
Topdanmark Forsikring A/S
Annual Report 2020

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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	396	357	(23)	204	(68)
Other income	152	158	204	244	327
Other expenses	(15)	(12)	(19)	(19)	(17)
PRE-TAX PROFIT	1,901	2,158	1,648	1,928	1,419
Taxation	(395)	(485)	(359)	(427)	(321)
PROFIT FOR THE YEAR	1,506	1,673	1,289	1,501	1,098
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	5,077	6,097	5,727	5,963	6,366
Total assets	73,359	80,901	83,142	98,401	109,210
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 (%)	31.5	30.9	23.2	27.1	18.4

* Before bonuses and rebates.

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

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

Results for 2020

Topdanmark Forsikring's post-tax profit for 2020 was DKK 1,098m (2019: DKK 1,501m).

The Board of Directors proposes a dividend of DKK 1,800m will be distributed for 2020.

Pre-tax profit was DKK 1,419m (2019: DKK 1,928m).

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).

Trend in profit		
(DKK m)	2019	2020
Non-life insurance		
- Technical result	1,534	1,316
- Investment return after return and revaluations of non-life insurance provisions etc.	66	(15)
Profit on non-life insurance	1,601	1,302
Life insurance	327	117
Pre-tax profit	1,928	1,419
Tax	(427)	(321)
Profit	1,501	1,098

Impact of the COVID-19 situation

Topdanmark Forsikring 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 255 at the end of 2020).

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 Forsikring'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 Forsikring'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 Forsikring 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 Forsikring. 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 Forsikring before the agreement was established. The distribution agreement with Sydbank represented approx. 5% of Topdanmark Forsikring's new sales in 2020. The termination of the agreement became effective by the end of 2020. As Topdanmark Forsikring 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 Forsikring intends to expand through organic growth,

through direct sales, digital sales and distribution partners. When it comes to growth through distribution partners, Topdanmark Forsikring 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 tale 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 last many years, now levelling off. As stated in the Q2 Report, Topdanmark Forsikring 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 Forsikring 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 Forsikring has taken actions by way of risk-based price increases, stricter acceptance criteria and increased focus on claims prevention.

Claims trend		
	2019	2020
Claims trend	67.6	70.1
Run-off	4.6	1.9
Weather-related claims	(0.7)	(1.0)
Large-scale claims	(0.6)	(0.9)
Other	0.2	0.3
Claims before run-off, weather, large-scale claims and other	71.1	70.4
Rain	0.0	(0.5)
Discounting		(0.2)
COVID-19	0.0	1.2
Underlying claims trend	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 Forsikring 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 9-11.

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)	2019	2020
Gross premiums earned	9,397	9,732
Claims incurred	(6,121)	(6,568)
Expenses	(1,507)	(1,591)
Net reinsurance	(234)	(257)
Technical result	1,534	1,316
Investment return after return and revaluations of non-life insurance provisions	63	(50)
Other items	3	36
Profit on non-life insurance	1,601	1,302
Run-off profits, net of reinsurance	433	164
Gross loss ratio	65.1	67.5
Net reinsurance ratio	2.5	2.6
Claims trend	67.6	70.1
Gross expense ratio	16.0	16.3
Combined ratio	83.7	86.5
Combined ratio excl. run-off profits	88.3	88.2

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).

Private (DKKm)	2019	2020
Gross premiums earned	5,114	5,179
Claims incurred	(3,555)	(3,787)
Expenses	(802)	(824)
Net reinsurance	(70)	(41)
Technical result	686	527
Run-off profits, net of reinsurance	221	116
Gross loss ratio	69.5	73.1
Net reinsurance ratio	1.4	0.8
Claims trend	70.9	73.9
Gross expense ratio	15.7	15.9
Combined ratio	86.6	89.8
Combined ratio excl. run-off profits	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 Forsikring 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).

SME (DKKm)	2019	2020
Gross premiums earned	4,302	4,571
Claims incurred	(2,583)	(2,799)
Expenses	(707)	(767)
Net reinsurance	(164)	(216)
Technical result	848	789
Run-off profits, net of reinsurance	212	47
Gross loss ratio	60.0	61.2
Net reinsurance ratio	3.8	4.7
Claims trend	63.8	66.0
Gross expense ratio	16.4	16.8
Combined ratio	80.3	82.7
Combined ratio excl. run-off profits	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)	2019	2020
Investment return on shareholders' equity	186	19
Sales and administration	(22)	(43)
Insurance risk	23	(10)
Risk return on shareholders' equity	141	152
Profit on life insurance	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.

Sources of gross premiums (DKKm)	2019	2020
With-profit products	466	399
Unit-linked products	2,540	2,727
Group life	269	268
Regular premiums	3,275	3,394
With-profit products	344	98
Unit-linked products	7,487	7,489
Single premiums	7,831	7,587
Gross premiums	11,106	10,981

Investment activities Topdanmark Forsikring Group excl. life insurance

The investment return of the Topdanmark Forsikring Group excluding life insurance was DKK 346m in 2020 (2019: DKK 693m). 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 28m (loss), and thus DKK 150m lower than the projected return for 2020, when calculated using Topdanmark Forsikring'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 Forsikring'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 Forsikring 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 (DKKbn)	2020	Return 2019 (DKKm)	Return 2019 %	Return 2020 (DKKm)	Return 2020 %
Danish equities	0.3	0.2	60	26.6	78	30.6
Foreign equities	0.8	0.9	174	28.7	81	10.4
Unlisted equities and hedge funds	0.4	0.4	21	6.4	26	7.8
Government and mortgage bonds	16.5	15.6	350	2.1	191	1.1
Credit bonds	0.0	0.0	3	6.8	0	0.0
Index linked bonds	0.3	0.3	18	6.8	10	3.3
CLOs	0.6	0.6	22	4.0	(10)	(1.7)
Properties	1.2	1.2	88	7.4	65	5.5
Expenses, money markets etc.	0.4	2.0	(9)	(1.0)	(60)	(4.1)
Subordinated loan capital	(1.3)	(1.3)	(36)	(2.4)	(35)	(2.6)
Investment return	19.1	19.7	693	3.5	346	1.8
Return and revaluations of non-life insurance provisions			(616)		(374)	
Investment return after return on non-life insurance provisions			77		(28)	

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. 100% 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.

Topdanmark Forsikring 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.

Taxation

The tax charge was DKK 321m of the pre-tax profit of DKK 1,419m, corresponding to an effective tax rate of 22.6% (2019: 22.2%).

Targeted gross efficiency gains of DKK 500m in 2025

Topdanmark Forsikring will upscale the level of investments to improve the efficiency of the company.

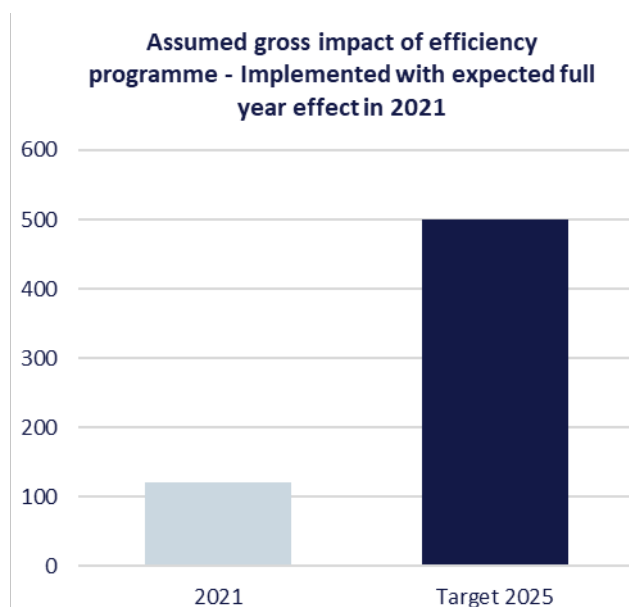
The main focus areas in the efficiency programme are:

- 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 Forsikring'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.



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 Forsikring 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 Forsikring'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 Forsikring will start depreciating the cost in relation to the new non-life system in 2021.

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

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.

Distribution of dividend for 2020

The Board of Directors proposes a dividend of DKK 1,050m will be distributed for 2020.

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 750m will be distributed as an extraordinary dividend.

The Board of Directors proposes the total dividend distributed in connection with the AGM will be DKK 1,800m.

Profit forecast model

Traditionally, Topdanmark Forsikring 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 Forsikring'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

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

The claims trend on house insurance has deteriorated in 2020. In order to improve profitability on house insurance, Topdanmark Forsikring 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.

The efficiency programme is assumed to impact the combined ratio for 2021 by positive 0.2pp.

Furthermore, profitability improving measures on house insurance are assumed to improve the combined ratio in 2021 by 0.5-0.7pp.

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.

Topdanmark Forsikring assumes a combined ratio for 2021 about 89-90, excluding run-off.

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

Life insurance

Topdanmark Forsikring 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.

The pre-tax profit for the life division is expected to be 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.

Taxation

Given a corporation tax rate of 22%, the tax charge is expected to be DKK 260-320m.

Total Group profit

Topdanmark Forsikring's overall post-tax profit according to the profit forecast model for 2021 is DKK 970-1,060m. 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
Pre-tax profit	1,419	1,230	–	1,380
Taxation	(321)	(260)	–	(320)
Profit for the year	1,098	970	–	1,060

Risk management

Topdanmark Forsikring'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 Forsikring 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 Forsikring's solvency ratio was 255. Topdanmark Forsikring 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 Forsikring Group.

Topdanmark Forsikring'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 Forsikring'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 Forsikring'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 Forsikring'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 in order to ensure that Topdanmark Forsikring meets this set of rules.

Overview

Topdanmark Forsikring 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 42 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 Forsikring'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 corporation 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	Tab på 5 %	(22)	(21)
Equities	Tab på 10 %	(86)	(89)
CLOs < AA	Tab på 10 %	(59)	(53)
Properties	Tab på 10 %	(141)	(143)
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 Forsikring 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 Forsikring's solvency calculations.

Own funds

Principal elements of own funds:

Shareholders' equity
 - Proposed dividend
 + Profit margin
 - Intangible assets
 + Tax effect
 + 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 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*	5,792	5,737	5,665	5,707	5,694
Solvency requirement	2,650	2,397	2,296	2,408	2,235
Solvency cover (%)	219	239	247	237	255

*) Proposed dividend has been deducted.

Internal controls and financial reporting

The Board of Directors and the Executive Board have the overall responsibility for the risk management and the organisation of controls of the Topdanmark Forsikring Group in respect of the process of financial reporting, including the observance of relevant legislation and other regulations related to the financial reporting.

Topdanmark Forsikring has established internal control and risk management systems in order to minimise material misstatement and omissions in its financial reporting.

Control environment

The Board of Directors has adopted a working plan to ensure that at least once a year it considers the Group's:

- Risk profile and policies
- Organisation
- Plans and budgets
- Risk of fraud
- Existence of internal rulings and guidelines.

The Board of Directors and the Executive Board have adopted a number of policies, manuals, procedures etc. for significant areas of the financial reporting. The Board of Directors has adopted, among other things, policies and guidelines for risk management, operational risks, data quality and reporting.

The Executive Board continuously monitors the observance of relevant legislation and other rules and provisions on the financial reporting and regularly reports on this to the Board of Directors.

The working plan adopted for Topdanmark Forsikring's Audit Committee includes:

- Monitoring of the process of financial reporting, including regular checks and assessment of annual and interim reports, schedules for closing of interim financial statements, the organisation of and abilities within the accounting function as well as material accounting policies and accounting estimates.
- Monitoring of the efficiency of internal risk management and control systems, including the checking and assessment of systems for identification, quantification, prioritisation and prevention of financial and operational risks, checks and assessment of incentive to accounting manipulation or other fraud, and management reporting intended to prevent/identify and respond to accounting manipulation.

Furthermore, the company has internal auditors who refer and report to the Board of Directors. Internal Audit performs audits in accordance with an audit plan, which is approved by the Board of Directors annually. Internal Audit assesses whether internal controls are organised and functioning adequately, and in this connection the established procedures are assessed, and tests of key internal controls in significant and high-risk areas, including financial reporting, are performed.

Risk assessment

The Board of Directors' working plan ensures that at least once a year the Board of Directors, the Audit Committee and the Executive Board make a general assessment of the risks relating to the financial reporting process. In this assessment, the Board of Directors specifically considers the organisation of the Topdanmark Forsikring Group in respect of:

- Division into organisational units and relevant employee resources
- Division of duties or compensating procedures
- Procedures intended to handle and prevent conflicts of interest
- Routines/working procedures/emergency plans/systems/other tools
- New services and products

- Accounting and budget organisation
- Risk measurement and risk management
- Internal control
- Compliance
- Actuary function
- Internal audit function
- Passing on of authority, including outsourcing and the authority to bind the company
- Reporting
- IT organisation and IT security
- Communication across the company
- Diversity.

The Board of Directors regularly and at least quarterly takes a position on budget and forecast, capital, liquidity, material decisions and specific risks.

As part of the risk assessment, the Board of Directors makes annual decisions on the risk of fraud and discusses:

- Potential incentives or motives for manipulating the financial statements or undertaking other types of fraud
- Management reporting in order to prevent or identify and respond to any accounting manipulation.

Regular risk management is performed by divisions and service functions on the basis of risk limits set by the Executive Board and approved by the Board of Directors.

Risk management is coordinated by a Risk Committee, comprising those responsible for the primary risk areas. The Risk Committee reports to the Executive Board which reports to the Board of Directors.

Control activities

The control activities are based on the risk assessment. They are intended to ensure that the policies, manuals, procedures etc. decided by the Board of Directors and Executive Board are observed, and errors and faults are prevented or found and corrected in time.

The accounting department is responsible for the preparation of interim and annual reports. Key contributors are:

- Non-life and life actuarial services (technical provisions)
- Asset management (financial assets and liabilities)
- Finance functions (calculation and distribution of costs etc.).

Financial management prepares internal financial reporting, profit forecasts etc. and is responsible for controlling the financial statements, including reconciliation of internal financial statements and reporting of deviations from forecasts.

The Executive Board and Financial management hold quarterly forecast meetings with each division to review changes in their portfolios, the results of the past period and the forecast for the year.

The Management's Review is prepared by the Investor Relations department (IR) based on information provided by a number of service functions such as the accounting finance management, external finance, Asset Management and the divisions.

Prior to each annual and quarterly report being published, the report is discussed at a meeting between the Executive Board and the auditors, also attended by the internal audit, IR and accounting departments.

Information and communication

The risk management and internal controls surrounding the preparation of the financial statements are intended to present an annual report which meets International Financial Reporting Standards as adopted by the EU and the additional Danish disclosure requirements of Nasdaq Copenhagen A/S and the Danish Financial Business Act on annual reports prepared by listed financial services companies.

As a consequence of its regular work to keep up with changes in the rules for presentation of financial statements (primarily IFRS and the Danish Accounting Order), the accounting department plans and takes initiatives for its future annual reports, and regularly updates accounting policies and the presentation of the financial statements and notes (by using, for example, detailed check lists).

Monitoring

The Group's internal control and risk management systems are regularly monitored and updated in the financial reporting process. The monitoring is supported by the compliance function reporting to the Executive Board via the Risk Committee and to the Board of Directors via the Audit Committee.

Audits of the consolidated financial statement for Topdanmark Forsikring A/S as well as annual reports for the Group's companies have been performed by external auditors with the participation of internal audit. Topdanmark Forsikring's internal auditors present their conclusion to the Board of Directors whether the Company's and Group's risk management, compliance functions, rules of procedure, and internal controls of all material and risky areas are organised and carried out in a prudent manner. The internal auditors report three times a year to the Board of Directors via the auditors' records just as continuous reporting on audits are carried out via audit reports for the Executive Board and business

units. Approximately every three months, The Audit Committee receives an overview of the audits performed including a status on the observations made.

Audit Committee

According to Section 31 of the Danish Audit Act, the Board of Directors of Topdanmark Forsikring has set up a joint audit committee for the companies of the Topdanmark Forsikring Group obligated to set up audit committee.

The Board of Directors has elected Ricard Wennerklint, Chairman of the Board and the Board members Anne Louise Eberhard and Cristina Lage to be members of the Audit Committee. The Board of Directors has elected Ricard Wennerklint Chairman of the Audit Committee. The Audit Committee is solely composed of members of Topdanmark Forsikring's Board of Directors.

The details of the background, qualifications and occupation of the members of the Audit Committee are available under "Board of Directors and Executive Board" in the Annual Report. The Board of Directors believes that due to their many years' managerial positions in listed and financial services companies, including experience from Audit Committees in other Board of Directors, and also their educational qualifications, all three members possess the necessary accounting qualifications to perform the tasks required of the Audit Committee.

Therefore, the Board of Directors firmly believes that all three members of the Audit Committee possess the qualifications and experience which enable them to make an independent assessment of whether the Topdanmark Forsikring Group's financial statements, internal control, risk management and statutory audit have been prepared and performed in an appropriate way considering the size and complexity of the Group.

The Audit Committee holds at least five meetings a year. On www.topdanmark.com → Corporate Governance → Board of Directors → Audit Committee → [The rules of procedure for the joint Audit Committee of Topdanmark](#) are available.

Remuneration Committee

Pursuant to Section 25 of the Danish Executive Order on wage policy for insurance companies and insurance holding companies ("Executive Order on Remuneration Policy and Remuneration"), the Board of Directors of Topdanmark Forsikring has set up a joint Remuneration Committee for the Topdanmark Forsikring Group.

The Board of Directors has elected Ricard Wennerklint, Chairman of the Board, Jens Aaløse, Deputy Chairman of the Board, and Mette Jensen, employee-elected Board

member, as members of the Remuneration Committee. The Board of Directors has elected Ricard Wennerklint Chairman of the Remuneration Committee.

The Board of Directors believes that, due to their many years in managerial positions in listed and financial services companies, the two members elected at the AGM possess the necessary qualifications to make a qualified and independent assessment of whether remuneration in Topdanmark Forsikring is in accordance with the remuneration policy adopted by the AGM and relevant legislation. The member elected by employees has been elected in accordance with Section 22 (6) of the Executive Order on Remuneration Policy and Remuneration. The details of the background, qualifications and occupation of the members of the Remuneration Committee are available under "Board of Directors and Executive Board" in the Annual Report.

The Remuneration Committee holds three ordinary meetings a year. The principal tasks of the Remuneration Committee are, among other things, to:

- advise the Board of Directors on the framework of the remuneration policy, assist the Board of Directors in ensuring compliance with Topdanmark Forsikring's remuneration policy in practice and assess whether Topdanmark Forsikring's remuneration policy is updated and if necessary, submit proposals for updates of the remuneration policy
- to ensure that information submitted to the Board of Directors concerning Topdanmark Forsikring's remuneration policy and practice is adequate
- to assess whether Topdanmark Forsikring's processes and systems are in line with and allow for the risks of Topdanmark Forsikring, as well as ensure that Topdanmark Forsikring's remuneration policy and practice are in accordance with and encourage a fair and efficient risk management, and are in accordance with Topdanmark Forsikring's business strategy, goals, values and long-term interests
- to monitor that the information disclosed in the Annual Report on the remuneration is correct, true and sufficient and in accordance with the legislation in force at any time.

[The rules of procedure for the joint Remuneration Committee of Topdanmark](#) are available on www.topdanmark.com → About Topdanmark → Corporate Governance → Board of Directors - Remuneration Committee.

Nomination Committee

The Board of Directors of Topdanmark Forsikring has set up a Nomination Committee. The Nomination Committee is in charge of the preparatory work for the decisions to be made by the Board of Directors on the structure and composition of the Board of Directors and the Executive Board.

The Board of Directors has elected Ricard Wennerklint, Chairman of the Board, and Jens Aaløse, Deputy Chairman of the Board, as members of the Nomination Committee. The Board of Directors has elected Ricard Wennerklint Chairman of the Nomination Committee.

The Board of Directors believes that, due to their many years in managerial positions in listed and financial services companies, both members possess the necessary qualifications to make a qualified and independent assessment of the qualifications needed for the Board of Directors and the Executive Board, the structure, size and composition of the Board of Directors and the Executive Board, the current qualifications of the Board of Directors and the Executive Board etc.

The Nomination Committee holds meetings as needed.

Severance pay

In order to ensure full loyalty, focus and performance for the Topdanmark Forsikring Group during the period until a potential take-over is finalised, Topdanmark Forsikring 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 Forsikring and/or the company in the Topdanmark Forsikring 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 Forsikring and/or the company in the Topdanmark Forsikring 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 Forsikring can sign agreements on severance pay with directors, Orienteringsforum and other material risk takers. For executive service agreements signed after November 2017, the total value of remuneration for the period of termination including severance pay cannot exceed two years' salary including all remuneration elements. For executive service 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 Forsikring's remuneration policy is intended to optimise long-term value creation at a group level and support Topdanmark Forsikring's business strategy. At the same time, the remuneration policy should strengthen the attraction, retention and motivation of qualified members of Topdanmark Forsikring'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 Forsikring Group."

The remuneration policy covers Topdanmark Forsikring's Board of Directors, Executive Board, other material risk takers and, as provided by legislation, employees involved in control functions and audit work. If specifically stated, Topdanmark Forsikring's remuneration policy also covers its executive team, comprising a number of the heads of business sectors and administrative departments (the Senior Management) and certain other employees, at the discretion of the Board of Directors. The remuneration policy etc., as adopted by the Annual General Meeting, is available on www.topdanmark.com → Corporate governance → [Remuneration structure](#).

The overall purpose of Topdanmark Forsikring'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 Forsikring 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 Forsikring'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 Forsikring'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 Forsikring'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 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](#)

Diversity and CSR

The Board of Directors has addressed the composition and qualifications of the Board of Directors in "Policy for diversity in the Board" Four of the nine Board members

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

Topdanmark Forsikring's Board of Directors has adopted a policy on diversity in management which applies to the Topdanmark Group. The policy is described in the Topdanmark Group's CSR report 2020 at www.topdanmark.com → Investors → Reports → [CSR reports](#).

The Company's "Statutory Statement of Corporate Social Responsibility, cf. Executive Order on Financial Reports for Insurance Companies and Cross-Border Pension Sections sections 132a and 132b" is available at www.topdanmark.com → Investors → Reports → [CSR reports](#).

Board of Directors



Ricard Wennerklint, Chairman

Elected at the AGM.

DOB:

2 September 1969.

Nationality:

Swedish.

Joined the Board of Directors of Topdanmark and Topdanmark Forsikring:

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 the Board of Directors of Topdanmark and Topdanmark Forsikring:

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 the Board of Directors of Topdanmark and Topdanmark Forsikring:

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 the Board of Directors of Topdanmark and Topdanmark Forsikring:

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 Højgaard's 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 the Board of Directors of Topdanmark and Topdanmark Forsikring:

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 the Board of Directors of Topdanmark and Topdanmark Forsikring:

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, Kulturby 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 the Board of Directors of Topdanmark and Topdanmark Forsikring:

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 the Board of Directors of Topdanmark and Topdanmark Forsikring:

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 the Board of Directors of Topdanmark and Topdanmark Forsikring:

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.



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.



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.



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.

The duties of the Executive Board

Peter Hermann

On the Executive Board for:

Topdanmark A/S
Topdanmark Forsikring A/S

Member of the Board of Directors for:

Topdanmark Liv Holding A/S
Topdanmark Livsforsikring A/S
Topdanmark Kapitalforvaltning A/S
Topdanmark Invest A/S
Forsikring & Pension

Brian Rothemejer Jacobsen

On the Executive Board for:

Topdanmark A/S
Topdanmark Forsikring A/S

Member of the Board of Directors for:

Topdanmark EDB A/S
Topdanmark EDB II ApS
Topdanmark EDB IV ApS
Bornholms Brandforsikring A/S
Forsikringsakademiet A/S
Finanssektorens Arbejdsgiverforening

Thomas Erichsen

On the Executive Board for:

Topdanmark A/S
Topdanmark Forsikring A/S

Member of the Board of Directors for:

Topdanmark EDB A/S
Topdanmark EDB II ApS
Topdanmark EDB IV ApS

Lars Thykier

On the Executive Board for:

Topdanmark A/S
Topdanmark Forsikring A/S

Member of the Board of Directors for:

Topdanmark Liv Holding A/S
Topdanmark Livsforsikring A/S
Topdanmark EDB A/S
Topdanmark EDB II ApS
Topdanmark EDB IV ApS
Topdanmark Kapitalforvaltning A/S
Topdanmark Invest A/S
E. & G. Business Holding A/S
Topdanmark Ejendomsadministration A/S
Green World Society Ltd

In the above, the duties outside the Group, which have been authorised by management in accordance with Article 80 of the Danish Financial Business Act, are included.

Income statement • Group

(DKKm)	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 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 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		(568)	(585)
Intra-group reimbursements		34	35
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 life insurance provisions	8	(13,759)	(8,839)
Change in 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	17	165	92
Income from investment properties	9	134	191
Interest income and dividends etc.		2,301	1,909
Revaluations	10	7,034	3,985
Interest charges		(67)	(92)
Expenses on investment activities		(390)	(488)
Total investment return		9,176	5,597
Return and revaluations of non-life insurance provisions	11	(616)	(374)
Investment return transferred to life insurance business		(8,357)	(5,291)
Other income	12	244	327
Other expenses		(19)	(17)
PRE-TAX PROFIT		1,928	1,419
Taxation	13	(427)	(321)
PROFIT FOR THE YEAR		1,501	1,098

Statement of comprehensive income

Profit for the year	1,501	1,098
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	1,487	1,099

Assets • Group

(DKK m)	Note	2019	2020
INTANGIBLE ASSETS	14	1,291	1,486
Operating equipment		110	106
Owner-occupied properties		834	837
TOTAL TANGIBLE ASSETS	15	945	943
Investment properties	16	4,006	3,919
Equity investments in associates	17	1,668	1,741
Total investments in associates		1,668	1,741
Equity investments		5,087	4,747
Unit trusts		6	2
Bonds		43,632	41,776
Deposits with credit institutions		2,745	4,989
Derivatives		198	1,405
Total other financial investment assets		51,669	52,918
TOTAL INVESTMENT ASSETS		57,343	58,579
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	18	36,104	44,997
Reinsurers' share of the provisions for unearned premiums	19	95	96
Reinsurers' share of the life insurance provisions		12	5
Reinsurers' share of the provisions for claims	20	478	440
Total reinsurers' share of provisions		585	541
Receivables from policyholders		265	283
Receivables from insurance companies		151	71
Receivables from affiliates		1	3
Receivables from associates		286	252
Other receivables		224	533
TOTAL RECEIVABLES		1,512	1,683
Deferred tax assets	21	25	32
Liquid funds		545	844
Other		28	20
TOTAL OTHER ASSETS		598	896
Accrued interest and rent		388	415
Other prepayments and accrued income		219	210
TOTAL PREPAYMENTS AND ACCRUED INCOME		607	625
TOTAL ASSETS		98,401	109,210

Shareholders' equity and liabilities • Group

(DKKm)	Note	2019	2020
Share capital		101	101
Revaluation reserve		0	1
Security fund		1,146	1,146
Other reserves		72	79
Total reserves		1,218	1,225
Profit carried forward		3,143	3,238
Proposed dividends		1,500	1,800
		5,963	6,366
Minority interests' share of shareholders' equity		0	0
TOTAL SHAREHOLDERS' EQUITY		5,963	6,366
OTHER SUBORDINATED LOAN CAPITAL	22	1,349	1,350
Provisions for unearned premiums	23	1,849	1,590
Profit margin, non-life insurance contracts	23	838	1,150
With-profit products	24	23,618	23,178
Unit-linked products	25	46,656	55,790
Total life insurance provisions		70,274	78,968
Profit margin, life insurance and investment contracts	26	329	367
Provisions for claims	27	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	30
Deferred tax liabilities	21	70	80
Deferred tax on security funds		306	306
TOTAL PROVISIONS		406	417
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
Amounts due to affiliates		833	910
Derivatives		679	983
Other debt		1,854	1,714
TOTAL DEBT		3,742	5,144
ACCRUALS AND DEFERRED INCOME		94	103
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		98,401	109,210

Cash flow statement • Group

(DKKm)	2019	2020
Cash flow from operations		
Gross premiums	9,410	9,741
Claims	(6,435)	(6,490)
Expenses	(1,380)	(1,393)
Reinsurance ceded	(162)	(166)
Cash flow from non-life insurance	1,433	1,693
Gross premiums	10,942	10,984
Claims and benefits	(4,138)	(6,660)
Pension return tax	(122)	(823)
Expenses	(458)	(484)
Reinsurance ceded	32	(19)
Cash flow from life insurance	6,256	2,999
Cash flow from insurance activities	7,690	4,691
Payments on investment contracts	264	145
Interest income etc.	1,487	1,484
Dividends	859	526
Interest charges etc.	(463)	(578)
Corporation tax	(464)	(339)
Other items	301	19
Cash flow from operations	9,674	5,949
Cash flow from investments		
Intangible assets, operating equipment	(291)	(205)
Properties	(463)	(199)
Equity investments in affiliates	-	(81)
Equity investments in associates	(0)	(8)
Dividends from associates	175	27
Equity investments	1,412	404
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 affiliates	214	75
Balances with associates	80	34
Cash flow from investments	(9,627)	(3,760)
Cash flow from financing		
Dividend paid	(1,300)	(750)
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	(1,387)	445
Change in cash and cash equivalents	(1,340)	2,633
Cash and cash equivalents at 1 January	4,630	3,290
Revaluation of cash and cash equivalents	0	(90)
Cash and cash equivalents at 31 December	3,290	5,833
Cash and cash equivalents comprise:		
Liquid funds	545	844
Deposits with credit institutions	2,745	4,989
	3,290	5,833

Statement of changes in equity • Group

(DKK m)

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Minority interests	Total
2019								
Shareholders' equity at 31 December previous year	101	14	1,146	67	3,099	1,300	0	5,727
Profit for the year				5	(4)	1,500	(0)	1,501
Other comprehensive income		(14)						(14)
Total comprehensive income for the year		(14)		5	(4)	1,500	(0)	1,487
Dividend paid						(1,300)		(1,300)
Capital contribution from the parent company (employee shares)					50			50
Taxation					(1)			(1)
Other transactions					49	(1,300)		(1,251)
Shareholder's equity at 31 December 2019	101	0	1,146	72	3,143	1,500	0	5,963
2020								
Shareholders' equity at 31 December previous year	101	0	1,146	72	3,143	1,500	0	5,963
Reduction of proposed dividend previous year					750	(750)		0
Profit for the year				7	(708)	1,800	(0)	1,098
Other comprehensive income		1						1
Total comprehensive income for the year		1		7	(708)	1,800	(0)	1,099
Dividend paid company (employee shares)					59	(750)		(691)
Taxation					(5)			(5)
Other transactions					54	(750)		(696)
Shareholder's equity at 31 December 2020	101	1	1,146	79	3,238	1,800	0	6,366

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Other income	12
Taxation	13
Intangible assets	14
Tangible assets	15
Investment properties	16
Equity investments in associates	17
Investment assets related to unit-linked products	18
Reinsurers' share of the provisions for unearned premiums	19
Reinsurers' share of the provisions for claims	20
Deferred tax	21
Other subordinated loan capital	22
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Notes to the financial statements • Group

(DKKm)

Note 1. Segment information income statement

	Private	SME	Elimin- ated	Non-life	Life	Elimin- 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 from 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 from life insurance					(77)	6	(71)
Total investment return				711	8,508	(42)	9,176
Pension return tax 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				3	222		225
Pre-tax profit				1,601	327	0	1,928
Taxation							(427)
Profit for the year							1,501
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 from 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 from life insurance					(180)	4	(176)
Total investment return				345	5,294	(42)	5,597
Pension return tax 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		309
Pre-tax profit				1,302	117	0	1,419
Taxation							(321)
Profit for the year							1,098
Amortisations:							
2019	40	33		73	41		114
2020	41	36		77	67		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	Elimin- ated	Group
2019				
Intangible assets	716	575		1,291
Tangible assets	925	20		945
Investment properties	401	3,605		4,006
Loans to affiliates	300	0	(300)	0
Equity investments in associates	67	1,601		1,668
Other financial investment assets	22,458	29,211		51,669
Investment assets related to unit-linked products	0	36,104		36,104
Reinsurers' share of provisions	573	12		585
Receivables from affiliates	0	2,809	(2,808)	1
Other assets	811	1,320		2,131
Total assets	26,251	75,258	(3,108)	98,401
Other subordinated loan capital	1,349	300	(300)	1,349
Provisions for insurance and investment contracts	16,175	70,603		86,778
Amounts due to affiliates	3,339	303	(2,808)	833
Other liabilities	1,698	1,780		3,478
Total liabilities	22,560	72,986	(3,108)	92,438
Purchase of tangible and intangible assets	191	128		320
2020				
Intangible assets	854	631		1,486
Tangible assets	923	20		943
Investment properties	355	3,564		3,919
Loans to affiliates	300	0	(300)	0
Equity investments in associates	72	1,670		1,741
Other financial investment assets	21,453	31,466		52,918
Investment assets related to unit-linked products	0	44,997		44,997
Reinsurers' share of provisions	537	5		541
Receivables from affiliates	280	1,803	(2,081)	3
Other assets	1,022	1,639		2,661
Total assets	25,796	85,795	(2,381)	109,210
Other subordinated loan capital	1,350	300	(300)	1,350
Provisions for insurance and investment contracts	16,462	79,335		95,797
Amounts due to affiliates	1,803	1,187	(2,081)	910
Other liabilities	2,146	2,641		4,787
Total liabilities	21,761	83,463	(2,381)	102,843
Purchase of tangible and intangible assets	217	123		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)
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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	
Investment contracts (recognised in the balance sheet):						
Regular premiums			46		38	
Single premiums			701		325	
			747		363	

Notes to the financial statements • Group

(DKKm) 2019 2020

Note 6. Gross premiums written - life insurance - continued

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	244	279
Operating expenses from properties rented out	(101)	(78)
Operating expenses from properties not rented out	(1)	(1)
Gross profit	141	200
Administrative expenses	(7)	(9)
Income from investment properties	134	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	277	260
2 to 5 years	325	329
Over 5 years	165	124
Total	766	712

This year's rental income from non-terminable contracts	244	279
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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	3,287
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	333	166
Liquid funds	0	(45)
Other	(6)	2
Revaluations	7,034	3,985
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 income		
Brokerage	232	315
Other	12	12
Other income	244	327
Note 13. Taxation		
Current tax	464	339
Change in deferred tax	(38)	(13)
Prior year adjustment	(1)	1
Tax for the year	425	326
Tax in other comprehensive income	4	(0)
Tax in shareholders' equity	(1)	(5)
Tax in the income statement	427	321
Calculated tax on profit for the year, 22%	424	312
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
	427	321
Effective tax rate	22.2	22.6

Notes to the financial statements • Group

(DKKm)

Note 14. 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 15. Tangible assets

	Operating equip- ment	Owner- occupied properties	Total
2019			
Cost at 1 January	324	853	1,177
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	346	834	1,181
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	110	834	945

2020

Cost at 1 January	346	834	1,181
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	372	837	1,209
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	106	837	943

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 16. Investment properties

Fair value at 1 January	4,109	4,905
Additions, acquisitions	448	197
Additions, improvements	118	58
Disposals	(96)	(56)
Fair value revaluation for the year taken to revaluations	325	162
Fair value at 31 December	4,905	5,266
Investment properties are recognised in the balance sheet as follows:		
Investment properties	4,006	3,919
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 were based	5.0%	4.9%

Notes to the financial statements • Group

(DKKm)

Note 16. Investment properties - continued

	Private residence		Office property	
	2019	2020	2019	2020
Fair value DKKm	1,542	1,580	3,363	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)	59	59	232	226
Price per square meter (DKK 1,000)	26	27	15	15
Number of properties	6	6	22	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	475	487
The fair value includes properties under construction	0	197

Note 17. 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 investment in associates	1,668	1,741

	Percentage share	Activity	Shareholders' equity	Result
2019				
Carlsberg Byen P/S, Copenhagen	23	Property development	2,230	312
Havneholmen P/S, Kgs. Lyngby	50	Property	1,085	98
Margretheholm P/S, Frederiksberg	50	Property	627	116
Bornholms Brandforsikring A/S, Rønne	27	Insurance	237	12
P/S Ejendomsolding Banemarksvej, Odense	40	Property	121	9
P/S Ottilia, Copenhagen	50	Property	564	65
Heap A/S, Copenhagen*	50	Development	-	-
2020				
Carlsberg Byen P/S, Copenhagen	23	Property development	1,624	169
Havneholmen P/S, Kgs. Lyngby	50	Property	1,170	110
Margretheholm P/S, Frederiksberg	50	Property	735	109
Bornholms Brandforsikring A/S, Rønne	27	Insurance	258	23
P/S Ejendomsolding 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 statement.

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 18. 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 19. 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 20. 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 21. Deferred tax

	2018	2019	2020
Properties	46	55	74
Operating equipment	21	7	(16)
Liabilities provided	(6)	(7)	(7)
Deferred pension return tax	33	0	0
Other	(12)	(11)	(3)
Deferred tax	83	45	48
Recognised as:			
Deferred tax assets	(17)	(25)	(32)
Deferred tax liabilities	100	70	80
	83	45	48
Change included in tax for the year		(38)	(13)
Acquisitions		0	16
Change for the year		(38)	4

Notes to the financial statements • Group

(DKKm)

Note 22. Other subordinated loan capital

Borrower	Topdanmark Forsikring A/S (redeemed 2020)	Topdanmark Forsikring A/S	Topdanmark Forsikring A/S
Principal	500	500	850
Carrying value			
2020	-	500	850
2019	500	-	849
Market value (level 2)			
2020	-	500	850
2019	503	-	850
Date of issue	December 2015	December 2020	December 2015
Maturity	11 December 2025	11 December 2030	11 June 2026
If permitted by the Danish FSA, the borrower can give notice of termination from	11 December 2020	30 December 2025	11 June 2021
Interest rate	2.92% to 11 December 2020	Cibor 3 months +160bp	Cibor 3 months +270bp
Subsequently	Cibor 3 months+250bp		
			2019 2020
Interest charges			36 35

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.

Note 23. 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

Note 24. 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

Notes to the financial statements • Group

(DKKm)

Note 24. Life insurance provisions with-profit products - continued

Portfolios analysed by guaranteed interest rates	Guaranteed interest rate	Guaranteed benefits	Individual bonus potential	Collective bonus potential	Life insurance provisions
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

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

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

Notes to the financial statements • Group

(DKKm)

Note 24. Life insurance provisions with-profit products - continued

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 25. Life insurance provisions unit-linked products

	Insurance contracts	Investment contracts	Total
2019			
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

2020

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

	2019	2020
Return on customer funds after expenses before tax (%)	17.9	8.3

Notes to the financial statements • Group

(DKKm)	2019	2020
Note 26. 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 27. 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 27. 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 28. 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 29. Expenses

Expenses in the income statement presented by nature:

Staff costs (excl. commissions)	1,797	1,926
Executive Board	27	28
Other staff costs	74	55
Commissions non-life	176	230
Commissions life	45	41
Premises costs etc.	116	104
IT operations and maintenance	313	332
Impairment and amortisation	114	144
Other expenses	633	685
Total expenses	3,295	3,545

Note 30. Staff costs

Salaries	1,420	1,552
Pensions	238	254
Social security costs	37	31
Payroll tax	253	271
Share options	8	55
Employee shares	49	7
	2,005	2,171
Average number of full-time employees	2,299	2,439

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.

Notes to the financial statements • Group

(DKKm)

Note 30. Staff costs - continued

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

Total number of options ('000)	Strike price	Executive Board executives	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 329.5 (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 31. Related parties

Topdanmark Forsikring A/S is 100% owned by Topdanmark A/S, Ballerup.

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), of which DKK 5,582m (2019: DKK 5,582m) are concerning Topdanmark A/S. As the former Chairman of the Board of Directors in 2019 has renounced a remuneration for attending in the Remuneration Committee, the director's fee for 2019 amount to DKK 5,839m. The board counts nine members.

(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

2020	Peter Hermann	Thomas Ericksen	Brian R. Jacobsen	Lars Thykier	Total
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.

Notes to the financial statements • Group

(DKKm)

Note 31. Related parties - continued

2019	Peter Hermann	Thomas Erichsen	Brian R. Jacobsen	Lars Thykier	Total
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

*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

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 31. Related parties - continued****Affiliates**

Intercompany trade - parent company:

Share-based payments	10	10
Expense reimbursements	(31)	(32)
Dividend payments	1,300	750

Intercompany trade – other subsidiaries:

Asset management	150	127
Expense reimbursements	(7)	(7)

Asset management and the granting of options are settled under market conditions.

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

Balances are disclosed in the balance sheet.

Note 32. Financial assets**Financial assets at fair value through profit and loss**

Held for trading:

Equity investments	5,087	4,747
Unit trusts	6	2
Bonds	43,632	41,776
Derivatives	198	1,405
	48,924	47,930

Designated at fair value:

Deposits with credit institutions	2,745	4,989
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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
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Total financial assets at fair value through profit and loss	86,875	96,569
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Loans and receivables at amortised cost

Receivables from policyholders	265	283
Receivables from insurance companies	151	71
Receivables from affiliates	1	3
Other receivables	224	533
Liquid funds	545	844
Other	314	272
	1,500	2,006

Accrued interest and rent	388	415
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Total financial assets	88,763	98,990
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Financial assets at fair value

	Quoted prices Level 1	Observable inputs Level 2	Non- observable inputs Level 3	Total
2019				
Held for trading:				
Equity investments	3,610	1,477		5,087
Unit trusts		6		6
Bonds	39,583	3,717	332	43,632
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	15,357	371	86,875

Notes to the financial statements • Group

(DKKm)

Note 32. Financial assets - continued

2020

Held for trading:

Equity investments	3,312	1,435		4,747
Unit trusts		2		2
Bonds	37,853	2,484	1,439	41,776
Loans guaranteed by mortgages and other loans				
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	11,631	7,278	96,569
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Financial assets recorded at fair value based on non-observable input (level 3):		2019	2020
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 33. 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	1,349	1,350
Deposits received from reinsurers	69	33
Debt relating to direct insurance operations	194	165
Debt relating to reinsurance operations	26	23
Amounts due to affiliates	833	910
Other debt	1,854	1,714
Total financial liabilities at amortised cost	4,326	4,194
Total financial liabilities	5,161	6,527

	Other subordinated loan capital	Amounts due to credit institutions
Liabilities concerning financing activities		
Beginning 2019	1,348	242
<i>Cash flow from financing</i>		
Redemption/net change	0	(87)
<i>Other changes</i>		
Amortisation	1	0
End 2019	1,349	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	1,350	1,350

Note 34. 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

Note 35. 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

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(DKKm)

Note 36. 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

Note 37. 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

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(DKKm) 2019 2020

Note 38. Collateral

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
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Note 39. Contingent liabilities

Contract liabilities	0	501
Adjustments to VAT liabilities	134	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 40. Group companies

Name	Registered office	Activity
Topdanmark Forsikring A/S	Ballerup	Insurance
Non-life:		
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
Rådhuskontorerne ApS	Ballerup	Property
Bygmestervej ApS	Ballerup	Property

Except for Topdanmark Holding S.A. (99%) and Risk & Insurance Service S.A. (99%) all are 100% owned.

Note 41. 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 3. 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.

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Note 42. Risk factors

The following description of risks in the Topdanmark Forsikring 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 <ul style="list-style-type: none"> • Acceptance policy • Follow-up policy. Reserve risk: <ul style="list-style-type: none"> • Provisions for outstanding claims • Provisions for unearned premiums. Catastrophe risks: <ul style="list-style-type: none"> • 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 Forsikring'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 Forsikring invests in a wide range of asset categories.	Topdanmark Forsikring'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 Forsikring 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 Forsikring 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 Forsikring'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 Forsikring's business model.

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

Non-life insurance

Underwriting risk

Acceptance policy

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

Topdanmark Forsikring'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 Forsikring 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 Forsikring 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 Forsikring 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 Forsikring helps its customers when they require assistance

Focus is on the customer experience, ensuring that the single customer finds Topdanmark Forsikring 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 Forsikring 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 Forsikring always seeks to optimise procurement for the benefit of both customers and shareholders.

Quality

Topdanmark Forsikring 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 Forsikring's claims handling system

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

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

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

Contingency plan

Topdanmark Forsikring 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 Forsikring 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 Forsikring 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 Forsikring ensures security for the customer and reduces its own risk at the same time.

Provisioning risk**Provisions for outstanding claims**

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

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

Composition of Topdanmark Forsikring'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.

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

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	Cash flows years					
		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 Forsikring 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.

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 Forsikring 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 Forsikring 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 Forsikring may suffer losses due to its counterparties' inability to meet their obligations on bonds, loans and other contracts including derivatives. The majority of Topdanmark Forsikring's interest bearing assets comprise of Danish mortgage bonds. In order to minimise the risk to a single debtor, Topdanmark Forsikring 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

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 Forsikring 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 Forsikring'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 Forsikring'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 Forsikring 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 Forsikring's IT Security Committee/Cyber-Security Board and thus act as advisers to Topdanmark Forsikring'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 Forsikring's resilience against critical attacks from outside. The firm also gives advice about vulnerabilities which must be fixed. Topdanmark Forsikring'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

Forsikring must undergo an e-learning course annually on information security.

Outsourcing is increasingly used in Topdanmark Forsikring. Consequently, Topdanmark Forsikring investigates and evaluates the information security with new cooperation and service partners. Topdanmark Forsikring also monitors the information security with existing partners to prevent cybercrime.

Topdanmark Forsikring'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 Forsikring'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 Forsikring 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 Forsikring'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 Forsikring 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 Forsikring has introduced some so far. Topdanmark Forsikring 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 Forsikring 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 Forsikring'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 Forsikring 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 Forsikring 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 Forsikring 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 Forsikring will operate with an effective contingency plan. The contingency plan concerns both Topdanmark Forsikring internally and in relation to changed risk factors for non-life, life- and market risks.

Compliance risk

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

Compliance risk is the risk that Topdanmark Forsikring 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 Forsikring and Topdanmark Forsikring'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 Forsikring'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 Forsikring.

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

Climate risk

Risks due to climate change include both insurance and investment risks. Insurance risks in Topdanmark Forsikring 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 Forsikring'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 Forsikring has the necessary focus on climate conditions in relation to the investment company.

Notes to the financial statements • Group

Note 43. Accounting policies

Topdanmark Forsikring 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.

The 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 the above, the accounting policies remain unchanged compared to 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 Forsikring 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 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 Forsikring 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 the 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 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 Forsikring 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 Forsikring 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 the Topdanmark Group's share option scheme.

The fair value, on the date the option is granted, is paid to Topdanmark A/S and included as staff costs in the income statement. The fair value is calculated using the Black & Scholes model.

Employee shares

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

Calculation of profit in life insurance

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

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

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

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

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

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

Segment information

The Topdanmark Forsikring 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 Forsikring 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 potentials and accumulated revaluations etc.

The tax rate is 15.3%.

Claims incurred and benefits paid

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

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

Bonuses and rebates

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

Operating expenses

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

Investment return

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

Return and revaluation of non-life insurance provisions

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

Other income and expenses

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

Taxation

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

The parent company 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 at their net asset value, 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 has been 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 if the property is sold.

Security fund reserves

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

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

Other reserves

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

Proposed dividend

Dividend 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 at present value of best estimate of expected payments of 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 Forsikring'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 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 Livsforsikring'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 Livsforsikring'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 an annual indexation of 2%.

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

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

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

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

Best estimate for unguaranteed benefits is calculated at contribution group level as the group's collective bonus potential adjusted for risk 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 Forsikring'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 Forsikring, 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 Forsikring 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.

Non-life insurance ratios

Gross loss ratio

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

Net reinsurance ratio

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

Gross expense ratio

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

Combined ratio

Gross loss ratio + net reinsurance ratio + gross expense ratio

Relative run-off, net of reinsurance (%)

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

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

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

Life insurance ratios

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

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

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

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

Risk on return related to unit-linked products

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

Expense ratio of provisions (%)

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

Cost per policyholder (DKK)

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

Return on shareholders' equity (%)

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

Income statement • Parent company

(DKKm)	Note	2019	2020
Gross premiums written	1	8,920	9,183
Ceded reinsurance premiums		(606)	(589)
Change in the provisions for unearned premiums	1	69	271
Change in profit margin and risk margin	1	(32)	(322)
Change in the reinsurers' share of the provisions for unearned premiums		4	3
Premiums earned, net of reinsurance		8,356	8,547
Claims paid		(6,025)	(6,012)
Reinsurance cover received		323	258
Change in the provisions for claims		483	(48)
Change in risk margin		18	30
Change in reinsurers' share of the provisions for claims		(25)	(24)
Claims incurred, net of reinsurance	2	(5,226)	(5,797)
Bonuses and rebates		(61)	(8)
Acquisition costs	3	(988)	(1,066)
Administrative expenses		(689)	(727)
Intra-group reimbursements		208	251
Reinsurance commission and share of profits		76	81
Insurance operating expenses, net of reinsurance		(1,393)	(1,461)
TECHNICAL RESULT	4	1,676	1,281
Income from affiliates	5	146	105
Income from associates		5	7
Interest income and dividends etc.		346	301
Revaluations	6	232	42
Interest charges		(46)	(43)
Expenses on investment activities		(35)	(83)
Total investment return		649	328
Return and revaluations of non-life insurance provisions	7	(443)	(259)
INVESTMENT RETURN AFTER RETURN AND REVALUATIONS OF TECHNICAL PROVISIONS		206	70
Other income	8	14	44
Other expenses		(12)	(8)
PRE-TAX PROFIT		1,884	1,387
Taxation	9	(384)	(289)
PROFIT FOR THE YEAR		1,501	1,098
Proposed appropriation of profit for the year:			
Dividend		1,500	1,800
Transfer to net revaluation reserve at net asset value		140	112
Transfer from profit carried forward		(139)	(813)
		1,501	1,098

Statement of comprehensive income

Profit for the year	1,501	1,098
Other comprehensive income from affiliates	(14)	1
Other comprehensive income	(14)	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,487	1,099

Assets • Parent company

(DKKm)	Note	2019	2020
INTANGIBLE ASSETS	10	473	517
Operating equipment		16	12
TOTAL TANGIBLE ASSETS	11	16	12
Equity investments in affiliates	12	3,250	3,361
Loans to affiliates		300	300
Equity investments in associates	13	67	72
Total investment in affiliates and associates		3,617	3,732
Equity investments	14	1,185	1,171
Unit trusts		2	0
Bonds		14,694	13,781
Deposits with credit institutions		946	1,684
Derivatives		37	65
Total other financial investment assets		16,864	16,702
TOTAL INVESTMENT ASSETS		20,481	20,434
Reinsurers' share of the provisions for unearned premiums	15	95	96
Reinsurers' share of the provisions for claims	16	417	394
Total reinsurers' share of provisions		512	491
Receivables from policyholders		207	214
Receivables from insurance companies		134	71
Receivables from affiliates		2,236	2,255
Other receivables		116	387
TOTAL RECEIVABLES		3,205	3,417
Deferred tax assets	17	17	11
Liquid funds		33	53
Other		51	42
TOTAL OTHER ASSETS		101	107
Accrued interest and rent		88	83
Other prepayments and accrued income		81	93
TOTAL PREPAYMENTS AND ACCRUED INCOME		170	176
TOTAL ASSETS		24,446	24,664

Shareholders' equity and liabilities • Parent company

(DKKm)	Note	2019	2020
Share capital	18	101	101
Revaluation reserve		2,205	2,320
Security fund		1,452	1,452
Total reserves		1,452	1,452
Profit carried forward		1,011	998
Proposed dividend		1,500	1,800
TOTAL SHAREHOLDERS' EQUITY		6,269	6,672
OTHER SUBORDINATED LOAN CAPITAL	19	1,349	1,350
Provisions for unearned premiums	20	1,688	1,418
Profit margin, non-life insurance contracts	20	838	1,150
Provisions for claims	21	10,504	10,688
Risk margin, non-life insurance contracts		219	191
Provisions for bonuses and rebates		159	119
TOTAL PROVISIONS FOR INSURANCE CONTRACTS		13,407	13,567
Pensions and similar commitments		27	28
TOTAL PROVISIONS		27	28
Debt relating to direct insurance operations		17	7
Debt relating to reinsurance operations		25	21
Amounts due to credit institutions		34	328
Amounts due to affiliates		2,184	1,405
Derivatives		426	531
Other debt		654	695
TOTAL DEBT		3,340	2,987
ACCRUALS AND DEFERRED INCOME		54	61
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		24,446	24,664

Statement of changes in equity • Parent company

(DKKm)

	Share capital	Revaluation reserve	Security fund	Profit carried forward	Proposed dividend	Total
2019						
Shareholders' equity at 31 December previous year	101	2,073	1,452	1,106	1,300	6,033
Profit for the year		140		(139)	1,500	1,501
Other comprehensive income from affiliates		(14)				(14)
Total comprehensive income for the year		126		(139)	1,500	1,487
Dividend paid					(1,300)	(1,300)
Capital contribution from the Group (employee shares)				44		44
Taxation				(1)		(1)
Equity movements in affiliates		5		1		6
Other transactions		5		44	(1,300)	(1,251)
Shareholder's equity at 31 December 2019	101	2,205	1,452	1,011	1,500	6,269
2020						
Shareholders' equity at 31 December previous year	101	2,205	1,452	1,011	1,500	6,269
Reduction of proposed dividend previous year				750	(750)	0
Profit for the year		112		(813)	1,800	1,098
Other comprehensive income from affiliates		1				1
Total comprehensive income for the year		113		(813)	1,800	1,099
Dividend paid					(750)	(750)
Capital contribution from the Group (employee shares)				53		53
Taxation				(4)		(4)
Equity movements in affiliates		3		2		5
Other transactions		3		51	(750)	(696)
Shareholder's equity at 31 December 2020	101	2,320	1,452	998	1,800	6,672

Notes to the financial statements • Parent company

Gross premiums earned	1
Claims incurred, net of reinsurance	2
Acquisition costs	3
Technical result	4
Income from affiliates	5
Revaluations	6
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Taxation	9
Intangible assets	10
Tangible assets	11
Equity investments in affiliates	12
Equity investments in associates	13
Equity investments	14
Reinsurers' share of the provisions for unearned premiums	15
Reinsurers' share of the provisions for claims	16
Deferred tax assets	17
Share capital	18
Other subordinated loan capital	19
Provisions for unearned premiums og profit margin	20
Provisions for claims	21
Staff costs	22
Related parties	23
Own funds	24
Collateral	25
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Notes to the financial statements • Parent company

(DKKm)	2019	2020
Note 1. Gross premiums earned		
Gross premiums written	8,920	9,183
Change in provisions for unearned premiums	69	271
Change in profit margin and risk margin	(32)	(322)
Gross premiums earned	8,958	9,132
Gross premiums earned, direct business, by location of the risk:		
Denmark	8,954	9,128
Other EU-countries	3	4
Other countries	1	1
	8,958	9,132

Note 2. Claims incurred, net of reinsurance

Run-off result:		
Gross business	325	43
Reinsurance ceded	52	(48)
Run-off result, net of reinsurance (profit)	377	(5)
Specification of run-off result on lines in note 4.		
Claims incurred include revaluation of derivatives hedging the inflation risk in workers' compensation and illness & accident insurance	(126)	(130)

Note 3. Acquisition costs

Commissions for directly written insurance policies	171	224
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Note 4. Technical result

	2019	2020	2019	2020
			Workers'	
	Illness and accident		compensation	
Gross premiums written	954	1,002	731	727
Gross premiums earned	952	990	705	713
Claims incurred	(546)	(626)	(405)	(433)
Bonuses and rebates	(3)	(3)	(6)	(5)
Gross operating expenses	(153)	(163)	(81)	(67)
Net reinsurance	(2)	(3)	29	14
Technical result	247	195	242	222
Gross loss ratio	57.6	63.4	58.0	61.1
Run-off result, net of reinsurance	41	(39)	211	168
Claims provisions, net of reinsurance	1,114	1,132	6,112	6,085
Number of claims incurred ('000)	26	25	7	6
Average value of claim (DKK '000)	23	24	87	91
Frequency of claims (per thousand value)	25	23	124	113

Notes to the financial statements • Parent company

(DKKm)

Note 4. Technical result - continued	2019	2020	2019	2020	2019	2020
		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)	(439)	(923)	(918)	(1,420)	(1,568)
Bonuses and rebates	(2)	(2)	(4)	(6)	(6)	(6)
Gross operating expenses	(131)	(121)	(245)	(283)	(296)	(281)
Net reinsurance	(3)	(3)	(3)	(1)	(54)	(58)
Technical result	205	(3)	320	495	172	(40)
Gross loss ratio	49.3	78.4	61.9	54.1	73.1	84.0
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
		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	(1,093)	(1,209)	(52)	(75)	(331)	(321)
Bonuses and rebates	(19)	(16)	0	0	(6)	(3)
Gross operating expenses	(372)	(417)	(8)	(7)	(66)	(72)
Net reinsurance	(202)	(141)	0	0	13	(77)
Technical result	246	239	46	6	69	11
Gross loss ratio	57.1	60.3	48.9	85.1	73.0	66.8
Run-off profits, 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	8,920	9,183
Gross premiums earned	253	249	438	450	8,958	9,132
Claims incurred	(171)	(101)	(254)	(340)	(5,525)	(6,030)
Bonuses and rebates	(1)	(1)	(15)	34	(61)	(8)
Gross operating expenses	(40)	(40)	(77)	(92)	(1,469)	(1,542)
Net reinsurance	0	0	(4)	(2)	(227)	(272)
Technical result	42	107	88	49	1,676	1,281
Gross loss ratio	67.7	40.8	60.0	70.2	62.1	66.1
Run-off profits, net of reinsurance	1	3	5	(24)	377	(5)
Claims provisions, net of reinsurance	37	15	53	100	10,086	10,293
Number of claims incurred ('000)	18	18	81	82	383	370
Average value of claim (DKK '000)	10	6	3	4	15	16
Frequency of claims (per thousand value)	83	91	195	195	101	96

Notes to the financial statements • Parent company

(DKKm)	2019	2020
Note 5. Income from affiliates		
Topdanmark Liv Holding A/S	64	54
Topdanmark EDB A/S	2	2
TDP.0007 A/S	82	50
Other	(2)	(1)
Income from affiliates	146	105
Note 6. Revaluations		
Equity investments	231	63
Bonds	(60)	(146)
Derivatives	66	125
Other	(5)	0
Revaluations	232	42
Note 7. Return and revaluations of non-life insurance provisions		
Amortisation		
Provisions for unearned premiums and profit margin	12	8
Reinsurers' share of provisions for unearned premiums	(1)	(1)
Provisions for claims	(25)	(16)
	(15)	(8)
Revaluation		
Provisions for unearned premiums and profit margin	(5)	(2)
Provisions for claims	(420)	(249)
Risk margin	(6)	(0)
Reinsurers' share of the provisions for claims	4	2
	(428)	(250)
Return and revaluations of non-life insurance provisions	(443)	(259)
Note 8. Other income		
Brokerage	6	38
Other	8	6
Other income	14	44
Note 9. Taxation		
Current tax	385	287
Change in deferred tax	(0)	6
Tax for the year	385	293
Tax in shareholders' equity	(1)	(4)
Tax in the income statement	384	289
Pre-tax profit excl. income from affiliates	1,738	1,282
Calculated tax on profit for the year, 22%	382	282
Adjusted for the tax effect of:		
Non-deductible expenses	1	6
	384	289
Effective tax rate	22.1	22.5

Notes to the financial statements • Parent company

(DKKm)

Note 10. Intangible assets

	Goodwill	Developm't project under con- struction	Total
2019			
Cost at 1 January	441	0	441
Additions	0	31	31
Cost at 31 December	441	31	473
Intangible assets 2019	441	31	473
2020			
Cost at 1 January	441	31	473
Additions	0	45	45
Cost at 31 December	441	76	517
Intangible assets 2020	441	76	517

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:

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.

Note 11. Tangible assets	2019	2020
Cost at 1 January	46	40
Additions, improvements	6	3
Disposals	(12)	(8)
Cost at 31 December	40	35
Impairment and amortisation at 1 January	(25)	(23)
Amortisation for the year	(4)	(3)
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	6	4
Impairment and amortisation at 31 December	(23)	(23)
Tangible assets	16	12

Notes to the financial statements • Parent company

(DKKm) 2019 2020

Note 12. Equity investments in affiliates

Topdanmark Liv Holding A/S	2,272	2,332
Topdanmark EDB A/S	284	286
TDP.0007 A/S	640	691
Topdanmark EDB IV ApS	5	5
Topdanmark Holding S.A.	48	47
Equity investments in affiliates	3,250	3,361

Except for Topdanmark Holding S.A. (99%), all companies are 100% owned.

Note 13. Equity investments in associates

Carrying amount at 1 January	63	67
Share of profit	5	7
Dividends received	(1)	(2)
Equity investments in associates	67	72

Bornholms Brandforsikring A/S, Rønne Information from most recent annual reports	Percentage share	Share- holders' equity	Result
2019 (annual report 2018)	27	237	12
2020 (annual report 2019)	27	258	23

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

Note 14. Equity investments

	2019	2020
The company has agreed to lend equities against security:		
Carrying value of equities lent	81	70
Fair value of bonds received as security for the loan	105	82

Note 15. Reinsurers' share of the provisions for unearned premiums

1 January	92	95
Change in accrued commissions	(1)	(1)
Ceded reinsurance premiums	606	589
Earned reinsurance premiums	(601)	(586)
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 16. Reinsurers' share of the provisions for claims

1 January	439	417
Reimbursement of claims relating to previous years	(244)	(160)
Change in expected income relating to previous years (run-off)	52	(48)
Reimbursement of claims relating to this year	(79)	(97)
Expected income relating to this year	246	281
Revaluation	4	2
Reinsurers' share of the provisions for claims at 31 December	417	394

Note 17. Deferred tax assets

Operating equipment	1	2
Liabilities provided	6	6
Other	11	3
Deferred tax assets	17	11

Note 18. Share capital

Share denomination is distributed in shares of DKK 100,000 or multiple hereof.

Notes to the financial statements • Parent company

(DKKm)

Note 19. Other subordinated loan capital

	(redeemed 2020)		
Principal	500	500	850
Carrying value			
2020	-	500	850
2019	500	-	849
Market value (level 2)			
2020	-	500	850
2019	503	-	850
Date of issue	December 2015	December 2020	December 2015
Maturity	11 December 2025	11 December 2030	11 June 2026
If permitted by the Danish FSA, the borrower can give notice of termination from	11 December 2020	30 December 2025	11 June 2021
Interest rate	2.92% to 11 December 2020	Cibor 3 months +160bp	Cibor 3 months +270bp
Subsequently	Cibor 3 months +250bp		
			2019 2020
Interest charges			36 35
Of the subordinated loan capital DKK 1,118m (2019: DKK 1,204m) included in the company's own funds (capital for solvency purposes).			

Note 20. Provisions for unearned premiums and profit margin

Provisions for unearned premiums at 1 January	1,750	1,688
Profit margin at 1 January	807	838
	2,557	2,526
Gross premiums written	8,920	9,183
Gross premiums earned	(8,958)	(9,132)
Change in risk margin	13	(2)
Amortisation	(12)	(8)
Revaluation	5	2
Portfolio transfer	1	(0)
Provisions for unearned premiums at 31 December	1,688	1,418
Profit margin at 31 December	838	1,150
Provisions for unearned premiums and profit margin at 31 December	2,526	2,568

Note 21. Provisions for claims

Gross		
Provisions at 1 January	10,667	10,504
Claims paid relating to previous years	(2,808)	(2,841)
Change in expected claims payments relating to previous years (run-off)	(325)	(43)
Claims paid relating to this year	(3,217)	(3,171)
Expected claims payments relating to this year	5,868	6,102
Inflation hedging	(126)	(130)
Amortisation	25	16
Revaluation	420	249
Provisions for claims	10,504	10,688
Net of reinsurance		
Provisions at 1 January	10,228	10,086
Claims paid relating to previous years	(2,564)	(2,680)
Change in expected claims payments relating to previous years (run-off)	(377)	5
Claims paid relating to this year	(3,138)	(3,074)
Expected claims payments relating to this year	5,622	5,821
Inflation hedging	(126)	(130)
Amortisation	26	17
Revaluation	417	248
Provisions for claims, net of reinsurance	10,086	10,293
Workers' compensation insurance	6,112	6,085
Average period of settlement	6 years	6 years

Notes to the financial statements • Parent company

(DKKm)

Note 21. Provisions for claims - continued**Claims liabilities analysed by claims year**

Gross	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	I alt
End of year	6,730	5,943	7,109	6,184	6,100	5,939	5,385	5,820	5,875	6,114	60,668
1 year later	6,814	5,944	7,285	6,251	6,175	5,924	5,502	5,960	6,061		
2 years later	6,800	5,918	7,311	6,210	6,077	5,838	5,494	6,052			
3 years later	6,802	5,907	7,268	6,160	6,073	5,795	5,577				
4 years later	6,748	5,845	7,195	6,045	6,069	5,685					
5 years later	6,706	5,833	7,150	5,940	5,945						
6 years later	6,672	5,776	7,053	5,871							
7 years later	6,598	5,755	7,019								
8 years later	6,596	5,751									
9 years later	6,594										
Less paid incl. inflation hedging	6,311	5,401	6,656	5,531	5,479	5,188	4,882	5,084	4,670	3,171	52,372
Provisions before discounting at 31 December	283	350	363	340	466	497	695	968	1,391	2,943	8,296
Discounting	0	0	1	1	1	1	1	3	4	10	22
	284	350	363	340	467	498	697	971	1,395	2,952	8,318
Provisions relating to previous years at 31 December											2,369
Gross provisions at 31 December 2020											10,688

Net of reinsurance

End of year	5,720	5,586	5,984	5,826	5,725	5,505	5,203	5,436	5,629	5,833	55,775
1 year later	5,764	5,628	6,019	5,872	5,785	5,521	5,296	5,570	5,796		
2 years later	5,761	5,606	6,045	5,845	5,699	5,432	5,291	5,661			
3 years later	5,761	5,593	6,003	5,795	5,691	5,388	5,377				
4 years later	5,715	5,536	5,931	5,680	5,646	5,274					
5 years later	5,674	5,522	5,885	5,567	5,597						
6 years later	5,640	5,465	5,780	5,497							
7 years later	5,566	5,446	5,746								
8 years later	5,560	5,434									
9 years later	5,560										
Less paid incl. inflation hedging	5,278	5,092	5,390	5,161	5,145	4,810	4,683	4,738	4,501	3,074	47,871
Provisions before discounting at 31 December	282	342	356	336	452	464	694	923	1,295	2,759	7,904
Discounting	0	0	0	0	1	1	1	3	4	9	20
	283	342	356	337	453	465	696	926	1,299	2,768	7,924
Provisions relating to previous years at 31 December											2,369
Provisions, net of reinsurance, at 31 December 2020											10,293

Composition of expected payments, net of reinsurance:

Original payment	5,653	5,564	5,990	5,786	5,737	5,501	5,196	5,433	5,617	5,817	56,293
Loss / (gain) on settlement	(275)	(256)	(370)	(391)	(214)	(289)	108	157	139	0	(1,392)
Amortisation / revaluation workers' compensation	182	126	126	103	74	63	73	70	40	16	873
	5,560	5,434	5,746	5,497	5,597	5,274	5,377	5,661	5,796	5,833	55,775

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, workers' compensation are included at discounted values.

Notes to the financial statements • Parent company

(DKKm)	2019	2020
Note 22. Staff costs		
Salaries	1,273	1,404
Pensions	213	228
Social security costs	33	28
Payroll tax	229	247
Share options	7	6
Employee shares	43	50
	1,798	1,963
Average number of full-time employees	2,073	2,211

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 options are acquired from Topdanmark A/S at fair value on the date the options are granted.

Employee shares

The parent company Topdanmark A/S has allotted shares to Topdanmark Forsikring's employees at a value of DKK 53m (2019: DKK 44m) for a salary cut. The shares are provided free of charge by the parent company. Hence the value of the allotted shares is included in the equity as capital injection.

Severance pay

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

Note 23. Related parties

Topdanmark Forsikring A/S is 100% owned by Topdanmark A/S, Ballerup. The financial statement for Topdanmark Forsikring A/S is included in full consolidation in the financial statement for Topdanmark A/S.

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 for the Board of Directors, the Executive Board and other material risk takers appear from the Group's Note 31.

Affiliates

Expenses/costs		
Rent	51	52
Asset management	17	4
Share-based payments	9	9
Expense reimbursements from affiliates	88	36
Dividend payments	1,300	750
Interest income	16	15

Rent, asset management and the granting of options are settled under market conditions.

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

Subordinated loan capital for Topdanmark Liv Holding A/S with an interest of Euro CMS 20 + 525 bp.

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.

Notes to the financial statements • Parent company

(DKKm)

Note 23. Related parties - continued

Associates

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

Balances are disclosed in the balance sheet.

Trading takes place under normal market conditions.

Note 24. Own funds	2019	2020
Shareholders' equity	6,269	6,672
Profit margin	1,138	1,442
Intangible assets	(1,291)	(1,529)
Proposed dividend	(1,500)	(1,800)
Other	(62)	(168)
Tax effects	(50)	(41)
Usable share, subordinated notes tier 2	1,204	1,118
Own funds	5,707	5,694

Note 25. Collateral

Bonds provided as security for loans in accordance with standard repo-contracts for Danish mortgage and government bonds

0 257

Note 26. Contingent liabilities

Rental commitments, yearly rent:

Subsidiary	59	59
External lessors	4	4
Capital commitments made to loan funds and private equity funds etc.	34	121
Minimum rental payments to subsidiary:		
not later than one year	59	59
later than one year and not later than five years	177	177
later than five years	991	936

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

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.

Note 27. Other disclosures

Risk disclosures in accordance with Section 91(b) of the Danish Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pensions Funds and sensitivity information according to Section 126 are included in "Risk management" in "Management's review" in note 42 "Risk factors".

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 • Parent company

(DKKm)

Note 28. Five-year summary	2016	2017	2018	2019	2020
Gross premiums earned*	8,343	8,479	8,662	8,958	9,132
Claims incurred	(5,464)	(5,035)	(5,606)	(5,525)	(6,030)
Bonuses and rebates	(43)	(57)	(53)	(61)	(8)
Insurance operating expenses	(1,414)	(1,407)	(1,435)	(1,469)	(1,542)
Net reinsurance	(115)	(378)	(111)	(227)	(272)
TECHNICAL RESULT	1,307	1,602	1,458	1,676	1,281
Profit on investment activities after transfer to technical result	513	474	115	206	70
Other items	19	11	6	2	36
PRE-TAX PROFIT	1,839	2,087	1,579	1,884	1,387
Taxation	(333)	(414)	(290)	(384)	(289)
PROFIT FOR THE YEAR	1,506	1,673	1,289	1,501	1,098
Run-off profits, net of reinsurance	434	296	201	377	(5)
Provisions for insurance contracts	13,826	13,558	13,603	13,407	13,567
Total insurance assets	526	454	531	512	491
Total shareholders' equity	5,383	6,403	6,033	6,269	6,672
Total assets	21,770	24,153	23,413	24,446	24,664
Gross loss ratio	65.8	59.8	65.1	62.1	66.1
Net reinsurance ratio	1.4	4.5	1.3	2.5	3.0
Claims trend	67.2	64.3	66.4	64.6	69.1
Gross expense ratio	17.0	16.7	16.7	16.5	16.9
Combined ratio (operating ratio)	84.2	81.0	83.1	81.2	86.0
Combined ratio excl. run-off profits	84.2	81.0	83.1	85.4	85.9
Relative run-off profits, net of reinsurance (%)	4.1	2.8	2.0	3.7	(0.1)
Return on shareholders' equity (%)	29.6	29.2	22.0	26.9	17.5

* Before bonuses and rebates.

Note 29. Accounting policies

The annual financial statements of the parent company Topdanmark Forsikring 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 parent company does not provide for deferred tax on security funds, unless it is probable that a situation creating such a tax liability will arise within the measurable future.

Reconciliation result and shareholders' equity

(DKKm)	2019	2020
Result parent company	1,501	1,098
Result Group	1,501	1,098
Shareholders' equity - parent company	6,269	6,672
Deferred tax on security funds	(306)	(306)
Shareholders' equity Group	5,963	6,366

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 Forsikring on statements in relation to the future, should give their own careful consideration to these and other factors of uncertainty.

Topdanmark Forsikring'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 Forsikring 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 Forsikring A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Topdanmark Forsikring 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 Forsikring 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 23 and 27 (provisions regarding non-life insurance contracts) and notes 24-26 (provisions regarding life insurance contracts).

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

Our audit of provisions for insurance and investment contracts

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

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

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

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

Measurement of unlisted investments

Unlisted investments include at 31 December 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 16, 32 and 43.

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
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