
Topdanmark Forsikring A/S
Annual Report 2021

CVR-nr. 78416114
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Results for 2021

Topdanmark Forsikring's post-tax profit for 2021 was DKK 2,170m (2020: DKK 1,098m).

The result is better than expected in the half year 2021 interim report due to a better-than-expected technical result, driven by improving trends in house insurance and run-off gains, as well as a better-than-expected investment result.

The Board of Directors proposes a dividend of DKK 3,100m will be distributed for 2021.

Pre-tax profit was DKK 2,691m (2020: DKK 1,387m).

The technical result increased by DKK 613m to DKK 1,894m. The improvement was driven mainly by improving trends in house insurance and the absence of major weather-related events throughout the year apart from the heavy rainfall during Q3 2021. Conversely, the very low temperatures in Q1 2021 caused many water pipes to freeze and burst, while Q2 and Q3 2021 saw a higher frequency of rain- and fire-related claims.

The investment return adjusted for return and revaluation on non-life insurance provisions increased by DKK 687m to DKK 795m. The improvement should be seen in the light of the challenging market conditions especially in Q1 2020, whereas the investment return throughout 2021 was impacted by more favourable market conditions, especially for equity investments and CLOs.

Financial highlights (DKKm)	2020	2021
Gross premiums earned	9,125	9,541
Claims incurred	(6,030)	(6,001)
Expenses	(1,542)	(1,547)
Net reinsurance	(272)	(99)
Technical result	1,281	1,894
Investment return after return and revaluation of non-life provisions	108	795
Other items	(2)	2
Profit before tax	1,387	2,691
Taxation	(289)	(521)
Profit for the year	1,098	2,170
Run-off profits, net of reinsurance	(5)	255
Gross claims ratio	66.1	62.9
Net reinsurance ratio	3.0	1.0
Claims ratio, net of reinsurance	69.1	63.9
Gross expense ratio	16.9	16.2
Combined ratio	86.0	80.1

Premiums earned

Premiums earned increased by 4.6% to DKK 9,541m.

The growth was impacted by a change in provisions for unexpired risk in house insurance caused by the strengthening of provisions in 2020 and the subsequent partial release in 2021.

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

Claims ratio

The claims ratio, net of reinsurance, improved to 63.9 in 2021 from 69.1 in 2020.

The run-off profit, net of reinsurance, was DKK 255m (2020: DKK 5m (loss)). Run-off profits were primarily generated in house, in property and in workers' compensation.

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

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

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) increased by DKK 34m to DKK 120m in 2021, representing a 0.4pp deterioration in the claims ratio. This was primarily driven by a few large fire-related events.

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

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

Expense ratio

The expense ratio was 16.2 down from 16.9 in 2020. The decrease in the expense ratio is driven by our efficiency programme.

Combined ratio

The combined ratio was 80.1 (2020: 86.0). Excluding run-off, the combined ratio was 82.8 (2020: 85.9).

Investment activities

The investment return of the Topdanmark Forsikring was DKK 449m in 2021 (2020: DKK 366m). Return and revaluation of non-life insurance provisions were DKK 346m in 2021 (2020: DKK 259m (loss)).

The investment return including after return and revaluation of non-life insurance provisions was DKK 795m (2020: DKK 108m).

The higher return should be seen in the light of the financial rebound after the COVID-19 pandemic, which

seems to be contained by vaccines. Pandemic lockdowns have been replaced by widespread economic expansion. This has been favourable for equities and has led to improved market conditions and spread contractions on credit exposures.

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 2021 on the most significant asset classes is shown in the table below:

Investment return	Portfolio 31 Dec		Return 2020		Return 2021	
	2020	2021				
	(DKKbn)	(DKKbn)	(DKKkm)	%	(DKKkm)	%
Danish equities	0.2	0.2	78	30.6	42	22.7
Foreign equities	0.9	0.8	81	10.4	180	24.0
Unlisted equities and hedge funds	0.4	0.4	26	7.8	44	12.9
Government and mortgage bonds	12.7	11.5	132	0.9	(262)	(2.0)
Index linked bonds	0.3	0.6	10	3.3	(9)	(2.0)
CLOs	0.6	0.7	(10)	(1.7)	163	28.7
Affiliates	3.4	2.7	105	3.3	336	10.3
Expenses, money markets etc.	2.5	4.6	(21)	(1.3)	(23)	(1.2)
Subordinated loan capital	(1.3)	(1.5)	(35)	(2.6)	(23)	(1.9)
Investment return	19.6	20.1	366	1.9	449	2.3
Return and revaluations of non-life insurance provisions			(259)		346	
Investment return after return of non-life insurance provisions			108		795	

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.

We use the Solvency II discounting curve with volatility adjustment (VA) for assessing insurance provisions. The VA component comprises a corrective element for the development in pricing of Danish mortgage bonds, as well as a corrective element for the development in pricing of European business credits. The VA component was 22bp at the beginning of the year and 47bp at the end of 2021.

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.

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

Furthermore, it is assumed that the return on interest-bearing assets 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 0.72% (risk-free interest rate plus 1.0pp).

Topdanmark Forsikring's overall post-tax profit according to the profit forecast model for 2022 is DKK 1,250-1,490m. The assumed profit is exclusive of run-off.

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 2021, Topdanmark Forsikring's solvency ratio was 236.

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 investment-related risk profile.

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, and the ongoing IT investments.

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

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

Topdanmark Forsikring's risk management function identifies, measures, monitors, manage and reports risks.

It reports to the Risk Committee, which is responsible for risk policies, risk limits, solvency calculation, capital plans, Topdanmark Forsikring'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, the head of

Investment/ Treasury & Risk, the head of and a member of the risk management function and the heads of the risk areas Statistical Services, Finance and Life Actuarial Services. The DPO and the head of Group Information Security participates as needed.

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 processed at a Board Meeting in the autumn of 2021.

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

Overview

Topdanmark Forsikring believes that the most important risks relate to the following main areas:

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

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

Risk scenarios

The 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				
		2020	2021	
Non-life (including illness & accident in life)				
Underwriting risk				
Combined ratio – 1pp increase		(76)	(79)	
Provisioning risk				
Provisions on own account – 1% increase		(101)	(105)	
Storm claims up to DKK 5,100m (Plus reinstatement premium etc.)		(78)	(78)	
Life				
Disability intensity - 35% increase*		(12)	(11)	
Mortality intensity - 20% decline		(22)	(16)	
Market risk				
Interest-bearing assets	1pp increase	(536)	(504)	
Provisions for claims and benefits etc.	in effective interest rate	537	522	
Index-linked bonds	5% loss	(21)	(19)	
Equities	10% loss	(89)	(65)	
CLOs < AA	10% loss	(53)	(56)	
Properties	10% loss	(143)	(116)	
Annual currency loss with an up to 2.5% probability (VaR)		(1)	(2)	

*35% increase first year, subsequently 25%, coincident with 20% decline in reactivation rates.

Solvency calculation and capital requirements

Solvency 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

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

The solvency cover decreased to 236% from 255% end 2020 due to the above as well as the deduction of the proposed dividend payment for 2021.

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

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

Solvency cover					
(DKKm)	2017	2018	2019	2020	2021
Own funds*	5,737	5,665	5,707	5,694	5,892
Solvency requirement	2,397	2,296	2,408	2,235	2,497
Solvency cover (%)	239	247	237	255	236

*) Proposed dividend has been deducted.

Audit Committee

According to Section 31 of the Danish Audit Act, the Board of Directors of Topdanmark has set up a joint audit committee for the companies of the Topdanmark Group, including Topdanmark Forsikring 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 Group's, including Topdanmark Forsikring'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 has set up a joint Remuneration Committee for the Topdanmark 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 25 (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's remuneration policy in practice and assess whether Topdanmark'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'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, the Remuneration Report and the Payment 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. as well as be in charge of and facilitate the annual evaluation of the Board of Directors and prospective recruitment of new members of the Board of Directors and the Executive Board.

The Nomination Committee holds meetings as needed.

Severance pay

In order to ensure full loyalty, focus and performance for the Topdanmark Group during the period until a potential take-over is finalised, Topdanmark Forsikring has agreed with a few members of the Executive Board who have been registered members of the Executive Board for all or parts of the financial year 2021, and one member of Orienteringsforum, that under certain circumstances, they will receive compensation in the form of an extended period of notice and increased severance pay, if they resign or are dismissed, or if their position is made redundant because Topdanmark and/or the company in the Topdanmark Group where the member is employed is taken over by or merges with a company outside the Group, or if one or more owners take control of Topdanmark and/or the company in the Topdanmark Group 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 Executive Board who have been registered members of the Executive Board for all or parts of the financial year 2021 and one member of Orienteringsforum, it was agreed that, in continuation of Sampo Group's take-over of de facto control of Topdanmark in 2013, they would earn remuneration equivalent to six months' salary per vesting year over a period of three years. The vesting period is over, and the remuneration will be paid when employment ends. The remuneration is regulated annually in relation to the current salary level.

Remuneration structure

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

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

In addition to a policy on salaries, the remuneration policy also includes the pension policy and the guidelines for granting variable salary components, severance pay and identification of other employees whose activities have material impact on Topdanmark 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'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, Orienteringsforum and certain other managers in accordance with the revolving share option scheme, the Executive Board can grant up to a total of 200,000 options to employees, including other material risk takers, who have made special efforts or in other ways contributed extraordinarily to the value creation.

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

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

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

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

Sustainability

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 Sustainability Report 2021 at www.topdanmark.com → Investors → Reports and presentations → [CSR reports](#).

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

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
KBC Brussels

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 Kufall Beck

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
TDP.0007 A/S

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.

The duties of the Board of Directors

Ricard Wennerklint

Member of the Board of Directors of:

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

Member of:

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

Elise Bundgaard

Member of the Board of Directors of:

Bjatola A/S

Mette Jensen

Member of:

The Remuneration Committee of Topdanmark

Cristina Lage

Member of the Board of Directors of:

Arbejdsmiljørådet (Chairman)
 LEO Fondet
 C.L. Davids Fond
 Det Obelske Familiefond
 OK-Fonden.

Member of:

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

Petri Niemisvirta

Member of the Board of Directors of:

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

Member of:

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

Jens Aaløse

Member of the Board of Directors of:

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

Member of:

The Remuneration Committee and Nomination
 Committee of Topdanmark.

Anne Louise Eberhard

Member of the Board of Directors of:

FLSmidth & Co. A/S and FLSmidth 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)
 Chr. Hansen Natural Colors A/S (Oterra) and others
 Unicef Danmark.

Member of:

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

Ole Lomholt Mortensen

Morten Thorsrud

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.

Income statement

(DKKm)	Note	2020	2021
Gross premiums written	1	9,183	9,620
Ceded reinsurance premiums		(589)	(601)
Change in the provisions for unearned premiums	1	271	128
Change in profit margin and risk margin	1	(322)	(130)
Change in the reinsurers' share of the provisions for unearned premiums		3	4
Premiums earned, net of reinsurance		8,547	9,021
Claims paid		(6,012)	(5,640)
Reinsurance cover received		258	268
Change in the provisions for claims		(48)	(378)
Change in risk margin		30	17
Change in reinsurers' share of the provisions for claims		(24)	150
Claims incurred, net of reinsurance	2	(5,797)	(5,583)
Bonuses and rebates		(8)	(78)
Acquisition costs	3	(1,066)	(1,041)
Administrative expenses		(727)	(745)
Intra-group reimbursements		251	239
Reinsurance commission and share of profits		81	81
Insurance operating expenses, net of reinsurance		(1,461)	(1,466)
TECHNICAL RESULT	4	1,281	1,894
Income from affiliates	5	105	336
Income from associates		7	4
Interest income and dividends etc.		301	367
Revaluations	6	42	(171)
Interest charges		(43)	(37)
Expenses on investment activities		(45)	(51)
Total investment return		366	449
Return and revaluations of non-life insurance provisions	7	(259)	346
INVESTMENT RETURN AFTER RETURN AND REVALUATIONS OF TECHNICAL PROVISIONS		108	795
Other income		6	4
Other expenses		(8)	(3)
PRE-TAX PROFIT		1,387	2,691
Taxation	8	(289)	(521)
PROFIT FOR THE YEAR		1,098	2,170
Proposed appropriation of profit for the year:			
Dividend		1,800	3,100
Transfer to net revaluation reserve at net asset value		112	340
Transfer from profit carried forward		(813)	(1,270)
		1,098	2,170

Statement of comprehensive income

Profit for the year	1,098	2,170
Other comprehensive income from affiliates	1	0
Other comprehensive income	1	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,099	2,170

Assets

(DKKm)	Note	2020	2021
INTANGIBLE ASSETS	9	517	587
Operating equipment		12	10
TOTAL TANGIBLE ASSETS	10	12	10
Equity investments in affiliates	11	3,361	2,704
Loans to affiliates		300	300
Equity investments in associates	12	72	76
Total investment in affiliates and associates		3,732	3,080
Equity investments	13	1,171	1,165
Bonds		13,781	13,007
Deposits with credit institutions		1,684	864
Derivatives		65	22
Total other financial investment assets		16,702	15,058
TOTAL INVESTMENT ASSETS		20,434	18,139
Reinsurers' share of the provisions for unearned premiums	15	96	99
Reinsurers' share of the provisions for claims	16	394	540
Total reinsurers' share of provisions		491	640
Receivables from policyholders		214	231
Receivables from insurance companies		71	102
Receivables from affiliates		2,255	4,712
Other receivables		387	136
TOTAL RECEIVABLES		3,417	5,821
Deferred tax assets	17	11	24
Liquid funds		53	147
Other		42	98
TOTAL OTHER ASSETS		107	268
Accrued interest and rent		83	67
Other prepayments and accrued income		93	88
TOTAL PREPAYMENTS AND ACCRUED INCOME		176	155
TOTAL ASSETS		24,664	24,980

Shareholders' equity and liabilities

(DKKm)	Note	2020	2021
Share capital	18	101	101
Revaluation reserve		2,320	1,669
Security fund		1,452	1,452
Total reserves		1,452	1,452
Profit carried forward		998	793
Proposed dividend		1,800	3,100
TOTAL SHAREHOLDERS' EQUITY		6,672	7,114
OTHER SUBORDINATED LOAN CAPITAL	19	1,350	1,500
Provisions for unearned premiums	20	1,418	1,263
Profit margin, non-life insurance contracts	20	1,150	1,316
Provisions for claims	21	10,688	11,097
Risk margin, non-life insurance contracts		191	150
Provisions for bonuses and rebates		119	151
TOTAL PROVISIONS FOR INSURANCE CONTRACTS		13,567	13,977
Pensions and similar commitments		28	24
TOTAL PROVISIONS		28	24
Debt relating to direct insurance operations		7	16
Debt relating to reinsurance operations		21	39
Amounts due to credit institutions		328	270
Amounts due to affiliates		1,405	1,062
Derivatives		531	238
Other debt		695	675
TOTAL DEBT		2,987	2,301
ACCRUALS AND DEFERRED INCOME		61	63
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		24,664	24,980

Statement of changes in equity

(DKKm)

	Share capital	Revaluation reserve	Security fund	Profit carried forward	Proposed dividend	Total
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 Topdanmark A/S (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
2021						
Shareholders' equity at 31 December previous year	101	2,320	1,452	998	1,800	6,672
Profit for the year		340		(1,270)	3,100	2,170
Other comprehensive income from affiliates		0				0
Total comprehensive income for the year		340		(1,270)	3,100	2,170
Dividends received from affiliates		(1,000)		1,000		0
Dividend paid					(1,800)	(1,800)
Capital contribution from Topdanmark A/S (employee shares etc.)				58		58
Taxation				6		6
Equity movements in affiliates		8		0		8
Other transactions		(992)		1,065	(1,800)	(1,728)
Shareholder's equity at 31 December 2021	101	1,669	1,452	793	3,100	7,114

Notes to the financial statements

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Notes to the financial statements

(DKKm)	2020	2021
Note 1. Gross premiums earned		
Gross premiums written	9,183	9,620
Change in provisions for unearned premiums	271	128
Change in profit margin and risk margin	(322)	(130)
Gross premiums earned	9,132	9,618
Gross premiums earned, direct business, by location of the risk:		
Denmark	9,128	9,614
Other EU-countries	4	4
Other countries	1	1
	9,132	9,618

Note 2. Claims incurred, net of reinsurance

Run-off result:		
Gross business	43	269
Reinsurance ceded	(48)	(14)
Run-off profit, net of reinsurance	(5)	255

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	(130)	367
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In 2021, Expenses for loss-prevention included in claims incurred amount to 0.3 % split between Fire and property, Private, 0.1% and Illness and accident 0.2%.

Note 3. Acquisition costs

Commissions for directly written insurance policies	224	209
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Note 4. Technical result

	2020	2021	2020	2021
			Workers'	
			compensation	
			Illness and accident	
Gross premiums written	1,002	1,068	727	825
Gross premiums earned	990	1,058	713	832
Claims incurred	(626)	(673)	(433)	(559)
Bonuses and rebates	(3)	(4)	(5)	(4)
Gross operating expenses	(163)	(157)	(67)	(99)
Net reinsurance	(3)	(4)	14	8
Technical result	195	221	222	177
Gross claims ratio	63.4	63.8	61.1	67.5
Run-off result, net of reinsurance	(39)	1	168	127
Claims provisions, net of reinsurance	1,132	1,168	6,085	6,135
Number of claims incurred ('000)	25	27	6	6
Average value of claim (DKK '000)	24	25	91	105
Frequency of claims (per thousand value)	23	26	113	113

Notes to the financial statements

(DKKm)

Note 4. Technical result - continued	2020	2021	2020	2021	2020	2021
	Motor third-party liability		Motor own damage		Fire and property Private	
Gross premiums written	501	482	1,780	1,900	1,910	1,956
Gross premiums earned	561	512	1,702	1,847	1,874	1,983
Claims incurred	(439)	(480)	(918)	(922)	(1,568)	(1,276)
Bonuses and rebates	(2)	(2)	(6)	(6)	(6)	(6)
Gross operating expenses	(121)	(105)	(283)	(284)	(281)	(274)
Net reinsurance	(3)	(3)	(1)	(4)	(58)	(64)
Technical result	(3)	(78)	495	631	(40)	363
Gross claims ratio	78.4	94.0	54.1	50.1	84.0	64.6
Run-off result, net of reinsurance	45	5	(7)	10	(49)	100
Claims provisions, net of reinsurance	932	919	114	114	756	764
Number of claims incurred ('000)	21	22	98	104	84	83
Average value of claim (DKK '000)	23	22	9	9	18	17
Frequency of claims (per thousand value)	36	37	189	197	126	127
	Fire and property SME		Liability		Tourist assistance	
Gross premiums written	2,023	2,111	485	535	238	213
Gross premiums earned	2,021	2,098	483	519	249	215
Claims incurred	(1,209)	(1,343)	(321)	(330)	(101)	(51)
Bonuses and rebates	(16)	(33)	(3)	(6)	(1)	(1)
Gross operating expenses	(417)	(422)	(72)	(77)	(40)	(36)
Net reinsurance	(141)	(30)	(77)	(16)	0	0
Technical result	239	269	11	89	107	128
Gross claims ratio	60.3	65.0	66.8	64.5	40.8	23.9
Run-off profits, net of reinsurance	(30)	25	(64)	-24	3	4
Claims provisions, net of reinsurance	563	674	538	607	15	21
Number of claims incurred ('000)	22	23	9	9	18	6
Average value of claim (DKK '000)	53	60	34	34	6	9
Frequency of claims (per thousand value)	111	116	81	78	91	33
			Other insurance		Total	
Gross premiums written			517	530	9,183	9,620
Gross premiums earned			538	554	9,132	9,618
Claims incurred			(415)	(367)	(6,030)	(6,001)
Bonuses and rebates			34	(15)	(8)	(78)
Gross operating expenses			(100)	(92)	(1,542)	(1,547)
Net reinsurance			(2)	13	(272)	(99)
Technical result			55	93	1,281	1,894
Gross claims ratio			72.5	68.0	66.1	62.9
Run-off profits, net of reinsurance			(32)	6	(5)	255
Claims provisions, net of reinsurance			159	155	10,293	10,557
Number of claims incurred ('000)			85	98	370	379
Average value of claim (DKK '000)			4	4	16	17
Frequency of claims (per thousand value)			191	210	96	98

Notes to the financial statements

(DKK m)	2020	2021
Note 5. Income from affiliates		
Topdanmark Liv Holding A/S	54	248
Topdanmark EDB A/S	2	2
TDP.0007 A/S	50	77
Topdanmark EDB IV ApS	0	11
Other	(1)	(3)
Income from affiliates	105	336
Note 6. Revaluations		
Equity investments	19	166
Bonds	(102)	(257)
Derivatives	125	(81)
Other	0	2
Revaluations	42	(171)
Note 7. Return and revaluations of non-life insurance provisions		
Amortisation		
Provisions for unearned premiums and profit margin	8	10
Reinsurers' share of provisions for unearned premiums	(1)	(1)
Provisions for claims	(16)	(25)
	(8)	(16)
Revaluation		
Provisions for unearned premiums and profit margin	(2)	4
Provisions for claims	(249)	360
Risk margin	(0)	2
Reinsurers' share of the provisions for claims	2	(4)
	(250)	362
Return and revaluations of non-life insurance provisions	(259)	346
Note 8. Taxation		
Current tax	287	527
Change in deferred tax	6	(13)
Tax for the year	293	515
Of which tax in shareholders' equity	(4)	6
Tax	289	521
Pre-tax profit excl. income from affiliates	1,282	2,355
Calculated tax on profit for the year, 22%	282	518
Non-deductible expenses	6	3
	289	521

Notes to the financial statements

(DKKm)

Note 9. Intangible assets

	Goodwill	Completed developm't projects	Developm't project under construction	Total
2020				
Cost at 1 January	441	0	31	473
Additions	0	0	45	45
Cost at 31 December	441	0	76	517
Intangible assets 2020	441	0	76	517
2021				
Cost at 1 January	441	0	76	517
Additions	0	0	70	70
Transferred	0	120	(120)	0
Cost at 31 December	441	120	27	588
Impairment and amortisation at 1 January	0	0	0	0
Amortisation for the year	0	(1)	0	(1)
Impairment and amortisation at 31 December	0	(1)	0	(1)
Intangible assets 2021	441	119	27	587

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

Goodwill:

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

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

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

Primary assumptions:

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

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

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

Development projects:

Development projects consists of the new customer and core system, of which the first elements were completed in 2021. The asset includes internal staff costs, while external costs, mainly consultancy costs, are recognised in the subsidiary Topdanmark EDB IV ApS. The expected life-time of the system is 10 years.

The impairment test did not show any need for write-downs.

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

	2020	2021
Note 10. Tangible assets		
Cost at 1 January	40	35
Additions	3	2
Disposals	(8)	(5)
Cost at 31 December	35	32
Impairment and amortisation at 1 January	(23)	(23)
Depreciation for the year	(3)	(3)
Reversal of total impairment and depreciation of assets sold or withdrawn from operations during the year	4	4
Impairment and depreciation at 31 December	(23)	(22)
Tangible assets	12	10

Notes to the financial statements

(DKKm)	2020	2021
Note 11. Equity investments in affiliates		
Topdanmark Liv Holding A/S	2,332	1,588
Topdanmark EDB A/S	286	289
TDP.0007 A/S	691	768
Topdanmark EDB IV ApS	5	16
Topdanmark Holding S.A.	47	44
Equity investments in affiliates	3,361	2,704
Topdanmark Holding S.A. is 99% owned, all other companies 100%.		
Topdanmark Holding S.A. is domiciled in Luxembourg, all other companies in Ballerup, Denmark.		

Note 12. Equity investments in associates

Investments in associates comprise 4 associated companies.
None of them are material to Topdanmark Forsikring.

Note 13. Equity investments

The company has agreed to lend equities against security:

Carrying value of equities lent	70	14
Fair value of bonds received as security for the loan	82	20

Note 14. Assets at market values

	Quoted prices Level 1	Observable inputs Level 2	Non-observable inputs Level 3
2020			
Subsidiaries			691
Equity investments	895	276	
Bonds	12,604	665	512
Deposits with credit institutions		1,684	
Derivatives		65	
	13,500	2,690	1,203
2021			
Subsidiaries			768
Equity investments	893	274	
Bonds	11,449	1,524	35
Deposits with credit institutions		864	
Derivatives		22	
	12,341	2,684	803

Equity investments in subsidiaries include the real estate company TDP.007 ApS, which holds the domicile properties of Topdanmark Forsikring. The basis of the measurement, e.g. management's estimate of the fair value, is an expected annual operating return and a required rate of return. The expected return is based on the assumed net earnings for the year adjusted to reflect normal earnings, including the current market rent. The rate of return used is 4.6% (2020: 4.9%). An increase in the required rate of return of 0.5pp will reduce the fair value by DKK 122m (2020: DKK 113m). Revaluations in 2021 amount to DKK 58m in 2021 (2020: DKK 10m).

Notes to the financial statements

(DKKm) 2020 2021

Note 14. Assets at market values - continued

Financial assets at fair value based on non-observable inputs (level 3)		
1 January	46	512
Purchases	31	24
Revaluations on assets transferred to level 2	0	35
Transfers from level 2	438	0
Transfers to level 2	0	(530)
Repayments	(0)	(10)
Revaluations (unrealised)	(2)	4
	512	35

Due to the COVID-19 situation, end of March 2020 Topdanmark Forsikring transferred structured products as CLOs of DKK 438m from level 2 to level 3 implying valuation models based on non-observable inputs.

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

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

1 January	95	96
Change in accrued commissions	(1)	0
Ceded reinsurance premiums	589	601
Earned reinsurance premiums	(586)	(597)
Amortisation	(1)	(1)
Reinsurers' share of the provisions for unearned premiums at 31 December	96	99
Net present value of expected future cashflows	21	20
Profit margin	75	79

Note 16. Reinsurers' share of the provisions for claims

1 January	417	394
Reimbursement of claims relating to previous years	(160)	(160)
Change in expected income relating to previous years (run-off)	(48)	(14)
Reimbursement of claims relating to this year	(97)	(108)
Expected income relating to this year	281	432
Revaluation	2	(4)
Reinsurers' share of the provisions for claims at 31 December	394	540

Note 17. Deferred tax assets

Operating equipment	2	2
Liabilities provided	6	5
Other	3	16
Deferred tax assets	11	24

Note 18. Share capital

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

Notes to the financial statements

(DKKm)

Note 19. Other subordinated loan capital

	Issued Dec 2015 redeemed 2021	Issued Dec 2020	Issued Dec 2021
Principal	850	500	1,000
Carrying value			
2021	-	500	1,000
2020	850	500	-
Market value (level 2)			
2021	-	500	1,000
2020	850	500	-
Maturity	11 June 2026	30 Dec 2030	16 Dec 2031
If permitted by the Danish FSA, the borrower can give notice of termination from	11 June 2021	30 Dec 2025	16 Dec 2026
Interest rate	Cibor 3 mths +270bp	Cibor 3 mths +160bp	Cibor 3 mths +125bp
		2020	2021
Interest charges		35	23
Of the subordinated loan capital, DKK 1,248m (2020: DKK 1,118m) was 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	1,688	1,418
Profit margin at 1 January	838	1,150
	2,526	2,568
Gross premiums written	9,183	9,620
Gross premiums earned	(9,132)	(9,618)
Change in risk margin	(2)	23
Amortisation	(8)	(10)
Revaluation	2	(4)
Provisions for unearned premiums at 31 December	1,418	1,263
Profit margin at 31 December	1,150	1,316
Provisions for unearned premiums and profit margin at 31 December	2,568	2,579

Note 21. Provisions for claims

Gross

Provisions at 1 January	10,504	10,688
Claims paid relating to previous years	(2,841)	(2,550)
Change in expected claims payments relating to previous years (run-off)	(43)	(269)
Claims paid relating to this year	(3,171)	(3,090)
Expected claims payments relating to this year	6,102	6,286
Inflation hedging	(130)	367
Amortisation	16	25
Revaluation	249	(360)
Provisions for claims	10,688	11,097

Net of reinsurance

Provisions at 1 January	10,086	10,293
Claims paid relating to previous years	(2,680)	(2,390)
Change in expected claims payments relating to previous years (run-off)	5	(255)
Claims paid relating to this year	(3,074)	(2,982)
Expected claims payments relating to this year	5,821	5,855
Inflation hedging	(130)	367
Amortisation	17	25
Revaluation	248	(356)
Provisions for claims, net of reinsurance	10,293	10,557
Workers' compensation insurance	6,085	6,134
Average period of settlement	6 years	6 years

Notes to the financial statements

(DKKm)

Note 21. Provisions for claims - continued

Claims liabilities analysed by claims year

Gross	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	I alt
End of year	5,943	7,109	6,184	6,100	5,939	5,385	5,820	5,875	6,114	6,270	60,028
1 year later	5,944	7,285	6,251	6,175	5,924	5,502	5,960	6,061	5,908		
2 years later	5,918	7,311	6,210	6,077	5,838	5,494	6,052	6,041			
3 years later	5,907	7,268	6,160	6,073	5,795	5,577	6,072				
4 years later	5,845	7,195	6,045	6,069	5,685	5,520					
5 years later	5,833	7,150	5,940	5,945	5,697						
6 years later	5,776	7,053	5,871	5,892							
7 years later	5,755	7,019	5,852								
8 years later	5,751	7,037									
9 years later	5,738										
Less paid incl. inflation hedging	5,442	6,685	5,515	5,513	5,258	4,984	5,295	5,107	4,376	3,090	51,265
Provisions before discounting at 31 December	296	352	337	379	439	536	777	935	1,532	3,181	8,763
Discounting	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(3)	(4)	(12)
	296	352	337	379	437	536	775	933	1,529	3,177	8,751
Provisions relating to previous years at 31 December											2,346
Gross provisions at 31 December 2021											11,097
Net of reinsurance											
End of year	5,586	5,984	5,826	5,725	5,505	5,203	5,436	5,629	5,833	5,839	55,750
1 year later	5,628	6,019	5,872	5,785	5,521	5,296	5,570	5,796	5,628		
2 years later	5,606	6,045	5,845	5,699	5,432	5,291	5,661	5,776			
3 years later	5,593	6,003	5,795	5,691	5,388	5,377	5,677				
4 years later	5,536	5,931	5,680	5,646	5,274	5,322					
5 years later	5,522	5,885	5,567	5,597	5,258						
6 years later	5,465	5,780	5,497	5,552							
7 years later	5,446	5,746	5,510								
8 years later	5,434	5,767									
9 years later	5,422										
Less paid incl. inflation hedging	5,133	5,420	5,175	5,177	4,880	4,787	4,926	4,859	4,188	2,982	47,527
Provisions before discounting at 31 December	288	347	335	375	378	536	752	917	1,439	2,857	8,223
Discounting	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(2)	(3)	(10)
	288	347	334	374	377	535	750	916	1,437	2,854	8,213
Provisions relating to previous years at 31 December											2,345
Provisions, net of reinsurance, at 31 December 2021											10,557
Composition of expected payments, net of reinsurance:											
Original payment	5,564	5,990	5,786	5,737	5,501	5,196	5,433	5,617	5,817	5,939	56,579
Loss / (gain) on settlement	(261)	(338)	(368)	(246)	(295)	72	195	142	(179)	0	(1,276)
Amortisation / revaluation w orkers' compensation	118	115	92	60	52	54	50	16	(10)	(12)	535
	5,422	5,767	5,510	5,552	5,258	5,322	5,677	5,776	5,628	5,926	55,837

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

(DKKm)	2020	2021
Note 22. Staff costs		
Salaries	1,404	1,383
Pensions	228	234
Social security costs	28	38
Payroll tax	247	261
Employee shares	50	53
Share options	6	7
STI-bonus	-	2
	1,963	1,977
Average number of full-time employees	2,211	2,177

Employee shares

The parent company Topdanmark A/S has allotted shares to Topdanmark Forsikring's employees at a value of DKK 56m (2020: DKK 53m) 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.

Share options (LTI)

Topdanmark's long-term option-based LTI-programm 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.

Bonus programme (STI)

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

Severance pay

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

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

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

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

Remuneration of the Board of Directors

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

Of the total fee, DKK 318 thousands (2020: DKK 289 thousands) concern Topdanmark Forsikring A/S.

The board counts nine members.

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

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

The Board of Directors solely receives a fixed remuneration.

Notes to the financial statements

(DKKm)

Note 23. Related parties - continued

Remuneration of the Executive Board	Peter Hermann	Lars Kufall Beck (From 10 August)	Thomas Erichsen	Brian R. Jacobsen	Lars Thykier (To 10 August)	Total
2021						
Salaries etc	7.3	2.0	5.4	6.4	3.7	24.9
Pensions		0.2				0.2
Fixed remuneration	7.3	2.2	5.4	6.4	3.7	25.0
Share options	0.7	0.0	0.5	0.6	0.4	2.3
STI-bonus	3.2	0.4	1.0	0.8	0.6	5.9
Variable remuneration	4.0	0.4	1.6	1.4	1.0	8.2
Salaries earned	11.3	2.5	7.0	7.7	4.7	33.2

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

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

Lars Thykier is paid one year's salary up until 10 August 2022, of which DKK 2.7m has been paid in 2021. The remaining part has been accrued in the annual report for 2021.

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

STI-bonus includes bonus for 2020 and 2021.

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

*Brian R. Jacobsen and Lars Thykier have successively earned remuneration equal to 18 months' salary to be paid on expiry of the employment. The stated amount under Remuneration is regulation of the obligation.

	2020	2021
Remuneration of material risk takers		
In addition to the Executive Board, another 21 (2020: 21) employees have material influence on Topdanmark's risk profile.		
Fixed remuneration	47.5	48.4
Variable remuneration	9.8	17.1
	57.2	65.6

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

Affiliates

Paid to Group companies		
IT	287	256
Rent	52	52
Asset management	4	15
Share-based payments	9	9
Reimbursements from Group companies	251	239
Dividend paid	750	1,800
Dividend received	0	1,000
Interest income	15	14

Average effective interest rate on balances is 0.01% (2020: 0.00%).

Subordinated loan capital for Topdanmark Liv Holding A/S, DKK 300m. Interest of Euro CMS 20 + 525 bp.

Notes to the financial statements

(DKKm)	2020	2021
Note 24. Own funds		
Shareholders' equity	6,672	7,114
Profit margin	1,442	2,761
Intangible assets	(1,529)	(1,641)
Proposed dividend	(1,800)	(3,100)
Other	(168)	(189)
Tax effects	(41)	(302)
Usable share, subordinated notes tier 2	1,118	1,248
Own funds	5,694	5,892

Note 25. Collateral

Bonds provided as security for loans in accordance with standard repo-contracts for Danish mortgage and government bonds	257	247
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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.	121	112
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	936	878

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

The financial statement for Topdanmark Forsikring A/S is included in full consolidation in the financial statement of Topdanmark A/S, Ballerup as the lowest company and in the financial statement of Sampo plc, Fabianinkatu 27, Helsinki, Finland, as the highest company.

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

Notes to the financial statements

Note 28. Risk factors

Risk is managed on a Group level for risks related to non-life insurance in Topdanmark Forsikring and risks in the subsidiary Topdanmark Livsforsikring (Life and sickness and health insurance)

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

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

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

Inflation risk		
Liquidity risk.		

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

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

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

Climate		
Most important risks	Risk preferences	Risk reducing activities
Storm and cloudburst	Generally, the area of climate risk is to be reduced to an acceptable level.	Risk equalisation through an extensive reinsurance programme.
Investments in companies that emit a negative climate footprint		Opting out of investments with a disproportionately large negative climate impact
Investments property.		Formåls pension (Purpose pension)

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

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

Non-life insurance

Underwriting risk

Acceptance policy

Topdanmark Forsikring's acceptance policy is based on a strategy to make a profit from both products and customers. Topdanmark Forsikring varies the pricing of its products depending on the relevant risk criteria, the competitive situation 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 claims.

Claims handling

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

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

Topdanmark helps its customers when they need assistance

Focus is on the customer experience, ensuring that the individual customer finds Topdanmark 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 as well as learn from the incident.

Efficient management of claims incurred

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

- Promptness
- Better claims procurement
- Quality.

Promptness

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

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

Better claims procurement

Topdanmark 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 deductible, 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.

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

Contingency plan

Topdanmark 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 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, including illness & accident in Topdanmark Livsforsikring:

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

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

During such a long period of settlement, the levels of compensation could be significantly affected by changes in legislation, case-law or practice in the award of damages adopted by, for example, the Danish Labour Market Insurance which awards compensation for injury and loss of earnings capacity in all cases of serious industrial injuries. The exposure to industrial injuries has been reduced substantially over the past five years.

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

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

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

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

The provision risk is described mathematically in Topdanmark Forsikring's internal model and is quantified in the calculation module in the internal model. From this is known the probability of loss / gain of a given size,

including Topdanmark Forsikring's 200-year provision risk, i.e. a negative run-off that is so large that it will only occur in one of 200 financial years. The 200-year provision risk is included in the calculation of the capital requirement for operating Topdanmark Forsikring's insurance business.

Provisions for unearned premiums

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

Catastrophe risks

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

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

Fire

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

Terrorism

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

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

Workers' compensation

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

Cumulative risk

Known cumulative risk is where it has been recognised prior to the event that several policyholders could be affected by the same event. In personal lines, Topdanmark 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, credit spread, concentration, 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. Topdanmark Forsikring's liquidity risk is therefore primarily related to the parent company.</p>	<p>Topdanmark Forsikring performs an ongoing monitoring of the liquidity risk based on scenario-based stress reporting.</p>

The liabilities of Topdanmark Forsikring and Topdanmark Livsforsikring 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							
2020	13,364	4,075	5,231	2,655	1,001	363	80
2021	13,994	4,468	5,465	2,973	1,153	445	105
Life insurance provisions with-profit							
2020	23,178	2,018	6,994	9,153	3,833	1,142	304
2021	22,319	2,119	7,346	9,430	3,720	1,041	284
Bond portfolio including interest derivatives							
2020	39,651	16,240	16,950	11,782	4,917	0	0
2021	31,058	11,527	11,026	14,087	3,729	0	0

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

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

Topdanmark Forsikring uses derivatives to hedge investment risks. The hedging of currency risk 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.

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

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

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

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's general information security.

Risk assessment

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

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

Cybercrime risk

In general, Topdanmark 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 Head of Group Information Security. One of the firms provides consultancy on security solutions to maintain an effective defense against cybercrime while the other firm conducts tests to verify Topdanmark 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.

Within the first month of employment, new employees must complete e-learning courses in e.g. information security and GDPR and all employees and consultants in Topdanmark 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 contingency plan

The IT contingency plan includes plans for re-establishing the IT environment if the systems suffer breakdowns. The IT contingency plan is tested regularly. Topdanmark 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 for example, emergency power plants with a diesel generator, disk mirroring, alarms and automatic firefighting equipment. Critical IT equipment is in duplicate and placed in two physically separated machine rooms. Back-up of systems and data is made, and a duplicate of the back-up is kept with an outsourcing partner.

Accessibility

Topdanmark 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. Topdanmark Forsikring therefore continues its plan to secure its competitiveness by accelerating the digital transformation to the next level. The company must to a much greater extent deliver individualised, digital customer experiences on the basis of customer insights, simplified insurance and services as well as automated processes.

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

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

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

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

Thus, Topdanmark 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 contingency plans for the most significant areas.

Internal Audit

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

Central Claims

Central Claims is a department solely dealing with cases where fraud is suspected. Topdanmark 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 so the organisation will learn from its mistakes. Consequently, a process has been established including a tool to register incidents, which are then collected centrally in an incident log and communicated onwards in the management system.

Pandemic risk

Topdanmark 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 internally and the 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 compliance 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.

The compliance function's work

The compliance function is intended to:

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

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

Stress tests regarding cloudburst events cause significantly less damage, e.g.as a result of the local authorities' efforts against floods. Overall, the company

has hedged the climate risks of non-life insurance satisfactorily.

Topdanmark Livsforsikring does not have significant climate-related insurance risks. Investment risks for the companies related to climate mainly comprise the property portfolios and are hedged through investments in new / newer properties as well as maintenance of existing properties. In addition, the investment policies include an exclusion list which i.a. includes companies with activities within tar sands and thermal coal. In Topdanmark Forsikring's active investment management, there is a focus on acquiring attractive investment opportunities in "green companies" and opting out of investments in companies that have a disproportionately large negative climate impact

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

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

Notes to the financial statements

Note 29. Five year summary

(DKKm)	2017	2018	2019	2020	2021
Gross premiums earned*	8,479	8,662	8,958	9,132	9,618
Claims incurred	(5,035)	(5,606)	(5,525)	(6,030)	(6,001)
Bonuses and rebates	(57)	(53)	(61)	(8)	(78)
Insurance operating expenses	(1,407)	(1,435)	(1,469)	(1,542)	(1,547)
Net reinsurance	(378)	(111)	(227)	(272)	(99)
TECHNICAL RESULT	1,602	1,458	1,676	1,281	1,894
Profit on investment activities after transfer to technical result	478	122	212	108	795
Other items	7	(1)	(4)	(2)	2
PRE-TAX PROFIT	2,087	1,579	1,884	1,387	2,691
Taxation	(414)	(290)	(384)	(289)	(521)
PROFIT FOR THE YEAR	1,673	1,289	1,501	1,098	2,170
Run-off profits, net of reinsurance	296	201	377	(5)	255
Provisions for insurance contracts	13,558	13,603	13,407	13,567	13,977
Total insurance assets	454	531	512	491	640
Total shareholders' equity	6,403	6,033	6,269	6,672	7,114
Total assets	24,153	23,413	24,446	24,664	24,980
Gross claims ratio	59.8	65.1	62.1	66.1	62.9
Net reinsurance ratio	4.5	1.3	2.5	3.0	1.0
Claims ratio, net of reinsurance	64.3	66.4	64.6	69.1	63.9
Gross expense ratio	16.7	16.7	16.5	16.9	16.2
Combined ratio (operating ratio)	81.0	83.1	81.2	86.0	80.1
Combined ratio excl. run-off profits	84.5	85.4	85.4	85.9	82.8
Relative run-off profits, net of reinsurance (%)	2.8	2.0	3.7	(0.1)	2.5
Return on shareholders' equity (%)	29.2	22.0	26.9	17.5	33.8

* Before bonuses and rebates.

Notes to the financial statements

Note 30. Accounting policies

The annual financial statements of 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 annual Report has 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 pensions funds.

During 2021, the listed subordinated loan was redeemed, hence Topdanmark Forsikring A/S is no longer applicable to prepare a Group Annual Report in accordance with International Financial Reporting Standards. As of 2021, the company has opted for this, and Group Annual Reports are therefore no longer prepared.

Reclassifications

Group internal investment brokerage commissions have been reclassified from other income to investment expenses. Commissions received and fees paid to the asset management company are considered a net expense. In the comparatives for 2020, DKK 40m has been transferred from other income to investment expenses.

Expenses for loss preventing activities have been reclassified from administrative expenses to claims incurred due to a change in the Danish FSA's Executive Order on Financial Reports for Insurance Companies. For 2020 the amounts are immaterial, and the comparatives therefore not restated.

Apart from this, the accounting policies remain unchanged from 2020.

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, and measurement of the fair value of collateralised loan obligations (CLO's).

Significant management's judgements include:

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

Provisions for claims

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

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

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.

Profit margin, non-life insurance contracts

Generally, provisions for unearned premiums must be seen in connection with the profit margin, as an increase in the estimated cashflow will result in an increase in the provisions for unearned premiums, and a corresponding reduction of the profit margin.

For business lines where premiums are insufficient for covering expected payments and a risk margin, the profit margin will be zero, and the expected loss will be provisioned for in the provisions for unearned premiums.

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.

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.

Insurance contracts – classification

Topdanmark Forsikring writes contracts which transfer insurance risk.

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.

Currency

As the predominant rule, DKK is the Company's 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 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.

Income statement

Premiums earned

Gross premiums 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.

Claims incurred and benefits paid

Claims incurred 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.

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

Equity investments in subsidiaries are recognised and measured according to the equity method. If the net asset value exceeds the recoverable amount, the investment is written down to this lower amount. The share of the post-tax results of affiliates is included in the income statement under income from affiliates less any write-downs. Where investments in subsidiaries are revalued to net asset value, the net revaluation reserve is included in shareholders' equity. The share of the changes in other comprehensive income items and equity of affiliated companies is included directly in other comprehensive income items and shareholders' equity respectively.

Income from associates comprises a share of the post-tax results of the associates calculated in accordance with the Group's accounting policies. Interest, dividends etc. comprise all earned interest income and dividends received in the year. Realised and unrealised gains and losses on investment assets and exchange rate adjustments 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.

Topdanmark Forsikring 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 foreseeable future.

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.

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, mostly cars, 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.

Subsidiaries

Equity investments in subsidiaries are recognised and measured according to the equity method. If the net asset value exceeds the recoverable amount, the investment is written down to this lower amount. The share of the post-tax results of subsidiaries is included in the income statement under income from subsidiaries less any write-downs. Where investments in subsidiaries are revalued to net asset value, the net revaluation reserve is included in shareholders' equity. The share of the changes in other comprehensive income items and equity of subsidiaries is included directly in other comprehensive income items and shareholders' equity respectively.

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 reserve

Revaluation reserve comprises a reserve at net asset value relating to subsidiaries and associates.

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.

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 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.

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

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.

Topdanmark Forsikring has purchased derivatives partially hedging the provisions for workers' compensation 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.

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.

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.

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.

Ratios

Gross claims ratio

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

Net reinsurance ratio

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

Gross expense ratio

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

Combined ratio

Gross loss ratio + net reinsurance ratio + gross expense ratio

Relative run-off, net of reinsurance (%)

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

Return on shareholders' equity (%)

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

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", "Acquisition costs" and "Intra Group reimbursements". 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.

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 2021.

The annual report is presented in accordance with the Danish Financial Business Act.

In our opinion, the annual financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2021 as well as the result of the company's activities for the financial year 1 January to 31 December 2021.

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

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

Ballerup, 24 February 2022

Executive Board:

Peter Hermann
(CEO)

Lars Kufall Beck

Thomas Erichsen

Board of Directors:

Ricard Wennerklint
(Chairman)

Jens Aaløse
(Deputy Chairman)

Elise Bundgaard

Anne Louise Eberhard

Mette Jensen

Cristina Lage

Ole Lomholt Mortensen

Petri Niemisvirta

Morten Thorsrud

Independent auditor's report

To the shareholders of Topdanmark Forsikring A/S

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021. The financial statements are prepared in accordance with the Danish Financial Business Act.

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

Audited financial statements

Topdanmark Forsikring A/S' financial statements for the financial year 1 January – 31 December 2021 comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act.

Basis for opinion

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

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

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

Independence

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

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

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

Key audit matters

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

Key audit matter

Measurement of provisions for insurance contracts

Subjective valuation and inherent uncertainty

Insurance contract provisions represent the largest liability for the Company.

Total provisions for insurance contracts amount to DKK 13,977m 31 December 2021 (2020: DKK 13,567m).

The measurement of the main part of these liabilities is highly judgemental because they require a number of management estimates to be made with high estimation uncertainty related to the expected future cash flows.

Future cash flows include among other things the following significant management estimates:

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

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

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

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

- Profit margin, non-life insurance contracts
- Provisions for claims
- Risk margin, non-life insurance contracts

Information on provisions for insurance contracts is disclosed in notes 20 and 21 (provisions regarding non-life insurance contracts).

In addition, specified risks, assumptions, etc., related to the estimates of the insurance contract provisions are described in "Provisioning risk" and in "Accounting estimates and judgements" in note 30 Accounting policies.

Completeness and accuracy of data

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

How our audit addressed the key audit matter

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

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

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

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

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

Test of completeness and accuracy of data: We have tested reconciliations between the claims data recorded in the insurance systems and the data used in the actuarial provision calculations to test completeness and accuracy of data used. We also compared samples of individual claims provisions to appropriate documentation in order to test the valuation of individual claims provisions.

Replications and independent re-estimation: We have carried out replications and independent re-estimations of the gross claims provisions covering the lines of business related with the most material risks.

A replication of the provisions is performed by applying identical methods and assumptions as the Company uses in our internal reserving tool.

Independent re-estimation is performed by calculating the level of the provisions using KPMG's own parameters and assumptions.

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

Key audit matter

Measurement of unlisted investments

Unlisted investments include at 31 December 2021, among other things, investment properties, unlisted securities, loans, derivatives, and CLOs, with a total value corresponding to 11% of the Company's investment assets.

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

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

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

Information on unlisted investments is disclosed in note 14.

In addition, specified judgements, assumptions etc., related to the measurement of unlisted investments are described in "Accounting estimates and judgements" in note 30 Accounting policies.

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Management's responsibility for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

How our audit addressed the key audit matter

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

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

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 24 February 2022

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

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