected to be insignificant.

Accounting estimates and judgements

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

The most significant estimates and judgements are made in the calculation of insurance provisions, as well as measurement of the fair value of collateralised loan obligations (CLO's) and investment properties.

Provisions for claims

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

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

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

Provisions for unearned premiums

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

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

Life insurance provisions

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

CLO's

The transfer of CLO's in March 2020 from valuation according to indicative prices (level 2) to valuation models based on unobservable input (level 3), implies inputs, such as probability of default, recovery etc., based on best estimates. Towards the end of 2020 market liquidity is starting to improve, and if continued a transfer to level 2 is anticipated during 2021.

Investment properties

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

General

Consolidated financial statements

The consolidated financial statements include the parent company Topdanmark A/S and all of the companies that are controlled by the parent company. The parent company is deemed to control the companies through direct or indirect ownership of more than 50% of the voting rights, or when it otherwise can have or has a controlling influence.

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

Consolidation

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

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

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

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

Recognition and measurement

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

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

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

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

Measurement of fair value

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

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

Level 1

The calculation of fair value should always be based on the listed prices of transactions in active markets whenever possible. If there is no listed price, another

public price is used, which is believed to be the most appropriate. If the transaction on the open market is limited or if there is no closing price, prices from banks/brokers can be used if these are calculated based on fully updated market data and are deemed to be in accordance with the closing price.

Level 2

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

Level 3

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

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

Insurance and investment contracts – classification

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

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

The classification is carried out on contract level. Contracts with related joint and several premium waiver or group products are considered insurance contracts in full.

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

Currency

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

The initial recognition of transactions in currencies other than DKK is made at the exchange rates prevailing at the

date of the transactions. Debts and receivables, and other monetary items which have not been settled on the financial position date, are translated at the closing exchange rates. Translation differences are recognised in Revaluations in the Income Statement.

Expenses

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

Share options

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

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

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

Employee shares

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

Calculation of profit in life insurance

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

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

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

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

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

Shareholders' equity must contribute to the financing of a potential negative result for each contribution group if it cannot be covered by collective bonus potential and

individual bonus potential. A deficit which is not covered by the bonus potentials is assigned to a shadow account for the group which can be restored at a later time when bonus potential is sufficient.

Segment information

The Topdanmark Group's insurance business is divided into three business segments:

Private offers non-life insurance policies to individual households in Denmark. In this segment is also included illness and accident insurance offered through the life company.

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

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

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

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

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

Cash flow statement

The cash flow statement of the group has been prepared in accordance with the direct method disclosing cash flow from operations, investments and financing as well as the changes in the Group's liquid funds between the beginning and the end of the financial year. Investment activities also include amounts received and paid on the purchase and sale of investment, intangible and tangible assets. Cash flows from financing comprise changes in capital, including the purchase and sale of own shares. Furthermore, it includes the raising of loans and repayments on interest-bearing debt. Cash and cash equivalents comprise liquid funds as well as deposits with credit institutions.

Income statement

Premiums earned

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

As premium provisions and profit margin are calculated at a discounted basis, an element of interest is included in

premiums earned. In life insurance, gross premiums comprise those premiums for insurance contracts, which are due within the year.

Allocated investment return net of reinsurance in life insurance

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

Pension return tax

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

The tax rate is 15.3%.

Claims incurred and benefits paid

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

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

Bonuses and rebates

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

Operating expenses

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

Investment return

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

Return and revaluation of non-life insurance provisions

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

Other income and expenses

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

Taxation

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

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

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

Assets

Intangible assets

Goodwill relates to the acquisition of companies prior to 2004 and is recognised at the carrying amount on the date of transition to IFRS. Goodwill is not amortised but

subjected to an impairment test at the end of the financial year and written down to a lower recoverable amount.

Acquired software licences are measured at cost and amortised on a straight-line basis over the expected useful life of a maximum of three years. Development projects which are clearly defined and definable are measured at costs incurred and depreciated over the expected useful life of a maximum of 10 years. Impairment is assessed end of year, and the carrying amount is written down to a lower recoverable amount.

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

Tangible assets

Operating equipment

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

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

Owner-occupied properties

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

Investment properties

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

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

capital value of the expected cash flow from each property.

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

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

Market trends and the rates of return of the market are regularly analysed. Each property is assessed annually by the Group's own valuers.

The calculated fair values are regularly tested to other valuation models and by use of external valuers.

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

Associates

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

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

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

Financial assets

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

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

Financial assets at fair value with any value adjustment through profit and loss are financial assets which are either included in a trading portfolio, are derivatives or at their first recognition are designated in this classification, because the assets are managed and measured on a fair value basis, or because this eliminates or significantly reduces accounting inconsistency.

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

Receivables at amortised cost

On initial recognition receivables are measured at fair value, and subsequently at amortised cost. The receivables are regularly assessed for impairment and written down to a lower recoverable amount. Such impairments are generally made collectively on the basis of a due date analysis. When an individual receivable is considered irrevocable, the impaired amount is transferred from the account for collective allowances.

Reinsurers' share of provisions

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

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

Shareholders' equity

Revaluation reserves

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

Security fund reserves

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

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

Other reserves

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

Proposed dividend

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

Liabilities

Other subordinated loan capital

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

Provisions for insurance and investment contracts

Provisions for unearned premiums

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

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

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

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

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

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

Profit margin on non-life insurance contracts

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

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

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

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

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

Life insurance provisions

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

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

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

Remaining Life expectancy	60 year old man	60 year old woman
Topdanmark Livsforsikring	27.0	29.5
Danish FSA's benchmark	26.5	28.9

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

The present value of the expected future payments has been calculated using an interest rate curve determined in Solvency II (EIOPA interest rate curve). The interest rate curve is volatility adjusted and for contracts subject to pension return tax - each interest rate used is reduced by the tax rate of 15.3%.

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

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

Best estimate for guaranteed benefits is measured as the present value of current, guaranteed benefits plus future administration expenses and deduction of present value

of agreed premiums. Guaranteed benefits are calculated considering amendments of the insurance contracts to paid-up policies and surrender.

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

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

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

Profit margin on life insurance and investment contracts

Profit margin is the expected future profit for the company from contracts concluded and when possible, profit margin for products with guarantees and profit sharing is financed by the individual bonus potential and secondarily by the collective bonus potential. The value is calculated as an interest margin of 0.05%. The profit margin has been calculated on the basis of the expected duration of the insurance contracts.

Provisions for claims

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

Claims provisions are assessed for each line of business, either on a claim-by-claim basis (individual provisions), or by using statistical methods (collective as well as incurred but not reported (IBNR) and incurred but not enough reported (IBNER) provisions). Claims exceeding a fixed amount, dependent on the line of business, are assessed individually, and provisions for smaller claims are assessed collectively. IBNR provisions cover expenses on post-notified large claims. IBNER provisions cover extra expenses on claims already reported for which the individually assessed provisions are not sufficient due to, for example, inadequate information at the time of assessment. The collective provisions are calculated using de Vylder's credibility model adjusted for each line of business. The IBNR and IBNER provisions are calculated using models developed in-house. In agricultural and commercial lines, claims are assessed individually. IBNR and IBNER provisions are also included in the total provision. In personal lines, claims

not exceeding DKK 100,000 are assessed collectively while larger claims, and all claims on change of ownership policies are assessed individually. IBNR and IBNER provisions are also included in the total provision. In motor and accident lines, total provisions comprise the sum of the collective and individual provisions. Individual provisions are the result of an assessment where the claims handler has assessed the total claim payment to exceed DKK 1.5m, and the case is estimated to exceed the amount paid out. Large claims and claims relating to previous years are individually assessed within personal liability in motor insurance.

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

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

The annuity reserves for disability in illness and accident insurance are calculated using an inflationary structure. Provisions for claims in workers' compensation insurance comprise provisions for annuities and other provisions for claims and benefits. The assessment of the future annuities is based on the annuities in force including the expected wage and salary indexation, and a rate of mortality corresponding to G82 with monthly age write-downs on annuities based on the act on accidents and an adjusted G82 rate of mortality on annuities on the act on workers' compensation amended to comply with Topdanmark's experience base within death intensity for annuitants. Workers' compensation claims are often paid as the capitalised value of an annuity. The capitalisation rate at the time of capitalisation is to be calculated as a moving average of the most recent five years' interest rate on leading mortgage bonds less tax. The capitalisation rate is calculated as the forward swap rates plus 0.85% p.a. and less a deduction for tax corresponding to the base tax rate.

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

Provisions for claims already incurred for disability in illness and accident insurance are calculated using an in-house statistical model that is based on the relationship

between the possibility of resumption of work and the period passed since the occurrence of the claim.

Topdanmark has purchased derivatives partially hedging the provisions for workers' compensation and annuities in illness and accident insurance against changes in future wage and price indexation. The revaluation of these derivatives is included in claims incurred.

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

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

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

Risk margin for non-life insurance contracts

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

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

Provisions for bonuses and rebates

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

Other liabilities

Provisions for pensions and similar liabilities

Provisions for anniversary bonuses and retirement benefits are built up on an on-going basis over the period of employment. The liability is calculated taking into account the expected level of staff reduction based on the

Company's experience. The liability is measured at present value by discounting the expected future payments using the interest rate structure.

Corporation tax and deferred tax

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

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

Deposits received from reinsurers

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

Debt

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

Other loans are measured at amortised cost.

Ratios

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

Financial ratios

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

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

Post-tax EPS (DKK)

Profit for the year
Number of shares (average)

Post-tax EPS diluted (DKK)

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

Share buy-back per share, diluted (DKK)

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

Dividend per share issued, proposed (DKK)

Proposed dividend
Number of shares issued end of year

Net asset value per share, diluted (DKK)

Shareholders' equity end of year
Number of shares, diluted

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

Non-life insurance ratios

Gross loss ratio

Gross claims incurred * 100
Gross premiums earned

Net reinsurance ratio

Reinsurance result * 100
Gross premiums earned

Gross expense ratio

Gross operating expenses * 100
Gross premiums earned

Combined ratio

Gross loss ratio + net reinsurance ratio + gross expense ratio

Relative run-off, net of reinsurance (%)

Run-off on own account * 100
Claims provisions on own account 1 January

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

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

Life insurance ratios

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

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

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

Return unit-linked products *100
Life insurance provisions unit-linked products (average)

Risk on return related to unit-linked products

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

Expense ratio of provisions (%)

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

Cost per policyholder (DKK)

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

Income statement • Parent company

(DKKm)	Note	2019	2020
Income from affiliates	1	1,587	1,168
Interest charges		(10)	(11)
Total investment return		1,577	1,157
Other expenses	2	(41)	(46)
PRE-TAX PROFIT		1,536	1,112
Taxation	3	11	12
PROFIT FOR THE YEAR		1,547	1,124
Proposed appropriation of profit for the year:			
Dividend		1,530	1,800
Transfer to net revaluation reserve at net asset value		1,587	1,168
Transfer from profit carried forward		(1,570)	(1,844)
		1,547	1,124

Statement of comprehensive income • Parent company

Profit for the year	1,547	1,124
Other comprehensive income from affiliates	(14)	1
Other comprehensive income	(14)	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,533	1,125

Balance sheet • Parent company

(DKKm)	Note	2019	2020
Assets			
Operating equipment	4	3	3
TOTAL TANGIBLE ASSETS		3	3
Equity investments in affiliates	5	6,431	6,816
Total investment in affiliates		6,431	6,816
Equity investments		0	4
Total other financial investment assets		0	4
TOTAL INVESTMENT ASSETS		6,431	6,820
Receivables from affiliates		836	913
Other receivables		0	48
TOTAL RECEIVABLES		836	961
Liquid funds		3	1
TOTAL OTHER ASSETS		3	2
TOTAL ASSETS		7,274	7,785
Shareholders' equity and liabilities			
Share capital	6	90	90
Other reserves		2,682	3,067
Total reserves		2,682	3,067
Profit carried forward		2,401	2,228
Proposed dividend		1,530	1,800
TOTAL SHAREHOLDERS' EQUITY		6,703	7,185
OTHER SUBORDINATED LOAN CAPITAL	7	398	399
Amounts due to affiliates		139	133
Current tax liabilities		27	60
Other debt		7	8
TOTAL DEBT		172	201
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		7,274	7,785
Related parties	8		
Own shares	9		
Contingent liabilities	10		
Other note disclosures	11		
Accounting policies	12		

Statement of changes in equity • Parent company

(DKKm)

	Share capital	Other reserves	Profit carried forward	Proposed dividend	Total
2019					
Shareholders' equity at 31 December previous year	90	2,439	2,443	1,350	6,322
Profit / (loss) for the year		1,587	(1,570)	1,530	1,547
Other comprehensive income in affiliates		(14)			(14)
Total comprehensive income for the year		1,574	(1,570)	1,530	1,533
Dividend paid				(1,350)	(1,350)
Dividend, own shares			50		50
Dividends received from subsidiaries		(1,380)	1,380		0
Other movements in capital of subsidiaries		50			50
Share-based payments			11		11
Exercise of share options			88		88
Other transactions		(1,330)	1,528	(1,350)	(1,152)
Shareholders' equity at 31 December 2019	90	2,682	2,401	1,530	6,703
2020					
Shareholders' equity at 31 December previous year	90	2,682	2,401	1,530	6,703
Reduction of proposed dividend previous year			765	(765)	0
Profit / (loss) for the year		1,168	(1,844)	1,800	1,124
Other comprehensive income in affiliates		1			1
Total comprehensive income for the year		1,169	(1,844)	1,800	1,125
Dividend paid				(765)	(765)
Dividend, own shares			24		24
Dividends received from subsidiaries		(840)	840		0
Other movements in capital of subsidiaries		55			55
Share-based payments			10		10
Exercise of share options			33		33
Other transactions		(785)	907	(765)	(643)
Shareholders' equity at 31 December 2020	90	3,067	2,228	1,800	7,185

Notes to the financial statements • Parent company

(DKKm)	2019	2020
Note 1. Income from affiliates		
Topdanmark Forsikring A/S	1,501	1,098
Topdanmark Kapitalforvaltning A/S	90	73
Topdanmark Invest A/S	(4)	(3)
Income from affiliates	1,587	1,168
Note 2. Other expenses		
Holding expenses	41	46
Other expenses	41	46
Note 3. Taxation		
Current tax	11	12
Change in deferred tax	0	0
Taxation (income)	11	12
Pre-tax profit excl. income from affiliated companies	(52)	(57)
Calculated tax on profit for the year, 22%	11	12
Tax rate	22	22
Note 4. Operating equipment		
Cost	3	3
Operating equipment	3	3
Note 5. Equity investments in affiliates		
Topdanmark Forsikring A/S	6,269	6,672
Topdanmark Kapitalforvaltning A/S	108	92
Topdanmark Invest A/S	54	51
Equity investments in affiliates	6,431	6,816
For detailed information please see note 44 to the financial statements for the Group.		
Note 6. Share capital		
Each of Topdanmark's 90,000,000 shares has a nominal value of DKK 1 and has one vote. No share enjoys any special rights. The shares are freely negotiable.		
Note 7. Other subordinated loan capital		
Principal	DKK 400m	
Date of issue	November 2017	
Maturity	Bullet	
If permitted by the Danish FSA, the debtor can give notice of termination from	23 November 2022	
Interest rate	Cibor 3 months +275bp	
	2019	2020
Carrying value	398	399
Market value (level 2)	400	400
Interest charges	10	10

Notes to the financial statements • Parent company

(DKKm)

2019

2020

Note 8. Related parties

Possessing an ownership interest of 48.00% of the shares outstanding, Sampo plc, Fabianinkatu 27, Helsinki, Finland has a controlling influence of Topdanmark A/S.

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

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

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

133

133

Affiliates

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

405

270

If P&C Insurance Ltd, held subordinated notes in Topdanmark Forsikring A/S

-

500

Expenses charged

30

32

Dividends received

1,380

840

Expenses are charged to cover costs incurred.

Average effective interest rate on balances is 0.00% (2019: 0.00%).

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

Note 9. Own shares

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

Note 10. Contingent liabilities

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

Note 11. Other disclosures

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

There have been no events in the period from 31 December 2020 until the presentation of the financial statements which could change the assessment of the annual report.

Notes to the financial statements • Parent company

Note 12. Accounting policies

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

The accounting policies remain unchanged from 2019.

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

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

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

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

Other

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

Disclaimer

This annual report includes statements relating to the future. Such statements are uncertain and involve both general and specific risks.

Many factors may cause significant deviation from the forecasts and assumptions set out in the annual report. Such factors could be, for example, cyclical movements, changes in the financial markets, the financial effect of unexpected events such as acts of terrorism or exceptional weather conditions, changes in Danish and EU rules, competitive factors in the insurance industry, and trends in the reinsurance market. See also: www.topdanmark.com → Investors →

[Risk management](#).

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

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

Statement by Management on the Annual Report

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Topdanmark A/S for 2020.

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

In our opinion, the consolidated financial statements and annual financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2020 as well as of the Group's and the parent company's activities and the Group's cash flow for the financial year 1 January to 31 December 2020.

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

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

Ballerup, 18 February 2021

Executive Board:

Peter Hermann
(CEO)

Thomas Erichsen

Brian Rothemejer Jacobsen

Lars Thykier

Board of Directors:

Ricard Wennerklint
(Chairman)

Jens Aaløse
(Deputy Chairman)

Elise Bundgaard

Anne Louise Eberhard

Mette Jensen

Cristina Lage

Ole Lomholt Mortensen

Petri Niemisvirta

Morten Thorsrud

Independent auditor's report

To the shareholders of Topdanmark A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Topdanmark A/S for the financial year 1 January to 31 December 2020, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2020 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions.

Further, in our opinion, the financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2020 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2020 in accordance with the Danish Financial Business Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

Appointment of auditor

At the Annual General Meeting on 12 April 2018, we were elected as auditor for Topdanmark A/S for the first time. We have been re-elected annually by the Annual General Meeting for a total period of three years up to and including the financial year 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2020. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Measurement of provisions for insurance and investment contracts

At 31 December 2020, provisions for insurance and investment contracts amounted to DKK 16.5bn in respect of non-life insurance contracts and DKK 79.3bn in respect of life insurance contracts of these life insurance provisions for unit-linked contracts amounted to DKK 56.1bn.

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

Significant management estimates regarding non-life insurance provisions include:

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

Significant management estimates regarding life insurance provisions include:

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

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

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

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

Our audit of provisions for insurance and investment contracts

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

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

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

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

Measurement of unlisted investments

Unlisted investments include at 31 December 2020, among other things, investment properties, unlisted securities, loans, derivatives, and CLOs, with a total value corresponding to 17% of the Group's investment assets.

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

Significant management estimates include:

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

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

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

Our audit of unlisted investments

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

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

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements of the Danish Financial Business Act.

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

Management's responsibilities for the financial statements

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

Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Based on the matters communicated to those charged with governance, we determine which matters were of most importance in our audit of the financial statements for the current period and therefore are key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 18 February 2021

EY Godkendt Revisionspartnerselskab

CVR-no. 30 70 02 28

Lars Rhod Søndergaard
State Authorised Public Accountant
mne28632

Allan Lunde Pedersen
State Authorised Public Accountant
mne34495