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# **Topdanmark Forsikring A/S**

## **Annual Report 2019**

**CVR-nr. 78416114**  
**Borupvang 4**  
**2750 Ballerup**

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Topdanmark Forsikring A/S  
Borupvang 4  
2750 Ballerup  
Telefon 44 68 33 11  
Telefax 44 68 26 68

E-mail: [topdanmark@topdanmark.dk](mailto:topdanmark@topdanmark.dk)  
Internet: [www.topdanmark.com](http://www.topdanmark.com)

## Five-year summary • Group

(DKKm)	2015	2016	2017	2018	2019
<b>NON-LIFE INSURANCE</b>					
Gross premiums earned*	9,029	8,906	9,051	9,197	9,463
Claims incurred	(6,170)	(5,939)	(5,514)	(6,037)	(6,109)
Bonuses and rebates	(62)	(48)	(66)	(62)	(66)
Insurance operating expenses	(1,404)	(1,432)	(1,435)	(1,453)	(1,483)
Net reinsurance	(174)	(126)	(389)	(111)	(234)
<b>TECHNICAL RESULT FROM NON-LIFE INSURANCE</b>	<b>1,220</b>	<b>1,361</b>	<b>1,646</b>	<b>1,534</b>	<b>1,571</b>
<b>LIFE INSURANCE</b>					
Gross premiums written	6,320	7,430	8,525	10,111	11,106
Allocated investment return, net of reinsurance	1,194	3,147	3,372	(2,326)	8,357
Pension return tax	(165)	(501)	(522)	28	(1,094)
Claims and benefits	(3,240)	(3,453)	(4,701)	(4,088)	(4,133)
Change in the life insurance provisions and profit margin	(3,680)	(6,197)	(6,232)	(3,352)	(13,820)
Insurance operating expenses	(406)	(416)	(433)	(420)	(486)
Net reinsurance	(3)	(4)	(2)	(1)	(1)
<b>TECHNICAL RESULT FROM LIFE INSURANCE</b>	<b>19</b>	<b>7</b>	<b>8</b>	<b>(48)</b>	<b>(71)</b>
<b>Profit on investment activities after transfer to technical results</b>	<b>126</b>	<b>396</b>	<b>357</b>	<b>(23)</b>	<b>204</b>
Other income	143	152	158	204	244
Other expenses	(9)	(15)	(12)	(19)	(19)
<b>PRE-TAX PROFIT</b>	<b>1,499</b>	<b>1,901</b>	<b>2,158</b>	<b>1,648</b>	<b>1,928</b>
Taxation	(351)	(395)	(485)	(359)	(427)
<b>PROFIT FOR THE YEAR</b>	<b>1,148</b>	<b>1,506</b>	<b>1,673</b>	<b>1,289</b>	<b>1,501</b>
Run-off profits, net of reinsurance	381	470	344	353	433
Provisions for insurance and investment contracts:					
Non-life insurance	16,286	16,264	16,091	16,056	16,175
Life insurance	40,537	47,351	54,198	56,519	70,603
Total insurance assets	684	685	574	635	585
Total shareholders' equity	4,562	5,077	6,097	5,727	5,963
Total assets	67,572	73,359	80,901	83,142	98,401
Gross loss ratio	69.0	67.2	61.5	66.2	65.1
Net reinsurance ratio	1.9	1.4	4.3	1.2	2.5
Claims trend	70.9	68.7	65.8	67.5	67.6
Gross expense ratio	15.9	16.4	16.1	16.1	16.0
Combined ratio (operating ratio)	86.8	85.1	82.0	83.6	83.7
Combined ratio excl. run-off profits	91.1	90.4	85.8	87.5	88.3
Relative run-off profits, net of reinsurance (%)	3.0	3.7	2.7	2.8	3.5
<b>LIFE INSURANCE**</b>					
Rate of return related to with-profit products (%)	1.7	5.2	4.6	(0.4)	7.2
Rate of return related to unit-linked products (%)	5.4	10.3	8.6	(6.1)	16.3
Risk on return related to unit-link products	-	4.5	4.5	4.5	4.5
Expense ratio of provisions	1.0	0.9	0.8	0.8	0.8
Cost per policyholder (DKK)	2,719	2,685	2,729	2,758	3,064
Return on shareholders' equity (%)	23.3	31.5	30.9	23.2	27.1

\* Before bonuses and rebates.

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

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

## Results for 2019

Topdanmark Forsikring's post-tax profit for 2019 was DKK 1,501m (2018: DKK 1,289m).

The Board of Directors proposes a dividend of DKK 1,500m.

Pre-tax profit was DKK 1,928m (2018: DKK 1,648m).

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

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

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

Trend in profit		
(DKK m)	2018	2019
Non-life insurance		
- Technical result	1,499	1,534
- Investment return after return and revaluations of non-life insurance provisions etc.	(79)	66
Profit on non-life insurance	1,420	1,601
Life insurance	228	327
Pre-tax profit	1,648	1,928
Tax	(359)	(427)
<b>Profit</b>	<b>1,289</b>	<b>1,501</b>

## Non-life insurance in 2019 Premiums earned

Premiums earned increased by 2.9% to DKK 9,397m. Premiums were negatively impacted by the termination of the distribution agreement with Danske Bank (0.5pp). The

private segment accounted for a 1.1% increase, and the SME segment accounted for a 5.0% increase.

## Claims trend

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

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

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

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

Claims trend		
	2018	2019
Claims trend	67.5	67.6
Run-off	3.9	4.6
Weather-related claims	(0.1)	(0.7)
Large-scale claims	(1.4)	(0.6)
Other	0.3	0.2
<b>Claims before run-off, weather, large-scale claims and other</b>	<b>70.2</b>	<b>71.1</b>

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

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

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

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

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

## Expense ratio

The expense ratio was 16.0 compared with 16.1 in 2018.

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

## Combined ratio

The combined ratio was 83.7 in 2019 (2018: 83.6).

Excluding run-off, the combined ratio was 88.3 (2018: 87.5).

Financial highlights		
Non-life insurance		
(DKKm)	2018	2019
Gross premiums earned	9,135	9,397
Claims incurred	(6,051)	(6,121)
Expenses	(1,475)	(1,507)
Net reinsurance	(111)	(234)
Technical result	1,499	1,534
Investment return after return and revaluations of non-life insurance provisions	(85)	63
Other items	7	3
<b>Profit on non-life insurance</b>	<b>1,420</b>	<b>1,601</b>
Run-off profits, net of reinsurance	353	433
Gross loss ratio (%)	66.2	65.1
Net reinsurance ratio (%)	1.2	2.5
Claims trend (%)	67.5	67.6
Gross expense ratio (%)	16.1	16.0
Combined ratio (%)	83.6	83.7
Combined ratio excl. run-off profits (%)	87.5	88.3

## Segment reporting

### Private

The private segment offers policies to individual households in Denmark.

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

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

The claims trend deteriorated by 3.5pp to 70.9.

Compared with 2018, the claims trend before run-off was primarily negatively influenced by a higher claims level on illness and accident (1.2pp). House insurance was negatively impacted by many small water claims and burst water pipes (1.6pp). Moreover, the discounting effect due to the lower interest rates had a negative impact. Finally, run-off profits of DKK 221m were DKK 14m below 2018, corresponding to a negative impact on the claims trend of 0.3pp.

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

The expense ratio improved to 15.7 from 15.9 in 2018.

The combined ratio was 86.6 (2018: 83.3).

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

Private	2018	2019
(DKKm)		
Gross premiums earned	5,056	5,114
Claims incurred	(3,327)	(3,555)
Expenses	(806)	(802)
Net reinsurance	(79)	(70)
<b>Technical result</b>	<b>843</b>	<b>686</b>
Run-off profits, net of reinsurance	235	221
Gross loss ratio (%)	65.8	69.5
Net reinsurance ratio (%)	1.6	1.4
Claims trend (%)	67.4	70.9
Gross expense ratio (%)	15.9	15.7
Combined ratio (%)	83.3	86.6
Combined ratio excl. run-off profits (%)	88.0	90.9

### SME

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

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

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

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

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

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

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

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

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

SME (DKKm)	2018	2019
Gross premiums earned	4,097	4,302
Claims incurred	(2,739)	(2,583)
Expenses	(671)	(707)
Net reinsurance	(32)	(164)
<b>Technical result</b>	<b>656</b>	<b>848</b>
Run-off profits, net of reinsurance	118	212
Gross loss ratio (%)	66.9	60.0
Net reinsurance ratio (%)	0.8	3.8
Claims trend (%)	67.6	63.8
Gross expense ratio (%)	16.4	16.4
Combined ratio (%)	84.0	80.3
Combined ratio excl. run-off profits (%)	86.9	85.2

## Distribution agreement with Nordea

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

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

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

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

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

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

## Life insurance in 2019

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

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

Result of life insurance (DKKm)	2018	2019
Investment return on shareholders' equity	110	186
Sales and administration	(20)	(22)
Insurance risk	(2)	23
Risk return on shareholders' equity	140	141
<b>Profit on life insurance</b>	<b>228</b>	<b>327</b>

## Developments in 2019

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

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

## Trend in premiums

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

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

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

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

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

Sources of gross premiums (DKKm)	2018	2019
With-profit products	493	466
Unit-linked products	2,040	2,540
Group life	322	269
<b>Regular premiums</b>	<b>2,855</b>	<b>3,275</b>
With-profit products	532	344
Unit-linked products	6,725	7,487
<b>Single premiums</b>	<b>7,257</b>	<b>7,831</b>
<b>Gross premiums</b>	<b>10,111</b>	<b>11,106</b>

## Investment activities

### Topdanmark Forsikring Group excl. life insurance

The investment return of the Topdanmark Forsikring Group excluding life insurance was DKK 693m in 2019 (2018: DKK 5m) while return on non-life insurance provisions represented a loss of DKK 616m in 2019 (2018: loss of DKK 86m).

The investment return adjusted for return on non-life insurance provisions was DKK 77m (2018: loss of DKK 80m). The higher return was primarily due to the VA and the equity portfolios. The mismatch between the mortgage bond portfolio and the liabilities improved results in Q4, and thereby the overall gain in Q4 more than offset the loss in Q3.

Topdanmark 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, properties and CDOs to improve the average investment return.

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

Investment return	Portfolio 31 Dec					
	2018 (DKKbn)	2019 (DKKbn)	Return 2018 (DKKm) %		Return 2019 (DKKm) %	
Danish equities	0.2	0.3	(34)	(13.1)	60	26.6
Foreign equities	0.6	0.8	(73)	(10.8)	174	28.7
Unlisted equities and hedge funds	0.3	0.4	15	4.7	21	6.4
Government and mortgage bonds	14.4	16.5	71	0.4	350	2.1
Credit bonds	0.0	0.0	(3)	(6.1)	3	6.8
Index linked bonds	0.3	0.3	9	3.3	18	6.8
CDOs	0.6	0.6	29	4.7	22	4.0
Properties	1.2	1.2	44	3.9	88	7.4
Money markets etc.	2.4	0.4	(15)	(0.6)	(9)	(1.0)
Subordinated loan capital	(1.3)	(1.3)	(36)	(2.1)	(36)	(2.4)
Investment return	18.6	19.1	5	0.0	693	3.5
Return and revaluations of non-life insurance provisions			(86)		(616)	
Investment return after return on non-life insurance provisions			(80)		77	

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

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

The composition of the Danish equity portfolio, representing around 30% of the total equity portfolio as at 31 December 2019, is based on OMXCCAP, while the

portfolio of foreign equities is based on MSCI World DC in the original currency.

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

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

The class "Government and mortgage bonds" comprises primarily Danish government and mortgage bonds. The interest rate sensitivity of this asset class is to a significant extent equivalent to the total interest rate sensitivity of the technical provisions in Topdanmark Forsikring, and the illness and accident provisions in Topdanmark Livsforsikring (the life insurance company). Consequently, the return on "Government and mortgage bonds" should be assessed in connection with return and revaluation of non-life insurance provisions.

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

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

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

The property portfolio mainly comprises owner-occupied properties (DKK 834m). The properties are valued in accordance with the rules of the Danish FSA (Danish Financial Supervisory Authority) i.e. at market value taking the level of rent and the terms of the tenancy agreements into consideration. 100% of the property portfolio are currently let when adjusting for properties under construction or being converted for other purposes.

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

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

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

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

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

The VA will be floored at zero.

## Taxation

The tax charge was DKK 427m of the pre-tax profit of DKK 1,928m, corresponding to an effective tax rate of 22.2% (2018: 21.8%).

## 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 the profit in 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](http://www.topdanmark.com) → Investors → Investment case → [Risk management](#), we provide additional information on how changes in the assumptions underlying the profit forecast model will affect the results.

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

## Non-life insurance

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

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



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

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

Topdanmark Forsikring assumes a combined ratio for 2020 about 90, excluding run-off.

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

## Life insurance

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

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

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

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

Q3 2019 (DKK 17m), and lower assumed investment results (DKK 130m).

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

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

## Taxation

Given a corporation tax rate of 22%, the tax charge is expected to be DKK 260-300m.

## Total Group profit

Topdanmark Forsikring's overall post-tax profit according to the profit forecast model for 2020 is DKK 920-1,010m. The assumed profit is exclusive of run-off.

The profit forecast model assumes an annual 7.0% return on equities, and unchanged foreign exchange rates from the level as at 30 December 2019.

Furthermore, it is assumed that the return on interest-bearing assets hedging the discounted provisions exactly suffices to cover discounting and revaluation of the provisions, while the return on the remaining interest-bearing assets is assumed to be 1.64% (risk-free interest rate plus 2.0pp)

Profit forecast 2020 (DKKm)	Results		Forecast 2020	
	2019		30 December 2019	
Non-life insurance				
- Technical result	1,534	950	-	1,000
- Investment return after return and revaluations of non-life insurance provisions etc.	66	90	-	140
Profit on non-life insurance	1,601	1,040	-	1,140
Life insurance	327	140	-	170
Pre-tax profit	1,928	1,180	-	1,310
Taxation	(427)	(260)	-	(300)
<b>Profit for the year</b>	<b>1,501</b>	<b>920</b>	<b>-</b>	<b>1,010</b>

## 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 2019, Topdanmark Forsikring's solvency ratio was 237. Topdanmark Forsikring assesses that with this solvency ratio, the Company will be able to maintain normal operations and implement planned measures even in the event of, for example, another collapse in the financial markets as in 2008.

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

Topdanmark Forsikring's assessment is that the current level of the solvency ratio is comfortable considering the wish for a sound own funds base and satisfactory profitability.

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

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

Topdanmark Forsikring's risk management function identifies, assesses and quantifies risks. It reports to the Risk Committee, which is responsible for risk policies, risk limits, solvency calculation, capital plans, Topdanmark 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 and the heads of the primary risk areas, which are: Asset Management, Statistical Services, Reinsurance, Finance and Life Actuarial Services.

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

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

The risk management function implements an annual ORSA process identifying risks in the business, quantifying these risks and collecting them in a risk register. Additionally, the principles of solvency calculation are reviewed, and the risk management process is updated. An ORSA report has been prepared, which, together with the risk register and risk management process, was considered at a Board Meeting in the autumn of 2019.

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

## Overview

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

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

Please refer to note 42 for a more detailed description of the above-mentioned risks.

## Risk scenarios

The Group's risk factors are illustrated in the following table on 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 corporate tax  
and pension return tax

2018 2019

**Non-life insurance**

Underwriting risk

Combined ratio – 1pp increase (71) (73)

Provisioning risk

Provisions on own account – 1% increase (97) (98)

Storm claims up to DKK 5,100m

(Plus reinstatement premium etc.) (78) (78)

**Life insurance**

Disability intensity - 35% increase\* (10) (8)

Mortality intensity - 20% decline (25) (25)

**Market risk**

Interest-bearing assets 1 pp increase (480) (521)

Provisions for claims in effective  
and benefits etc. interest rate 504 510

Index-linked bonds Tab på 5 % (20) (22)

Equities Tab på 10 % (71) (86)

CDOs &lt; AA Tab på 10 % (56) (59)

Properties Tab på 10 % (147) (141)

Annual currency loss with an  
up to 2.5% probability (VaR) (1) (6)\*35% increase first year, subsequently 25%, coincident  
with 20% decline in reactivation rates.

## Solvency calculation and capital requirements

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

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

### Own funds

Principal elements of own funds:

Shareholders' equity

- Proposed dividend

+ Profit margin

- Intangible assets

+ Tax effect

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

Own funds

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

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

**Solvency cover**

(DKKm) 2015 2016 2017 2018 2019

Own funds 3,112 5,792 5,737 5,665 5,707

Solvency requirement 1,292 2,650 2,397 2,296 2,408

**Solvency cover (%) 241 219 239 247 237**

Key figures from 2016 are calculated according to Solvency II.

Key figures 2015 are calculated according to Individual Solvency.

Proposed dividend has been deducted from own funds.

## Financial reporting process

The Board of Directors and the Executive Board have the overall responsibility for the risk management and the organisation of controls of the Topdanmark Forsikring Group in respect of the process of financial reporting, including the observance of relevant legislation and other regulations related to the financial reporting. Topdanmark Forsikring has established internal control and risk management systems in order to minimise material misstatement and omissions in its financial reporting.

### Control environment

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

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

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

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

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

- Monitoring of the process of financial reporting, including regular checks and assessment of annual and interim reports, schedules for closing of interim financial statements, the organisation of and abilities within the accounting function as well as material accounting policies and accounting estimates

- Monitoring of the efficiency of internal risk management and control systems, including the checking and assessment of systems for identification, quantification, prioritisation and prevention of financial and operational risks, checks and assessment of incentive to accounting manipulation or other fraud, and management reporting intended to prevent/identify and respond to accounting manipulation.

Furthermore, the company has internal auditors who refer and report to the Board of Directors and, in accordance with an audit plan adopted by the Board of Directors, randomly select and audit certain routines and internal controls in significant and high-risk areas which include the consolidated and annual financial statements and financial reporting.

## Risk assessment

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

- Division into organisational units and relevant employee resources
- Division of duties or compensating procedures
- Procedures intended to handle and prevent conflicts of interest
- Routines/working procedures/emergency plans/systems/other tools
- New services and products
- Accounting and budget organisation
- Risk measurement and risk management
- Internal control
- Compliance
- Actuary function
- Internal audit function
- Passing on of authority, including outsourcing and the authority to bind the company
- Reporting
- IT organisation and IT security
- Communication across the company
- Diversity.

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

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

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

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

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

## Control activities

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

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

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

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

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

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

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

## Information and communication

The risk management and internal controls surrounding the preparation of the financial statements are intended to

present an annual report which meets International Financial Reporting Standards as adopted by the EU and the additional Danish disclosure requirements of the Danish Financial Business Act on annual reports prepared by listed financial services companies.

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

## Monitoring

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

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

## Audit Committee

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

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

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

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

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

## Remuneration Committee

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

The Board of Directors has elected Ricard Wennerklint, Chairman of the Board, Jens Aaløse, Deputy Chairman of the Board, and Mette Jensen, employee-elected Board member, as members of the Remuneration Committee. The Board of Directors has elected Ricard Wennerklint Chairman of the Remuneration Committee.

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

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

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

[The rules of procedure for the joint Remuneration Committee of Topdanmark](#) are available on [www.topdanmark.com](http://www.topdanmark.com) → About Topdanmark → Corporate Governance → Remuneration structure.

### **Nomination Committee**

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

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

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

The Nomination Committee holds meetings as needed.

### **Severance pay**

In order to ensure unconditional loyalty, focus and performance for the Topdanmark Forsikring Group up to a potential takeover, Topdanmark Forsikring has reached an agreement with some members of the Executive Board according to which, under certain circumstances, they will receive compensation in the form of an extended period of notice and increased severance pay, if they resign or are made redundant or their post is eliminated in connection with Topdanmark Forsikring and/or the company in the Topdanmark Forsikring Group with which the person concerned is employed being taken over by or merged with a company outside of the Group, or if one or more owners take control of Topdanmark Forsikring and/or the company in the Topdanmark Forsikring Group with which the person concerned is employed.

For executive service agreements signed after November 2017, the total value of remuneration for the period of termination including severance pay cannot exceed two years' salary including all remuneration shares. For executive service agreements signed before November 2017, severance pay cannot exceed the value of the remuneration for the past two years.

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

On 23 September 2013, the EU Commission decided that If P&C Insurance Holding Ltd (publ) was in fact in control of Topdanmark Forsikring. As a consequence of this special situation, it has been agreed that Topdanmark Forsikring's Executive Board and some members of the Senior Management earn a compensation over three years, representing six months' salary for each qualifying year. The earning of compensation has taken place. Two members of the present Executive Board and two members of the Senior Management are covered by this agreement, and the compensation will be paid on resignation.

### **Remuneration structure**

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

In addition to the policy, the remuneration policy also includes the general guidelines for performance-related pay, its pension policy and its guidelines for the granting of severance pay. Each of these guidelines is applicable to the Topdanmark Forsikring Group.

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

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

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

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

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

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

## Diversity and CSR

The Board of Directors has addressed the composition and qualifications of the Board of Directors in "Policy for diversity in the Board". Four of the nine Board members are women, two of them elected by the Annual General Meeting and two by Topdanmark Forsikring's employees. Consequently, Topdanmark Forsikring meets its goal: that the Board has a minimum of three persons of each gender. Topdanmark Forsikring meets the statutory definition of an equal gender distribution.

Topdanmark Forsikring's Board of Directors has adopted a policy on diversity in management which applies to the Topdanmark Group. The policy is described in the Topdanmark Group's CSR report 2019 at [www.topdanmark.com](http://www.topdanmark.com) → Investors → Reports → [CSR report](#).

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

## Board of Directors



### Ricard Wennerklint, Chairman

Elected at the AGM.

#### DOB:

2 September 1969.

#### Nationality:

Swedish.

#### Joined the Board of Directors of Topdanmark and Topdanmark Forsikring:

2017.

#### Current position held:

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

#### Previous positions held:

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

#### Education:

- Business Administration and Finance, Stockholm School of Economics.

#### Offices held:

Member of the Board of Directors of:

- If P&C Insurance Holding Ltd.
- Nordax Bank AB (publ).

#### Member of:

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

#### Rate of attendance 2019:

100%.

#### Expertise and qualifications:

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

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

#### Independence:

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



### Jens Aaløse, Deputy Chairman

Elected at the AGM.

#### DOB:

26 September 1966.

#### Nationality:

Danish.

#### Joined the Board of Directors of Topdanmark and Topdanmark Forsikring:

2016.

#### Current position held:

Senior Executive Vice President, TDC A/S.

#### Previous positions held:

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

#### Education:

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



**Offices held:**

Member of the Board of Directors of:

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

**Member of:**

- The Remuneration Committee and the Nomination Committee of Topdanmark.

**Rate of attendance 2019:**

100%.

**Expertise and qualifications:**

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

Board assignments in financial businesses, organisation, strategic management, insurance operations, financial and insurance reporting, sales for the private market, sales for the professional market, marketing and branding, outsourcing, finances, own funds, auditing, regulatory environment, compliance, IT and IT security, digitisation, recruitment and human resources.

**Independence:**

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



**Elise Bundgaard**

Elected by employees.

**DOB:**

14 January 1968.

**Nationality:**

Danish.

**Joined the Board of Directors of Topdanmark and Topdanmark Forsikring:**

2019.

**Current position held:**

Chairman of De Overordnedes Forening.

**Offices held:**

Member of the Board of Directors of:

- Bjatola

**Rate of attendance 2019:**

71%.



**Anne Louise Eberhard**

Elected at the AGM.

**DOB:**

24 April 1963.

**Nationality:**

Danish.

**Joined the Board of Directors of Topdanmark and Topdanmark Forsikring:**

2019.

**Current position held:**

Professional Board Member and Senior Advisor.

**Previous positions held:**

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

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

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

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

**Education:**

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

**Offices held:**

Member of the Board of Directors of:

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

**Member of:**

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

**Rate of attendance 2019:**

81%.

**Expertise and qualifications:**

The Board has defined the required competencies and qualifications for board members of Topdanmark Forsikring. Among these, Anne Louise Eberhard possesses knowledge and experience of the following: Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, financial and insurance reporting, risk management and risk assessment, sales for the private market, sales for the professional market, marketing and branding, outsourcing, finances, own funds, solvency and minimum capital requirements, rules of internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitisation, recruitment and human resources.

**Independence:**

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

**Mette Jensen**

Elected by employees.

**DOB:**

20 June 1976.

**Nationality:**

Danish.

**Joined the Board of Directors of Topdanmark and Topdanmark Forsikring:**

2015.

**Current position held:**

Chairman of the Staff Association of Topdanmark.

**Member of:**

The Remuneration Committee of Topdanmark.

**Rate of attendance 2019:**

100%.

**Cristina Lage**

Elected at the AGM.

**DOB:**

13 November 1954.

**Nationality:**

Danish.

**Joined the Board of Directors of Topdanmark and Topdanmark Forsikring:**

2019.

**Current position held:**

Professional Board Member.

**Previous positions held:**

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

**Education:**

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

**Offices held:**

Member of the Board of Directors of:

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

**Member of:**

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

**Rate of attendance 2019:**

72%.

**Expertise and qualifications:**

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

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

**Independence:**

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



**Ole Lomholt Mortensen**  
Elected by employees.

**DOB:**

29 June 1957.

**Nationality:**

Danish.

**Joined the Board of Directors of Topdanmark and Topdanmark Forsikring:**

2019.

**Current position held:**

Chairman of Assurandørforeningen of Topdanmark.

**Rate of attendance 2019:**

100%.



**Petri Niemisvirta**  
Elected at the AGM.

**DOB:**

19 February 1970.

**Nationality:**

Finnish.

**Joined the Board of Directors of Topdanmark and Topdanmark Forsikring:**

2017.

**Current position held:**

Managing Director, Mandatum Life Insurance Company Limited.

**Previous positions held:**

1995-1999: Kaleva Mutual Insurance Company  
1999-2000: Sampo Life Insurance Company Limited  
2000-2001: Managing Director, Evli Life Ltd.

**Education:**

- LL.M., University of Turku.

**Offices held:**

Member of the Board of Directors of:

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

**Member of:**

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

**Rate of attendance 2019:**

100%.

**Expertise and qualifications:**

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

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

**Independence:**

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



**Morten Thorsrud**

Elected at the AGM.

**DOB:**

23 December 1971.

**Nationality:**

Norwegian.

**Joined the Board of Directors of Topdanmark and Topdanmark Forsikring:**

2019.

**Current position held:**

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

**Previous positions held:**

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

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

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

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

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

**Education:**

- B.Com., Norwegian School of Management.

**Offices held:**

Member of the Board of Directors of:

- Finans Norge
- Euronext N.V.

**Member of:**

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

**Rate of attendance 2019:**

100%.

**Expertise and qualifications:**

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

**Independence:**

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

## Executive Board



### Peter Hermann

CEO of Topdanmark A/S.

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

#### Education:

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

#### Managerial responsibilities:

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

#### Member of the Board of Directors of:

- Forsikring & Pension.



### Lars Thykier

CFO of Topdanmark A/S.

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

#### Education:

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

#### Managerial responsibilities:

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

#### Member of the Board of Directors of:

- Green World Society Ltd.



### Brian Rothemejer Jacobsen

COO of Topdanmark A/S.

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

#### Education:

- Henley Executive MBA.

#### Managerial responsibilities:

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

#### Member of the Board of Directors of:

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



### Thomas Erichsen

CTO of Topdanmark A/S.

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

#### Education:

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

#### Managerial responsibilities:

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

## 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  
Topdanmark Invest II ApS\*  
Forsikring & Pension

### **Brian Rothemejer Jacobsen**

#### **On the Executive Board for:**

Topdanmark A/S  
Topdanmark Forsikring A/S

#### **Member of the Board of Directors for:**

Topdanmark 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  
Topdanmark Invest II ApS\*  
Bornholms Brandforsikring A/S  
Forsikringsakademiet A/S  
Finanssektorens Arbejdsgiverforening

### **Thomas Erichsen**

#### **On the Executive Board for:**

Topdanmark A/S  
Topdanmark Forsikring A/S

#### **Member of the Board of Directors for:**

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

### **Lars Thykier**

#### **On the Executive Board for:**

Topdanmark A/S  
Topdanmark Forsikring A/S

#### **Member of the Board of Directors for:**

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

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

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

**Income statement • Group**

(DKKm)	Note	2018	2019
<b>NON-LIFE INSURANCE</b>			
Gross premiums written	3	9,205	9,494
Ceded reinsurance premiums		(617)	(609)
Change in the provisions for unearned premiums	3	35	1
Change in profit margin and risk margin	3	(43)	(32)
Change in reinsurers' share of the provisions for unearned premiums		10	4
<b>Premiums earned, net of reinsurance</b>		<b>8,590</b>	<b>8,858</b>
Claims paid		(6,045)	(6,503)
Reinsurance cover received		362	345
Change in the provisions for claims		(23)	376
Change in risk margin		31	18
Change in reinsurers' share of the provisions for claims		56	(53)
<b>Claims incurred, net of reinsurance</b>	4	<b>(5,619)</b>	<b>(5,817)</b>
<b>Bonuses and rebates</b>		<b>(62)</b>	<b>(66)</b>
Acquisition costs		(952)	(949)
Administrative expenses		(536)	(568)
Intra-group reimbursements		35	34
Reinsurance commission and share of profits		78	78
<b>Insurance operating expenses, net of reinsurance</b>		<b>(1,375)</b>	<b>(1,405)</b>
<b>TECHNICAL RESULT FROM NON-LIFE INSURANCE</b>	5	<b>1,534</b>	<b>1,571</b>
<b>LIFE INSURANCE</b>			
Gross premiums written	6	10,111	11,106
Ceded reinsurance premiums		(1)	(1)
<b>Premiums, net of reinsurance</b>		<b>10,111</b>	<b>11,105</b>
<b>Allocated investment return, net of reinsurance</b>		<b>(2,326)</b>	<b>8,357</b>
<b>Pension return tax</b>		<b>28</b>	<b>(1,094)</b>
Claims and benefits paid	7	(4,088)	(4,133)
Reinsurance cover received		3	4
<b>Claims and benefits paid, net of reinsurance</b>		<b>(4,086)</b>	<b>(4,129)</b>
Change in life insurance provisions	8	(3,318)	(13,759)
Change in reinsurers' share		(4)	(4)
<b>Change in the life insurance provisions, net of reinsurance</b>		<b>(3,321)</b>	<b>(13,763)</b>
<b>Change in profit margin</b>		<b>(34)</b>	<b>(61)</b>
Acquisition costs		(143)	(166)
Administrative expenses		(277)	(319)
<b>Insurance operating expenses, net of reinsurance</b>		<b>(420)</b>	<b>(486)</b>
<b>TECHNICAL RESULT FROM LIFE INSURANCE</b>		<b>(48)</b>	<b>(71)</b>

**Income statement • Group**

(DKKm)	Note	2018	2019
<b>NON-TECHNICAL ACTIVITIES</b>			
Technical result from non-life insurance		1,534	1,571
Technical result from life insurance		(48)	(71)
Income from associates	17	161	165
Income from investment properties	9	45	134
Interest income and dividends etc.		1,803	2,301
Revaluations	10	(3,873)	7,034
Interest charges		(70)	(67)
Expenses on investment activities		(328)	(390)
<b>Total investment return</b>		<b>(2,263)</b>	<b>9,176</b>
Return and revaluations of non-life insurance provisions	11	(86)	(616)
Investment return transferred to life insurance business		2,326	(8,357)
Other income	12	204	244
Other expenses		(19)	(19)
<b>PRE-TAX PROFIT</b>		<b>1,648</b>	<b>1,928</b>
Taxation	13	(359)	(427)
<b>PROFIT FOR THE YEAR</b>		<b>1,289</b>	<b>1,501</b>

**Statement of comprehensive income**

Profit for the year	1,289	1,501
Items which cannot subsequently be reclassified as profit or loss:		
Revaluation / Reversed revaluation owner-occupied properties	1	(18)
Taxation	(0)	4
Other comprehensive income	1	(14)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,290</b>	<b>1,487</b>



**Assets • Group**

(DKKm)	Note	2018	2019
<b>INTANGIBLE ASSETS</b>	14	1,091	1,291
Operating equipment		113	110
Owner-occupied properties		853	834
<b>TOTAL TANGIBLE ASSETS</b>	15	966	945
Investment properties	16	3,802	4,006
Equity investments in associates	17	1,678	1,668
Total investments in associates		1,678	1,668
Equity investments		5,412	5,087
Unit trusts		6	6
Bonds		35,118	43,632
Deposits with credit institutions		4,380	2,745
Derivatives		86	198
Total other financial investment assets		45,004	51,669
<b>TOTAL INVESTMENT ASSETS</b>		50,484	57,343
<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS</b>	18	27,890	36,104
Reinsurers' share of the provisions for unearned premiums	19	92	95
Reinsurers' share of the life insurance provisions		17	12
Reinsurers' share of the provisions for claims	20	527	478
Total reinsurers' share of provisions		635	585
Receivables from policyholders		262	265
Receivables from insurance companies		197	151
Receivables from affiliates		2	1
Receivables from associates		365	286
Other receivables		278	224
<b>TOTAL RECEIVABLES</b>		1,739	1,512
Deferred tax assets	21	17	25
Liquid funds		249	545
Other		199	28
<b>TOTAL OTHER ASSETS</b>		465	598
Accrued interest and rent		310	388
Other prepayments and accrued income		196	219
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>		506	607
<b>TOTAL ASSETS</b>		83,142	98,401

## Shareholders' equity and liabilities • Group

(DKKm)	Note	2018	2019
Share capital		101	101
Revaluation reserve		14	0
Security fund		1,146	1,146
Other reserves		67	72
Total reserves		1,213	1,218
Profit carried forward		3,099	3,143
Proposed dividends		1,300	1,500
		5,727	5,963
Minority interests' share of shareholders' equity		1	0
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>5,727</b>	<b>5,963</b>
<b>OTHER SUBORDINATED LOAN CAPITAL</b>	22	1,348	1,349
Provisions for unearned premiums	23	1,819	1,849
Profit margin, non-life insurance contracts	23	807	838
With-profit products	24	23,134	23,618
Unit-linked products	25	33,117	46,656
Total life insurance provisions		56,252	70,274
Profit margin, life insurance and investment contracts	26	268	329
Provisions for claims	27	13,003	13,071
Risk margin, non-life insurance contracts		275	253
Provisions for bonuses and rebates		152	163
<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>		<b>72,575</b>	<b>86,778</b>
Pensions and similar commitments		26	30
Deferred tax liabilities	21	100	70
Deferred tax on security funds		306	306
<b>TOTAL PROVISIONS</b>		<b>432</b>	<b>406</b>
<b>DEPOSITS RECEIVED FROM REINSURERS</b>		<b>81</b>	<b>69</b>
Debt relating to direct insurance operations		373	194
Debt relating to reinsurance operations		18	26
Amounts due to credit institutions		242	155
Amounts due to affiliates		619	833
Current tax liabilities		1	0
Derivatives		703	679
Other debt		923	1,854
<b>TOTAL DEBT</b>		<b>2,880</b>	<b>3,742</b>
<b>ACCRUALS AND DEFERRED INCOME</b>		<b>98</b>	<b>94</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>83,142</b>	<b>98,401</b>

**Cash flow statement • Group**

(DKKm)	2018	2019
<b>Cash flow from operations</b>		
Gross premiums	9,214	9,410
Claims	(5,994)	(6,435)
Expenses	(1,355)	(1,380)
Reinsurance ceded	(255)	(162)
Cash flow from non-life insurance	1,610	1,433
Gross premiums	10,164	10,942
Claims and benefits	(4,094)	(4,138)
Pension return tax	(486)	(122)
Expenses	(426)	(458)
Reinsurance ceded	1	32
Cash flow from life insurance	5,159	6,256
Cash flow from insurance activities	6,769	7,690
Payments on investment contracts	1,008	264
Interest income and dividends etc.	1,789	2,346
Interest charges etc.	(396)	(463)
Corporation tax	(318)	(464)
Other items	80	301
<b>Cash flow from operations</b>	<b>8,932</b>	<b>9,674</b>
<b>Investments</b>		
Intangible assets, operating equipment	(243)	(291)
Properties	(257)	(463)
Sale of affiliate	124	0
Equity investments in associates	(249)	(0)
Dividends from associates	17	175
Equity investments	147	1,412
Unit trusts	(11)	7
Bonds	626	(8,717)
Loans	(6)	(1)
Derivatives	(427)	(279)
Investment assets related to unit-linked products	(6,537)	(1,765)
Balances with affiliates	140	214
Balances with associates	(38)	80
<b>Investments</b>	<b>(6,715)</b>	<b>(9,627)</b>
<b>Financing</b>		
Dividend paid	(1,700)	(1,300)
Amounts due to credit institutions	199	(87)
<b>Financing</b>	<b>(1,501)</b>	<b>(1,387)</b>
Change in cash and cash equivalents	716	(1,340)
Cash and cash equivalents at 1 January	3,936	4,630
Cash and cash equivalents in sold affiliate	(22)	0
Cash and cash equivalents at 31 December	4,630	3,290
Cash and cash equivalents comprise:		
Liquid funds	249	545
Deposits with credit institutions	4,380	2,745
	4,630	3,290

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

## Statement of changes in equity • Group

(DKKm)

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Mimority interests'	Total
<b>2018</b>								
Shareholders' equity at 31 December previous year	101	13	1,146	64	3,073	1,700	1	6,097
Profit for the year				3	(14)	1,300	(0)	1,289
Other comprehensive income		1						1
Total comprehensive income for the year		1		3	(14)	1,300	(0)	1,290
Dividend paid						(1,700)		(1,700)
Capital contribution from the parent company (employee shares)					37			37
Taxation					3			3
Other transactions					40	(1,700)		(1,660)
<b>Shareholder's equity at 31 December 2018</b>	<b>101</b>	<b>14</b>	<b>1,146</b>	<b>67</b>	<b>3,099</b>	<b>1,300</b>	<b>0</b>	<b>5,727</b>
<b>2019</b>								
Shareholders' equity at 31 December previous year	101	14	1,146	67	3,099	1,300	0	5,727
Profit for the year				5	(4)	1,500	(0)	1,501
Other comprehensive income		(14)						(14)
Total comprehensive income for the year		(14)		5	(4)	1,500	(0)	1,487
Dividend paid						(1,300)		(1,300)
Capital contribution from the parent company (employee shares)					50			50
Taxation					(1)			(1)
Other transactions					49	(1,300)		(1,251)
<b>Shareholder's equity at 31 December 2019</b>	<b>101</b>	<b>0</b>	<b>1,146</b>	<b>72</b>	<b>3,143</b>	<b>1,500</b>	<b>0</b>	<b>5,963</b>

## Notes to the financial statements • Group

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## Notes to the financial statements • Group

(DKKm)

**Note 1. Segment information income statement**

	Private	SME	Elimin- ated	Non-life	Life	Elimin- ated	Group
<b>2018</b>							
<b>Non-life insurance</b>							
Gross premiums earned	5,056	4,097	(19)	9,135			9,135
Claims incurred	(3,327)	(2,739)	16	(6,051)		14	(6,037)
Expenses	(806)	(671)	3	(1,475)		21	(1,453)
Net reinsurance	(79)	(32)	0	(111)			(111)
Technical result from non-life insurance	843	656	(0)	1,499		35	1,534
<b>Life insurance</b>							
Gross premiums written					10,111		10,111
Allocated investment return					(2,326)		(2,326)
Pension return tax					28		28
Benefits and change in provisions					(7,440)		(7,440)
Expenses					(425)	6	(420)
Net reinsurance					(1)		(1)
Technical result from life insurance					(54)	6	(48)
Total investment return				4	(2,226)	(41)	(2,263)
Pension return tax non-life insurance				(4)	4		0
Return and revaluations of non-life insurance provisions				(86)			(86)
Transferred to technical result					2,326		2,326
Other items				7	178		184
<b>Pre-tax profit</b>				1,420	228	(0)	1,648
Taxation							(359)
<b>Profit for the year</b>							1,289
<b>2019</b>							
<b>Non-life insurance</b>							
Gross premiums earned	5,114	4,302	(20)	9,397			9,397
Claims incurred	(3,555)	(2,583)	17	(6,121)		12	(6,109)
Expenses	(802)	(707)	2	(1,507)		24	(1,483)
Net reinsurance	(70)	(164)	(0)	(234)			(234)
Technical result from non-life insurance	686	848	(0)	1,534		36	1,571
<b>Life insurance</b>							
Gross premiums written					11,106		11,106
Allocated investment return					8,357		8,357
Pension return tax					(1,094)		(1,094)
Benefits and change in provisions					(17,953)		(17,953)
Expenses					(491)	6	(486)
Net reinsurance					(1)		(1)
Technical result from life insurance					(77)	6	(71)
Total investment return				711	8,508	(42)	9,176
Pension return tax non-life insurance				(31)	31		0
Return and revaluations of non-life insurance provisions				(616)			(616)
Transferred to technical result					(8,357)		(8,357)
Other items				3	222		225
<b>Pre-tax profit</b>				1,601	327	0	1,928
Taxation							(427)
<b>Profit for the year</b>							1,501
Amortisations:							
2018	41	26		66	6		72
2019	40	33		73	41		114
Results from associates:							
2018				3	158		161
2019				5	160		165

## Notes to the financial statements • Group

(DKK m)

### Note 2. Segment information balance sheet

	Non-life	Life	Eliminated	Group
<b>2018</b>				
Intangible assets	602	489		1,091
Tangible assets	946	20		966
Investment properties	323	3,479		3,802
Loans to affiliates	300	0	(300)	0
Equity investments in associates	63	1,615		1,678
Other financial investment assets	19,448	25,556		45,004
Investment assets related to unit-linked products	0	27,890		27,890
Reinsurers' share of provisions	619	17		635
Receivables from affiliates	0	1,029	(1,027)	2
Other assets	876	1,197		2,073
<b>Total assets</b>	<b>23,177</b>	<b>61,292</b>	<b>(1,327)</b>	<b>83,142</b>
Other subordinated loan capital	1,348	300	(300)	1,348
Provisions for insurance and investment contracts	16,056	56,519		72,575
Amounts due to affiliates	516	1,130	(1,027)	619
Other liabilities	1,731	1,141		2,872
<b>Total liabilities</b>	<b>19,652</b>	<b>59,090</b>	<b>(1,327)</b>	<b>77,414</b>
Purchase of tangible and intangible assets	120	133		253
<b>2019</b>				
Intangible assets	716	575		1,291
Tangible assets	925	20		945
Investment properties	401	3,605		4,006
Loans to affiliates	300	0	(300)	0
Equity investments in associates	67	1,601		1,668
Other financial investment assets	22,458	29,211		51,669
Investment assets related to unit-linked products	0	36,104		36,104
Reinsurers' share of provisions	573	12		585
Receivables from affiliates	0	2,809	(2,808)	1
Other assets	811	1,320		2,131
<b>Total assets</b>	<b>26,251</b>	<b>75,258</b>	<b>(3,108)</b>	<b>98,401</b>
Other subordinated loan capital	1,349	300	(300)	1,349
Provisions for insurance and investment contracts	16,175	70,603		86,778
Amounts due to affiliates	3,339	303	(2,808)	833
Other liabilities	1,698	1,780		3,478
<b>Total liabilities</b>	<b>22,560</b>	<b>72,986</b>	<b>(3,108)</b>	<b>92,438</b>
Purchase of tangible and intangible assets	191	128		320
Assets and liabilities related to illness and accident insurance administered by Topdanmark life are included in non-life.				

## Notes to the financial statements • Group

(DKKm) 2018 2019**Note 3. Gross premiums earned - non-life insurance**

Gross premiums written	9,205	9,494
Change in provisions for unearned premiums	35	1
Change in profit margin and risk margin	(43)	(32)
<b>Gross premiums earned</b>	<b>9,197</b>	<b>9,463</b>

Gross premiums earned, direct business, by location of the risk:

Denmark	9,189	9,455
Other EU-countries	7	7
Other countries	2	1
	<b>9,197</b>	<b>9,463</b>

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

Run-off result:		
Gross business	319	388
Reinsurance ceded	34	45
Run-off result, net of reinsurance (profit)	353	433

Specification of run-off result on business lines see note 5.

Claims incurred include revaluation of derivatives hedging the inflation risk in workers' compensation and illness and accident insurance	(118)	(149)
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**Note 5. Technical result - non-life insurance**

	2018	2019	2018	2019	2018	2019
	Illness and accident		Health		Workers' compensation	
Gross premiums written	1,309	1,343	176	184	652	731
Gross premiums earned	1,278	1,296	165	160	652	705
Claims incurred	(796)	(955)	(155)	(185)	(559)	(405)
Bonuses and rebates	(12)	(8)	(0)	0	(4)	(6)
Gross operating expenses	(171)	(177)	(15)	(14)	(80)	(80)
Net reinsurance	(10)	(10)	(0)	0	2	29
Technical result	290	146	(5)	(38)	11	244
Gross loss ratio	63.0	74.3	93.7	115.1	86.4	58.0
Combined ratio	77.5	89.0	102.8	123.5	98.7	65.4
Run-off result, net of reinsurance	210	125	(15)	(29)	(2)	211
Claims provisions, net of reinsurance	3,341	3,527	68	94	6,033	6,112
Number of claims incurred ('000)	28	30	32	30	7	7
Average value of claim (DKK '000)	36	37	5	5	83	87
Frequency of claims (per thousand value)	25	25	327	311	119	124
		Motor third-party liability		Motor own damage		Fire and property Private
Gross premiums written	650	647	1,438	1,505	1,934	1,920
Gross premiums earned	684	671	1,447	1,495	1,939	1,948
Claims incurred	(414)	(329)	(876)	(922)	(1,298)	(1,418)
Bonuses and rebates	(2)	(2)	(5)	(4)	(6)	(6)
Gross operating expenses	(122)	(129)	(221)	(241)	(309)	(291)
Net reinsurance	(1)	(3)	(9)	(3)	(73)	(54)
Technical result	145	208	336	325	253	180
Gross loss ratio	60.8	49.3	60.9	61.9	67.3	73.1
Combined ratio	79.1	69.3	77.1	78.6	87.3	91.1
Run-off result, net of reinsurance	124	211	0	(1)	(28)	(28)
Claims provisions, net of reinsurance	1,226	1,014	139	145	605	631
Number of claims incurred ('000)	25	24	101	104	87	88
Average value of claim (DKK '000)	22	22	9	9	15	16
Frequency of claims (per thousand value)	43	42	199	204	128	132



## Notes to the financial statements • Group

(DKKm)

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

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

**Note 6. Gross premiums written - life insurance**

Individual policies	304	295
Policies which are part of a tenure	2,228	2,711
Group life	322	269
<b>Regular premiums</b>	<b>2,855</b>	<b>3,275</b>
Individual policies	1,856	2,179
Policies which are part of a tenure	5,401	5,652
<b>Single premiums</b>	<b>7,257</b>	<b>7,831</b>
<b>Gross premiums</b>	<b>10,111</b>	<b>11,106</b>
Unit-linked products not eligible for bonus	8,765	10,027
With-profit products	1,346	1,078
	10,111	11,106
Premiums by the policyholders' location:		
Denmark	10,089	11,029
Other EU-countries	13	65
Other countries	9	11
	10,111	11,106
Investment contracts (recognised in the balance sheet):		
Regular premiums	69	46
Single premiums	1,346	701
	1,415	747

## Notes to the financial statements • Group

(DKKm) 2018      2019

### Note 6. Gross premiums written - life insurance - continued

Number of policyholders at 31 December:

Insurance contracts:

Individual policies	83,805	89,790
Policies which are part of a tenure	51,218	58,680
Group life	88,375	86,241

Investment contracts:

Individual policies	8,809	8,952
Policies which are part of a tenure	1,604	942

The investment contracts do not have guarantees.

At the implementation of a new administration system, the distribution of numbers insured has been changed, thus policies for pensioners and customers with paid-up policies are considered individual policies and unlike hitherto as policies part of a tenure. The comparative figures have been changed.

### Note 7. Claims and benefits paid - life insurance

Claims payable on death	96	137
Claims payable on invalidity	1	1
Claims payable on maturity	137	141
Pension and annuity payments	599	592
Surrenders	2,986	3,083
Bonuses paid in cash	270	179
<b>Claims and benefits paid</b>	<b>4,088</b>	<b>4,133</b>

### Note 8. Change in life insurance provisions

With-profit products	758	(455)
Unit-linked products	(4,076)	(13,304)
<b>Change in life insurance provisions</b>	<b>(3,318)</b>	<b>(13,759)</b>

### Note 9. Income from investment properties

Rental income	195	244
Operating expenses from properties rented out	(130)	(101)
Operating expenses from properties not rented out	(9)	(1)
Gross profit	56	141
Administrative expenses	(11)	(7)
<b>Income from investment properties</b>	<b>45</b>	<b>134</b>

Tenancy agreements may include a period of non-terminability for the tenant.

Future rental income in the period of non-terminability:

Up to 1 year	203	277
2 to 5 years	293	325
Over 5 years	182	165
Total	677	766

This year's rental income from non-terminable contracts	195	244
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### Note 10. Revaluations

Held for trading:		
Equity investments	(345)	1,087
Unit trusts	(5)	8
Bonds	(405)	(204)
Derivatives	(646)	(192)
Total held for trading	(1,401)	699

## Notes to the financial statements • Group

(DKKm)	2018	2019
<b>Note 10. Revaluations - continued</b>		
Investment assets related to unit-linked products:		
Equity investments	(1,238)	4,679
Unit trusts	(234)	300
Bonds	(410)	(299)
Derivatives	(803)	1,180
Total designated at fair value	(2,685)	5,858
Revaluations of financial assets and liabilities at fair value through profit or loss	(4,086)	6,557
Of which revaluation of derivatives transferred to claims incurred	118	149
Investment properties	94	333
Other	0	(6)
<b>Revaluations</b>	<b>(3,873)</b>	<b>7,034</b>
<b>Note 11. Return and revaluations of non-life insurance provisions</b>		
<b>Amortisation</b>		
Provisions for unearned premiums and profit margin	(4)	9
Reinsurers' share of provisions for unearned premiums	0	(1)
Provisions for claims	(108)	(40)
Risk margin	(1)	(0)
Reinsurers' share of the provisions for claims	2	1
	(111)	(32)
<b>Revaluations</b>		
Provisions for unearned premiums and profit margin	2	(27)
Provisions for claims	24	(554)
Risk margin	0	(7)
Reinsurers' share of the provisions for claims	(1)	4
	25	(584)
<b>Return and revaluations of non-life insurance provisions</b>	<b>(86)</b>	<b>(616)</b>
<b>Note 12. Other income</b>		
Brokerage	188	232
Other	15	12
<b>Other income</b>	<b>204</b>	<b>244</b>
<b>Note 13. Taxation</b>		
Current tax	326	464
Change in deferred tax	39	(38)
Prior year adjustment	(9)	(1)
Tax for the year	356	425
Tax in other comprehensive income	(0)	4
Tax in shareholders' equity	3	(1)
<b>Tax in the income statement</b>	<b>359</b>	<b>427</b>
Calculated tax on profit for the year, 22%	362	424
Adjusted for the tax effect of:		
Returns on shares etc. not liable to tax	(1)	(3)
Non-deductible expenses	6	7
Prior year adjustment	(8)	(1)
	359	427
Effective tax rate	21.8	22.2

## Notes to the financial statements • Group

(DKKm)

### Note 14. Intangible assets

	Goodwill	software	Completed developm't projects	Developm't projects under con- struction	Total
<b>2018</b>					
Cost at 1 January	441	235	587	390	1,652
Purchased	0	4	0	204	209
Transferred	0	0	61	(61)	0
Disposals	0	(23)	0	0	(23)
Cost at 31 December	441	216	647	534	1,838
Impairment and amortisation at 1 January	0	(225)	(506)	0	(731)
Amortisation for the year	0	(6)	(33)	0	(39)
Disposals	0	23	0	0	23
Impairment and amortisation at 31 December	0	(207)	(539)	0	(747)
<b>Intangible assets 2018</b>	441	8	108	534	1,091
<b>2019</b>					
Cost at 1 January	441	216	647	534	1,838
Purchased	0	8	0	274	281
Transferred	0	0	611	(611)	0
Cost at 31 December	441	223	1,258	196	2,119
Impairment and amortisation at 1 January	0	(207)	(539)	0	(747)
Amortisation for the year	0	(5)	(76)	0	(81)
Impairment and amortisation at 31 December	0	(213)	(615)	0	(828)
<b>Intangible assets 2019</b>	441	10	643	196	1,291

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

Goodwill:

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

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

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

Primary assumptions:

The calculation of premiums earned is based on the insurance portfolio adjusted to reflect the expected effect of business decisions and market development. The portfolio is indexed with the wage and salary index. Claims incurred are based on the current levels adjusted to reflect the normalised level of weather and large-scale claims. Furthermore, in general, the expected development in the level of claims and the effect of loss prevention activities are included. The levels of claims are adjusted to reflect the expected inflation. Expenses are calculated by projecting the expenditure base by the expected changes in activities and pay increases obtained through collective agreement, changes in taxes and duties etc. The reinsurance result is calculated in accordance with the current reinsurance programme and adjusted to reflect known and expected changes in prices and the size of cover. The calculation of the terminal value includes a growth rate of 0% (2018: 0%).

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

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

Development projects:

Completed development projects primarily comprise the new policy administrations system for life, DKK 536m. The remaining expected useful lifetime end of 2019 is 9 years. Completed development projects are assessed for impairment end of year and at indications of impairment. The assessment showed no need for write down. Development projects under construction mostly comprise a new customer and core system for non-life. The impairment test did not show any need for write down.

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

## Notes to the financial statements • Group

(DKKm)

### Note 15. Tangible assets

	Operating equip- ment	Owner- occupied properties	Total
<b>2018</b>			
Cost at 1 January	372	853	1,225
Additions, improvements	44	0	44
Disposals	(92)	(0)	(92)
Revaluation taken to other comprehensive income	0	1	1
Transferred on revaluation	0	(1)	(1)
Cost at 31 December	324	853	1,177
Impairment and amortisation at 1 January	(263)	0	(263)
Amortisation for the year	(32)	(1)	(33)
Transferred on revaluation	0	1	1
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	84	0	84
Impairment and amortisation at 31 December	(211)	0	(211)
<b>Tangible assets 2018</b>	<b>113</b>	<b>853</b>	<b>966</b>

### 2019

Cost at 1 January	324	853	1,177
Additions, improvements	36	2	38
Disposals	(14)	0	(14)
Revaluation taken to other comprehensive income	0	(18)	(18)
Revaluation taken to income statement	0	(2)	(2)
Transferred on revaluation	0	(1)	(1)
Cost at 31 December	346	834	1,181
Impairment and amortisation at 1 January	(211)	0	(211)
Amortisation for the year	(31)	(1)	(33)
Transferred on revaluation	0	1	1
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	7	0	7
Impairment and amortisation at 31 December	(236)	0	(236)
<b>Tangible assets 2019</b>	<b>110</b>	<b>834</b>	<b>945</b>

2018 2019

Owner-occupied properties are measured at a revalued amount corresponding to fair value (level 3).

The weighted average of the rates of return on which fair value of individual properties were based

5.3% 5.3%

An increase in the required rate of return of 0.5pp will reduce the total fair value by

75 75

Carrying amount if the properties had been valued at cost less depreciations

715 716

### Note 16. Investment properties

Fair value at 1 January	3,758	4,109
Additions, acquisitions	519	448
Additions, improvements	31	118
Disposals	(247)	(96)
Fair value revaluation for the year taken to revaluations	48	325
Fair value at 31 December	4,109	4,905
Investment properties are recognised in the balance sheet as follows:		
Investment properties	3,802	4,006
Investment assets related to unit-linked products	307	898
The weighted average of the rates of return on which fair value of individual properties were based	5.5%	5.0%

## Notes to the financial statements • Group

(DKKm)

### Note 16. Investment properties - continued

	Private residence		Office property	
	2018	2019	2018	2019
Fair value DKKm	458	1,542	3,143	3,363
The weighted average of the rates of return on which fair value of individual properties were based	4.5%	4.2%	5.6%	5.4%
Area (1,000 square meters)	22	59	231	232
Price per square meter (DKK 1,000)	21	26	14	15
Number of properties	5	6	22	22

Investment properties are measured at fair value (level 3).

The basis of the measurement is an expected annual operating return and rate of return. The rate of return used in the valuation spans from 4.0% to 9.0% (2018: 4.5% to 8%).

An increase in the required rate of return of 0.5pp will reduce the total fair value by	329	475
The fair value includes properties under construction	508	0

### Note 17. Equity investments in associates

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

2018	Percentage share	Activity	Shareholders' equity	Result
Carlsberg Byen P/S, Copenhagen	23	Property development	1,918	125
Havneholmen P/S, Kgs. Lyngby	50	Property	986	29
Margretheholm P/S, Frederiksberg	50	Property	510	162
Bornholms Brandforsikring A/S, Rønne	27	Insurance	268	22
P/S Ejendomsholding Banemarksvej, Odense	40	Property	112	10
P/S Ottilia, Copenhagen	50	Property	-	-
<b>2019</b>				
Carlsberg Byen P/S, Copenhagen	23	Property development	2,230	312
Havneholmen P/S, Kgs. Lyngby	50	Property	1,085	98
Margretheholm P/S, Frederiksberg	50	Property	627	116
Bornholms Brandforsikring A/S, Rønne	27	Insurance	237	12
P/S Ejendomsholding Banemarksvej, Odense	40	Property	121	9
P/S Ottilia, Copenhagen	50	Property	564	65
Heap A/S, Copenhagen*	50	Development	-	-

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

\*The company was founded in 2019 and the first financial year runs until 31 December 2020. Bornholms Brandforsikring A/S has been recognised on the basis of the most recent financial information at 30 September.

### Note 18. Investment assets related to unit-linked products

Equity investments	14,560	21,588
Unit trusts	1,758	541
Bonds	11,265	13,078
Investment properties	307	898
<b>Investment assets related to unit-linked contracts</b>	<b>27,890</b>	<b>36,104</b>

## Notes to the financial statements • Group

(DKKm)	2018	2019
<b>Note 19. Reinsurers' share of the provisions for unearned premiums</b>		
1 January	84	92
Change in accrued commissions	(3)	(1)
Ceded reinsurance premiums	617	609
Earned reinsurance premiums	(607)	(605)
Amortisation	0	(1)
<b>Reinsurers' share of the provisions for unearned premiums at 31 December</b>	<b>92</b>	<b>95</b>
Net present value of expected future cashflows	22	66
Profit margin	70	29

**Note 20. Reinsurers' share of the provisions for claims**

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

**Note 21. Deferred tax**

	2017	2018	2019
Properties	43	46	55
Operating equipment	14	21	7
Liabilities provided	(6)	(6)	-7
Deferred pension return tax	0	33	0
Other	(7)	(12)	-11
<b>Deferred tax</b>	<b>44</b>	<b>83</b>	<b>45</b>
Recognised as:			
Deferred tax assets	(14)	(17)	(25)
Deferred tax liabilities	59	100	70
	44	83	45
Change for the year		39	(38)

**Note 22. Other subordinated loan capital**

Borrower	Topdanmark Forsikring A/S	Topdanmark Forsikring A/S
Principal	500	850
Carrying value		
2019	500	849
2018	499	849
Market value (level 2)		
2019	503	850
2018	505	850
Date of issue	December 2015	December 2015
Maturity	11 December 2025	11 June 2026
If permitted by the Danish FSA, the borrower can give notice of termination from	11 December 2020	11 June 2021
Interest rate	2.92% to 11 December 2020	Cibor 3 months+270bp
Subsequently	Cibor 3 months+250bp	
		2018
Interest charges		36
		36

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

## Notes to the financial statements • Group

(DKKm)	2018	2019
<b>Note 23. Provisions for unearned premiums and profit margin - non-life insurance</b>		
Provisions for unearned premiums at 1 January	1,856	1,819
Profit margin at 1 January	751	807
	2,607	2,626
Gross premiums written	9,205	9,494
Gross premiums earned	(9,197)	(9,463)
Change in risk margin	9	12
Amortisation	4	(9)
Revaluation	(2)	27
Provisions for unearned premiums at 31 December	1,819	1,849
Profit margin at 31 December	807	838
<b>Provisions for unearned premiums and profit margin at 31 December</b>	<b>2,626</b>	<b>2,687</b>

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

Life insurance provisions direct business at 1 January	24,063	23,134
Profit margin at 1 January	88	82
Total insurance provisions at 1 January	24,151	23,216
Collective bonus potential at 1 January	(2,270)	(1,632)
Accumulated revaluation at 1 January	(1,654)	(1,466)
Retrospective provisions at 1 January	20,227	20,118
Gross premiums written	1,346	1,078
Addition of return	580	334
Claims and benefits	(1,774)	(1,643)
Expense loading inclusive of expense bonus	(100)	(91)
Risk gain after allocating policyholders' risk bonus	(23)	(61)
Other	33	53
Intra-group transfers	(56)	(46)
Sale of affiliate	(115)	0
Retrospective provisions at 31 December	20,118	19,742
Accumulated revaluation at 31 December	1,466	1,994
Collective bonus potential at 31 December	1,632	1,961
Total insurance provisions direct business at 31 December	23,216	23,697
Profit margin at 31 December	(82)	(79)
<b>Life insurance provisions with-profit products</b>	<b>23,134</b>	<b>23,618</b>

Portfolios analysed by guaranteed interest rates	Guaranteed interest rate	Guaranteed benefits	Individual bonus potential	Collective bonus potential	Life insurance provisions
<b>2018</b>					
Interest rate group 9	1%	2,127	325	0	2,452
Interest rate group 10	1%	437	4	37	478
Interest rate group 1	]1%-2%]	7,544	768	228	8,540
Interest rate group 3	]1%-2%]	696	4	52	753
Interest rate group 2	]2%-3%]	2,607	80	129	2,816
Interest rate group 4	]2%-3%]	840	11	64	915
Interest rate group 5	]3%-4%]	2,305	7	326	2,638
Interest rate group 6	]4%-5%]	3,063	0	467	3,531
Interest rate group 7	5%	40	0	44	84
Risk groups		0	0	264	264
Cost groups		0	0	22	22
Total contribution		19,659	1,199	1,632	22,491
Group Life					183
U74-life annuities					180
Other					281
<b>Total 2018</b>		<b>19,659</b>	<b>1,199</b>	<b>1,632</b>	<b>23,134</b>



## Notes to the financial statements • Group

(DKKm)

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

<b>Portfolios analysed by guaranteed interest rates</b>	<b>Guaranteed interest rate</b>	<b>Guaranteed benefits</b>	<b>Individual bonus potential</b>	<b>Collective bonus potential</b>	<b>Life insurance provisions</b>
<b>2019</b>					
Interest rate group 9	1%	2,386	151	65	2,601
Interest rate group 10	1%	659	1	56	716
Interest rate group 1	]1%-2%]	7,989	204	376	8,570
Interest rate group 3	]1%-2%]	734	1	84	819
Interest rate group 2	]2%-3%]	2,676	16	123	2,814
Interest rate group 4	]2%-3%]	934	2	100	1,037
Interest rate group 5	]3%-4%]	2,504	0	329	2,833
Interest rate group 6	]4%-5%[	2,786	0	457	3,243
Interest rate group 7	5%	29	0	56	85
Risk groups		0	0	303	303
Cost groups		0	0	12	12
Total contribution		20,697	376	1,961	23,034
Group Life					170
U74-life annuities					137
Other					278
<b>Total 2019</b>		<b>20,697</b>	<b>376</b>	<b>1,961</b>	<b>23,618</b>

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

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

**Risk groups**

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

**Cost groups**

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

## Notes to the financial statements • Group

(DKKm)

### Note 25. Life insurance provisions unit-linked products

	Insurance contracts	Investment contracts	Total
<b>2018</b>			
Gross provisions at 1 January	26,993	2,898	29,891
Profit margin at 1 January	141	15	156
Retrospective provisions at 1 January	27,135	2,912	30,047
Gross premiums written	8,765	1,415	10,180
Addition of return	(1,969)	(260)	(2,229)
Claims and benefits	(2,314)	(407)	(2,721)
Expense loading inclusive of expense bonus	(68)	(10)	(77)
Risk gain after addition of risk bonus	(25)	0	(25)
Other	(5)	1	(4)
Intra-group transfers	56	0	56
Sale of affiliate	(1,923)	0	(1,923)
Retrospective provisions at 31 December	29,651	3,652	33,303
Profit margin at 31 December	(171)	(15)	(186)
<b>Gross provisions 31 December 2018</b>	<b>29,480</b>	<b>3,637</b>	<b>33,117</b>
<b>2019</b>			
Gross provisions at 1 January	29,480	3,637	33,117
Profit margin at 1 January	171	15	186
Retrospective provisions at 1 January	29,651	3,652	33,303
Gross premiums written	10,027	747	10,774
Addition of return	5,205	654	5,859
Claims and benefits	(2,490)	(483)	(2,973)
Expense loading inclusive of expense bonus	(70)	(9)	(80)
Risk gain after addition of risk bonus	(22)	0	(21)
Other	(3)	(0)	(4)
Intra-group transfers	449	(403)	46
Retrospective provisions at 31 December	42,749	4,157	46,906
Profit margin at 31 December	(234)	(16)	(250)
<b>Gross provisions 31 December 2019</b>	<b>42,515</b>	<b>4,141</b>	<b>46,656</b>

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

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

### Note 26. Profit margin, life insurance and investment contracts

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

### Note 27. Provisions for claims

<b>Gross</b>		
Provisions at 1 January	13,013	13,003
Claims paid relating to previous years	(2,794)	(3,147)
Change in expected claims payments relating to previous years (run-off)	(319)	(388)
Claims paid relating to this year	(3,251)	(3,356)
Expected claims payments relating to this year	6,387	6,514
Inflation hedging	(118)	(149)
Amortisation	108	40
Revaluation	(24)	554
<b>Provisions for claims</b>	<b>13,003</b>	<b>13,071</b>

**Notes to the financial statements • Group**

(DKKm)	2018	2019
<b>Note 27. Provisions for claims - continued</b>		
<b>Net of reinsurance</b>		
Provisions at 1 January	12,544	12,476
Claims paid relating to previous years	(2,586)	(2,882)
Change in expected claims payments relating to previous years (run-off)	(353)	(433)
Claims paid relating to this year	(3,096)	(3,276)
Expected claims payments relating to this year	6,003	6,267
Inflation hedging	(118)	(149)
Amortisation	106	39
Revaluation	(23)	550
Provisions for claims, net of reinsurance	12,476	12,593
Provisions net of reinsurance for business lines being settled in whole or partly as annuities:		
Workers' compensation insurance	6,033	6,112
Average period of settlement	7 years	6 years
Illness and accident insurance, administered by the life insurance business	2,248	2,507
Average period of settlement	13 years	13 years

## Notes to the financial statements • Group

(DKKm)

**Note 27. Provisions for claims - continued****Claims liabilities analysed by claims year**

<b>Gross</b>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
End of year	6,814	7,203	6,414	7,549	6,652	6,599	6,468	5,928	6,400	6,527	65,923
1 year later	6,834	7,347	6,439	7,755	6,715	6,685	6,448	6,043	6,568		
2 years later	6,952	7,282	6,455	7,771	6,691	6,592	6,367	6,059			
3 years later	6,926	7,274	6,402	7,742	6,646	6,589	6,346				
4 years later	6,865	7,209	6,321	7,646	6,472	6,547					
5 years later	6,810	7,160	6,303	7,571	6,376						
6 years later	6,770	7,118	6,229	7,478							
7 years later	6,761	7,029	6,215								
8 years later	6,736	7,028									
9 years later	6,779										
Less paid incl. inflation hedging	6,330	6,611	5,703	6,917	5,755	5,679	5,339	4,933	4,865	3,359	55,491
Provisions before discounting at 31 December	448	416	513	561	620	868	1,007	1,127	1,703	3,167	10,431
Discounting	(1)	0	0	0	0	0	0	1	1	3	5
	447	416	513	561	620	868	1,008	1,127	1,704	3,170	10,436
Provisions relating to previous years at 31 December											2,635
Gross provisions at 31 December 2019											13,071

**Net of reinsurance**

End of year	6,385	6,164	6,028	6,387	6,259	6,183	6,007	5,736	6,016	6,281	60,750
1 year later	6,433	6,268	6,098	6,461	6,301	6,270	6,027	5,832	6,175		
2 years later	6,564	6,218	6,115	6,476	6,288	6,190	5,942	5,855			
3 years later	6,553	6,205	6,066	6,449	6,242	6,179	5,924				
4 years later	6,509	6,151	5,990	6,354	6,069	6,097					
5 years later	6,450	6,103	5,972	6,279	5,964						
6 years later	6,411	6,065	5,898	6,179							
7 years later	6,402	5,976	5,886								
8 years later	6,377	5,970									
9 years later	6,420										
Less paid incl. inflation hedging	5,971	5,555	5,374	5,631	5,380	5,334	4,950	4,742	4,579	3,280	50,796
Provisions before discounting at 31 December	448	415	512	549	584	763	974	1,113	1,596	3,001	9,954
Discounting	(1)	0	0	0	0	0	0	1	1	3	4
	447	415	512	549	585	763	974	1,113	1,597	3,003	9,958
Provisions relating to previous years at 31 December											2,634
Provisions, net of reinsurance, at 31 December 2019											12,593
Reconciliation:											
Provisions for claims											13,071
Less reinsurers' share of provisions											(478)
Provisions, net of reinsurance, at 31 December 2019											12,593

**Composition of expected payments, net of reinsurance:**

Original payment	6,379	6,062	5,991	6,397	6,199	6,200	6,001	5,728	6,010	6,263	61,231
Loss / (gain) on settlement	(203)	(357)	(275)	(369)	(366)	(193)	(156)	44	91		(1,784)
Amortisation / revaluation workers' compensation and illness and accident	244	265	170	152	131	89	79	82	74	17	1,303
	6,420	5,970	5,886	6,179	5,964	6,097	5,924	5,855	6,175	6,281	60,750

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

## Notes to the financial statements • Group

(DKKm) 2018      2019

### Note 28. Technical basis for risk allowance and shadow account

Customers' share of technical basis for risk allowance	(378)	629
Share of technical basis for risk allowance allocated to shareholders' equity	58	139
Insurance technical result	(320)	767

The allocation of the technical basis for risk allowance to policyholders is in accordance with the executive order on the contribution principle.

Shadow account at 1 January	48	55
Depreciation	(6)	(5)
Provided	13	7
Shadow account at 31 December	55	57
Expected future recognition	0	1

### Note 29. Expenses

Expenses in the income statement presented by nature:

Staff costs (excl. commissions)	1,801	1,797
Executive Board	31	27
Board of Directors	0	0
Other staff costs	58	74
Commissions non-life	195	176
Commissions life	50	45
Premises costs etc.	142	148
IT operations and maintenance	246	313
Impairment and amortisation	72	114
Other expenses	538	600
Total expenses	3,135	3,295

### Note 30. Staff costs

Salaries	1,414	1,420
Pensions	235	238
Social security costs	35	37
Payroll tax	247	253
Share options	8	8
Employee shares	37	49
	1,975	2,005
Average number of full-time employees	2,324	2,299

### Share options

Topdanmark's share option scheme comprises the Executive Board and senior executives. The strike price has been fixed at 110% of the market price on the last trading date in the prior financial year (average of all trades). The options may be exercised 3-5 years subsequent to the granting. The scheme is settled by shares (equity instruments).

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

## Notes to the financial statements • Group

(DKKm)

### Note 30. Staff costs - continued

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

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

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a price of DKK 302.68 (2018: DKK 268.73) per share, an interest rate corresponding to the zero coupon rate based on the swap curve end of December the previous year, future volatility of 22% (2018: 22%) p.a. and a pattern of exercise similar to Topdanmark's previous granting of share options, resulting in an average life of the options of approximately 4 years. The volatility has been calculated on the basis of previous years' volatility, which continues to be Management's best estimate of future volatility. The stated strike prices for outstanding options are reduced by dividend distributions.

	2018	2019
Number of options which could be exercised on 31 December ('000)	163	106

### Employee shares

For the period November 2018 to October 2019, Topdanmark has allotted 163,870 shares at a value of DKK 49m for a salary cut. The annual costs amount to DKK 41m.

For the period November 2017 to October 2018, Topdanmark has allotted 115,060 shares at a value of DKK 36m for a salary cut. The annual costs amount to DKK 38m.

### Severance pay

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

## Notes to the financial statements • Group

(DKKm)

### Note 31. Related parties

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

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

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

#### Remuneration of the Board of Directors

Directors' fees adopted by the AGM were DKK 5.871m (2018: DKK 5.871m), of which DKK 5.582m (2018: DKK 5.582m) are concerning Topdanmark A/S. As the former Chairman of the Board of Directors has renounced a remuneration for attending in the Remuneration Committee, the director's fee amount to DKK 5.839m (2018: DKK 5.775m). The board counts nine members.

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

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

The Board of Directors solely receives a fixed remuneration.

#### Remuneration of the Executive Board

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

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

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

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

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

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

## Notes to the financial statements • Group

(DKKm)

### Note 31. Related parties - continued

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

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

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

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

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

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

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

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

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

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

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

#### Board of Directors

Ricard Wennerklint	2,000	2,000
Jens Aaløse	50	50
Elise Bundgaard	-	1,024
Anne Louise Eberhard	-	100
Mette Jensen	857	936
Petri Niemisvirta	500	500
Cristina Lage	-	450
Ole Lomholt Mortensen	-	1,794
Morten Thorsrud	-	500

#### Executive Board

Peter Hermann	821	821
Thomas Erichsen	-	1,319
Lars Thykier	450	450
Brian Rothemejer Jacobsen	450	450
At 31 December, Sampo plc held subordinated notes in Topdanmark Forsikring A/S	405	405
At 31 December, If P&C Insurance Ltd, a subsidiary in the Sampo Group, held subordinated notes in Topdanmark A/S	130	133



## Notes to the financial statements • Group

(DKKm) 2018      2019

### Note 31. Related parties - continued

#### Associates

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

Balances are disclosed in the balance sheet.

Trading takes place under normal market conditions.

#### Affiliates

Intercompany trade - parent company:

Share-based payments	10	10
Expense reimbursements	(32)	(31)
Dividend payments	1,700	1,300

Intercompany trade – other subsidiaries:

Asset management	135	150
Expense reimbursements	(6)	(7)

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

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

Balances are disclosed in the balance sheet.

### Note 32. Financial assets

#### Financial assets at fair value through profit and loss

Held for trading:

Equity investments	5,412	5,087
Unit trusts	6	6
Bonds	35,118	43,632
Derivatives	86	198
	40,623	48,924

Designated at fair value:

Deposits with credit institutions	4,380	2,745
Investment assets unit-linked products excl. property:		
Equity investments	14,560	21,588
Unit trusts	1,758	541
Bonds	11,265	13,078
	27,583	35,206

Designated at fair value, total

	31,964	37,951
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Total financial assets at fair value through profit and loss

72,587      86,875

#### Loans and receivables at amortised cost

Receivables from policyholders	262	265
Receivables from insurance companies	197	151
Receivables from affiliates	2	1
Other receivables	278	224
Liquid funds	249	545
Other	564	314
	1,552	1,500

Accrued interest and rent

310      388

**Total financial assets**

**74,449      88,763**

## Notes to the financial statements • Group

(DKKm)

**Note 32. Financial assets - continued****Financial assets at fair value**

	Quoted prices Level 1	Observable inputs Level 2	Non- observable inputs Level 3	Total
<b>2018</b>				
<b>Held for trading:</b>				
Equity investments	3,984	1,428		5,412
Unit trusts		6		6
Bonds	29,545	5,189	384	35,118
Derivatives		86		86
<b>Designated at fair value:</b>				
Deposits with credit institutions		4,380		4,380
Equity investments	14,555	5		14,560
Unit trusts		1,758		1,758
Bonds	4,803	6,377	85	11,265
Investment assets related to unit-linked products	19,358	8,140	85	27,583
<b>Total financial assets at fair value</b>	<b>52,887</b>	<b>19,231</b>	<b>469</b>	<b>72,587</b>

**2019**

<b>Held for trading:</b>				
Equity investments	3,610	1,477		5,087
Unit trusts		6		6
Bonds	39,583	3,717	332	43,632
Derivatives		198		198
<b>Designated at fair value:</b>				
Deposits with credit institutions		2,745		2,745
Equity investments	21,588	0		21,588
Unit trusts		541		541
Bonds	6,366	6,672	39	13,078
Investment assets related to unit-linked products	27,954	7,213	39	35,206
<b>Total financial assets at fair value</b>	<b>71,148</b>	<b>15,357</b>	<b>371</b>	<b>86,875</b>

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

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

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

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

Allowance account (policyholders and insurance companies):

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

Group companies have agreed to lend equities against security:

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

Outline of equity investments can be obtained on application.

## Notes to the financial statements • Group

(DKKm)	2018	2019
<b>Note 33. Financial liabilities</b>		
<b>Financial liabilities at fair value through profit and loss</b>		
Held for trading:		
Derivatives	703	679
Designated at fair value:		
Amounts due to credit institutions	242	155
Total financial liabilities at fair value (observable inputs level 2)	946	835
<b>Financial liabilities at amortised cost</b>		
Other subordinated loan capital	1,348	1,349
Deposits received from reinsurers	81	69
Debt relating to direct insurance operations	373	194
Debt relating to reinsurance operations	18	26
Amounts due to affiliates	619	833
Current tax liabilities	1	0
Other debt	923	1,854
Total financial liabilities at amortised cost	3,363	4,326
<b>Total financial liabilities</b>	<b>4,309</b>	<b>5,161</b>

	Other subordinated loan capital	Amounts due to credit institutions
<b>Liabilities concerning financing activities</b>		
Beginning 2018	1,347	43
<i>Cash flow from financing</i>		
Redemption/net change	0	199
<i>Other changes</i>		
Amortisation	1	0
End 2018	1,348	242
<i>Cash flow from financing</i>		
Redemption/net change	0	(87)
<i>Other changes</i>		
Amortisation	1	0
End 2019	1,349	155

**Note 34. Collateral relating to financial assets and liabilities**

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

**Note 35. Sale of affiliate**

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

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

## Notes to the financial statements • Group

(DKKm)

### Note 36. Analysis of assets and their return - life insurance

Assets related to with-profit products	Carrying value		Return (%)*
	1 January	31 December	
Land and buildings	3,899	3,622	10.5
Listed equity investments	3,172	2,684	30.9
Unlisted equity investments	1,176	1,198	3.7
Total equity investments	4,349	3,883	23.2
Government and mortgage bonds	12,760	15,015	0.4
Index-linked bonds	937	951	7.2
Credit bonds and emerging market bonds	1,823	1,499	6.1
Total bonds	15,520	17,464	1.3
Associates	423	311	6.0
Other investment assets	(476)	(1,260)	0.0
Derivatives to hedge against the net change in assets and liabilities	(101)	77	

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

### Assets related to unit-linked products

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

Assets related to unit-linked products do not include assets chosen by policy holders.

When calculating yield rates, the return of derivatives is allocated in proportion to the exposure in the underlying asset.

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

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

### Note 37. Return and risk - unit-linked products

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

## Notes to the financial statements • Group

(DKKm) 2018 2019

### Note 38. Collateral

The Group's insurance companies have registered the following assets as security for technical provisions:

Equity investments in associates	564	414
Equity investments	4,661	2,682
Bonds	34,222	28,396
Deposits with credit institutions	3,450	400
Investment assets related to unit-linked products	27,890	36,104
Liquid funds	173	0
Accrued interest	303	295
Equity investments in and receivables from affiliates eliminated in the consolidated accounts	6,541	6,275
Registered assets	77,803	74,567

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

### Note 39. Contingent liabilities

Contract liabilities	398	0
Adjustments to VAT liabilities	104	134
Other liabilities	16	4
Capital commitments made to loan funds and private equity funds etc.	609	398

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

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

### Note 40. Group companies

Name	Registered office	Activity
<b>Topdanmark Forsikring A/S</b>	Ballerup	Insurance
<b>Non-life:</b>		
TDP.0007 A/S	Ballerup	Property
Topdanmark EDB A/S	Ballerup	IT services
Topdanmark EDB IV ApS	Ballerup	IT services
E. & G. Business Holding A/S	Ballerup	Holding
Topdanmark Holding S.A.	Luxembourg	Holding
Risk & Insurance Services S.A.	Luxembourg	Administration
<b>Life:</b>		
Topdanmark Liv Holding A/S	Ballerup	Holding
Topdanmark Livsforsikring A/S	Ballerup	Insurance
Topdanmark EDB II ApS	Ballerup	IT services
Topdanmark Ejendom A/S	Ballerup	Property
TDE.201 ApS	Ballerup	Property
Bygmestervej ApS	Ballerup	Property

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

### Note 41. Other disclosures

The five-year summary, in accordance with Section 91(a) of the Danish Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds is shown on page 3. Sensitivity information according to Section 126 is part of "Risk Scenarios" in Management's review page 10.

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

## Notes to the financial statements • Group

### Note 42. Risk factors

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

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

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

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

<b>Counterparty</b>		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
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.

<b>Operational risks</b>		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
IT  Errors in internal processes, human errors, insurance fraud and deceit.	Generally, operational risks are to be reduced to an acceptable level.	Group IT security function.  Risk assessment, Information security policy, prioritisation of risks, guidelines, controls and IT Emergency plans based on ISO27001.  IT Security Committee/Cyber Security Board.  Policy for routines, process descriptions, controls and division of duties.  Special department for insurance fraud and deceit.  Event register.  Digitalisation/automation.

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

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

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

## Non-life insurance

### Underwriting risk

#### Acceptance policy

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

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

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

#### Follow-up policy

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

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

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

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

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

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

### Claims handling

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

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

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

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

### Efficient management of claims incurred

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

- Promptness
- Better claims procurement
- Quality.

#### Promptness

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

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

#### Better claims procurement

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

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

#### Quality

Topdanmark Forsikring has developed routines for all major claims processes to ensure that they are handled in a uniform and controlled manner. These are supplemented by rules governing the level of professional



and financial competence expected of each of the employees in the claims department.

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

#### **Claims handling supported by Topdanmark Forsikring's claims handling system**

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

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

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

#### **Contingency plan**

Topdanmark Forsikring has a contingency plan to ensure that prompt, correct and targeted action is taken on a major weather event such as storm, hurricane, cloudburst or flood. The contingency programme consists of several levels, and this enables a proportional response depending on the size of the event.

Composition of Topdanmark Forsikring's overall provisions for outstanding claims:

Distribution of provisions for outstanding claims	2018		2019	
	%	Duration	%	Duration
Short-tail	12	1	12	1
Annuity provisions in workers' compensation	24	11	27	11
Other claims provisions in workers' compensation	24	3	22	2
Accident	27	4	29	4
Motor personal liability	9	2	7	2
Commercial liability	3	2	4	2

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

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

Topdanmark Forsikring has appointed emergency helpers throughout the company whose claims handling knowledge is regularly kept up-to-date by training targeted at the knowledge level of the individual emergency helper. Furthermore, automation technology and robot processes are being implemented on an ongoing basis in order to improve the scalability of the contingency programme.

#### **Loss prevention and loss limitation**

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

#### **Provisioning risk**

##### **Provisions for outstanding claims**

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

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

Market Insurance which awards compensation for injury and loss of earnings potential in all cases of serious industrial injuries. The exposure to industrial injuries has been reduced substantially over the past five years.

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

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

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

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

### **Provisions for unearned premiums**

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

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

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

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

### **Catastrophe risks**

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

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

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

### **Fire**

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

### **Terror**

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

The national Danish pool for NBCR (nuclear, biological, chemical, radiological) risks has been closed per 1 July 2019. The NBCR terror risks are by 1 July 2019 covered by a public organisation financed by fees on insurance covers if a claims event take place. This is according to a new Act on NBCR terror in force by 1 July 2019.

### **Workers' compensation**

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

### **Cumulative risk**

Known cumulative risk is where it has been recognised prior to the event that several policyholders could be affected by the same event. In personal lines, Topdanmark Forsikring's retention is DKK 15m for the first claim, DKK 5m for the second and DKK 15m for any third or subsequent risk. The retention is a maximum of DKK 25m in the SME line. Unknown cumulative risk is where several policyholders could be affected by the same individual event (conflagration damage) without the common risk being recognised prior to the event occurring. The retention is a maximum of DKK 50m.

### **Life insurance**

#### **Loss absorbing buffers in the event of low interest rates**

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

Low interest rates mean that the market value of the guarantees granted is high, and that the related bonus potential is low. The lower the bonus potential, the higher the risk of any losses being wholly or partially born by shareholder's equity. If interest rates are high, the same losses could, to a larger degree, be absorbed by the bonus potential.

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

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

### **Disability**

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

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

### **Lifetime**

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

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

### **Market**

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

The limits for these financial risks are set by Topdanmark 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.

<b>Market risks</b>	<b>Risk reducing activities</b>
<p><b>Interest rate risk</b> Topdanmark Forsikring is exposed to 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 swaps and standard swaptions will be bought as required.</p>
<p><b>Equity risk</b> Topdanmark Forsikring is exposed to 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><b>Property risk</b> Topdanmark Forsikring is exposed to 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><b>Credit Spread risk</b> Topdanmark Forsikring is exposed to 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><b>Concentration risk</b> 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><b>Currency risk</b> Topdanmark Forsikring's currency risk relates in practice only to investments.</p>	<p>The currency risk is alleviated by derivatives.</p>
<p><b>Inflation risk</b> 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><b>Liquidity risk</b> 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 the Group's insurance companies are primarily technical provisions on which the payment

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

Expected cash flows (DKKm)	Carrying amount	Cash flows years					
		1	2-6	7-16	17-26	27-36	>36
Provisions for claims							
2018	13,003	3,897	5,494	2,825	1,130	512	90
2019	13,071	3,801	5,310	2,790	1,059	461	9
Life insurance provisions with-profit							
2018	23,134	2,571	7,024	10,200	4,620	1,453	429
2019	23,618	2,066	7,557	9,685	4,035	1,190	310
Bond portfolio including interest derivatives							
2018	32,575	14,471	10,119	10,313	1,123	0	0
2019	41,411	13,115	20,322	13,571	4,470	0	0

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

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

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

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

Generally, there are no maturity concentrations on derivative contracts.

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

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

## Counterparty risk

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

## Reinsurance

Within insurance the reinsurance companies' ability to pay is the most important risk factor. Topdanmark Forsikring minimises this risk by spreading and primarily buying

reinsurance cover from reinsurance companies with a minimum rating of A-. Accordingly, almost 100% of its storm cover has been placed with such reinsurance companies.

## Investment

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

Interest-bearing assets by rating (%)	2018	2019
>A+	76	82
A+, A, A-	4	7
BBB+, BBB, BBB-	0	0
<BBB-	11	9
Money market deposits	9	2

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

## Operational risk

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

Topdanmark 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

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

### Risk assessment

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

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

### Cyber-crime risk

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

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

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

Outsourcing is increasingly used in Topdanmark Forsikring. As a consequence, 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 Cyber Crime.

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

### IT emergency plan

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

### Accessibility

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

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

### Digitisation/automation

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

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

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

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

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

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

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

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

#### **Internal Audit**

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

#### **Central Claims**

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

#### **Event register**

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

### **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 violation of rules and the losses this might cause Topdanmark Forsikring and Topdanmark Forsikring's customers. Such losses can be direct financial losses or indirect losses in the form of sanctions or bad publicity as a consequence of not acting in accordance with the rules.

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

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

### **Compliance Function's work**

The Compliance Function is intended to:

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

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

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

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

#### **Event register**

The Compliance Function administers Topdanmark Forsikring's event register.

## Notes to the financial statements • Group

### Note 43. Accounting policies

Topdanmark Forsikring Group's 2019 Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional Danish disclosure requirements of the Danish Financial Business Act on annual reports prepared by listed financial services companies.

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

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

#### *Change of accounting estimates*

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

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

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

### Future accounting standards

#### *IFRS*

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

IFRS 9 "Financial instruments" came into force on 1 January 2018. However, under certain circumstances, insurance groups may postpone IFRS 9 to 2022 at the time where IFRS 17 "Insurance contracts" will come into force. However, IFRS 17 has not yet been adopted by the EU.

The Topdanmark Forsikring Group meets the conditions for postponement given that the Group has not previously

implemented IFRS 9-standards and since provisions for insurance and investment contracts represent more than 90% of the total liabilities.

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

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

#### *IFRS 17 "Insurance Contracts"*

This standard defines the principles for recognition and measurement of insurance contracts. IFRS 17 is expected to come into force on 1 January 2022. However, the standard has not yet been adopted by the EU. Topdanmark Forsikring has initiated an analysis of the standard. The financial effect has not yet been clarified.

### 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 investment properties.

### Provisions for outstanding claims

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

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



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

### **Premium provisions**

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

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

### **Life insurance provisions**

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

### **Investment properties**

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

## **General**

### **Consolidated financial statements**

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

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

### **Consolidation**

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

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

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

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

### **Recognition and measurement**

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

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

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

adjusted for direct expenses on the acquisition or issue of the financial instrument.

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

### Measurement of fair value

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

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

#### Level 1

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

#### Level 2

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

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

#### Level 3

In certain cases, the valuation cannot be based on publicly available market information alone. In these cases, valuation models that could imply the use of estimates of both the future and the nature of the current market situation are used. The accounting policies for measurement of properties, which are the most significant assets of level 3, are described below under "Owner-occupied properties" and "Investment properties" respectively.

### Insurance and investment contracts – classification

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

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

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

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

### Currency

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

The initial recognition of transactions in currencies other than DKK is made at the exchange rates prevailing at the date of the transactions. Debts and receivables, and other monetary items which have not been settled on the financial position date, are translated at the closing exchange rates. Translation differences are recognised in Revaluations in the Income Statement.

### Expenses

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

### Share options

The Executive Board and Senior Executives participate in the Topdanmark Group's share option scheme.

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

### Employee shares

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

## Calculation of profit in life insurance

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

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

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

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

The risk return is transferred to shareholders' equity if it can be covered by collective bonus potentials before recognition of profit margin.

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

## Segment information

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

**Private** offers insurance policies to individual households in Denmark.

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

**Life insurance** is the third business segment.

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

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

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

## Cash flow statement

The cash flow statement for the Group has been prepared

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

## Income statement

### Premiums earned

Gross premiums in non-life insurance comprise those premiums which are due within the financial year.

Premiums earned net of reinsurance are being recognised in line with the distribution of risk over the period of cover. For onerous insurance contracts, the expected loss is included when the contracts are underwritten or when the contracts become onerous.

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

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

### Allocated investment return net of reinsurance in life insurance

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

### Pension return tax

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

The tax rate is 15.3%.

### Claims incurred and benefits paid

Claims incurred in non-life insurance comprise claims relating to the year as well as any adjustments to the claims provided for the year before. Furthermore, claims incurred comprise direct and indirect expenses on claims handling. The effect on change in provisions for

outstanding claims due to amortisation and revaluation is transferred to Return and revaluations non-life insurance provisions. Revaluation of derivatives partially hedging the provisions for workers' compensation and annuities in illness and accident insurance against changes in future wage and price indexation is included in claims incurred.

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

### **Bonuses and rebates**

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

### **Operating expenses**

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

### **Investment return**

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

### **Return and revaluation of non-life insurance provisions**

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

### **Other income and expenses**

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

### **Taxation**

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

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

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

### **Assets**

#### **Intangible assets**

Goodwill relates to the acquisition of companies prior to 2004 and is recognised at the carrying amount on the date of transition to IFRS. Goodwill is not amortised but subjected to an impairment test at the end of the financial year and written down to a lower recoverable amount.

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

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

#### **Tangible assets**

##### **Operating equipment**

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

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

### **Owner-occupied properties**

Owner-occupied properties are those properties used for the Group's own operations. The properties are measured at a revalued amount being the fair value on the date of revaluation. The properties are reviewed and assessed annually by the Group's own valuers. No external valuers have been involved. The buildings are depreciated on a straight-line basis, given an expected life of 50 years and an annually re-assessed residual value. Land is not depreciated. The fair value of the revaluation of owner-occupied properties is assessed on the same basis as investment properties. Any revaluation surplus is included in other comprehensive income unless the revaluation is a reversal of a previous impairment. Impairments are included in the income statement unless the impairment is a reversal of previous revaluation included in other comprehensive income.

### **Investment properties**

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

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

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

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

Market trends and the rates of return of the market are regularly analysed. Each property is assessed annually

by the Group's own valuers. No external valuers have been involved.

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

### **Associates**

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

Equity investments in associates are measured 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 either are included in a trading portfolio, are derivatives or at their first recognition are designated in this classification, because the assets are managed and measured on a fair value basis, or because this eliminates or significantly reduces accounting inconsistency.

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

### **Receivables at amortised cost**

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

### **Reinsurers' share**

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

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

## Shareholders' equity

### Revaluation reserves

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

### Security fund reserves

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

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

### Other reserves

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

### Proposed dividend

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

## Liabilities

### Other subordinated loan capital

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

### Provisions for insurance and investment contracts

#### Provisions for unearned premiums

Premium provisions are calculated at present value of best estimate of expected payments of future insurance events covered by insurance contracts concluded. Topdanmark Forsikring's insurance contracts are mostly written for a 1-year period.

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

Premium provisions are calculated based on the prognosis for combined ratio for the next 12 months. The prognosis is based on analyses of the trend in premiums, claims and expenses and for change of ownership also statistical analyses of trend in claims notification in relation to the time the insurance contracts were written.

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

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

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

### Profit margin on non-life insurance contracts

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

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

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

Changes in the present value of the expected payments due to changes in the interest rate curve and amortisation of the profit margin during the period of cover of the insurance contracts, are transferred to "Return and revaluation non-life insurance provisions".

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

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

### Life insurance provisions

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

and administrative expenses incurred on the contracts written.

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

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

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

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

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

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

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

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

Best estimate for unguaranteed benefits is calculated at contribution group level as the group's collective bonus potential adjusted for risk allowance and positive values

of the difference between, on the one hand, the accumulation of the insurance contracts (retrospective provisions) and on the other hand, best estimate of guaranteed benefits of these insurance contracts.

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

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

### Profit margin on life insurance and investment contracts

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

### Claims provisions

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

Claims provisions are assessed for each line of business, either on a claim-by-claim basis (individual provisions), or by using statistical methods (collective as well as incurred but not reported (IBNR) and incurred but not enough reported (IBNER) provisions). Claims exceeding a fixed amount, dependent on the line of business, are assessed individually, and provisions for smaller claims are assessed collectively. IBNR provisions cover expenses on post-notified large claims. IBNER provisions cover extra expenses on already reported claims for which the individually assessed provisions are not sufficient due to, for example, inadequate information at the time of assessment. The collective provisions are calculated using de Vylder's credibility model adjusted for each line of business. The IBNR and IBNER provisions are calculated using models developed in-house. In agricultural and commercial lines, claims are assessed individually. IBNR and IBNER provisions are also included in the total provision. In personal lines, claims not exceeding DKK 100,000 are assessed collectively while larger claims and all claims on change of ownership policies are assessed individually. IBNR and IBNER provisions are also included in the total provision. In motor and accident lines, total provisions comprise the

sum of the collective and individual provisions. Individual provisions are the result of an assessment where the claims handler has assessed the total claim payment to exceed DKK 1.5m, and the case is estimated to exceed the amount paid out. Large claims and claims relating to previous years are individually assessed within personal liability in motor insurance.

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

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

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

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

Provisions for claims already incurred for disability in illness and accident insurance are calculated using an in-house statistical model that is based on the relationship between the possibility of resumption of work and the period passed since the occurrence of the claim.

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

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

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

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

The provisions are regularly tested for impairment.

#### **Risk margin for non-life insurance contracts**

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

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

#### **Provisions for bonuses and rebates**

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

#### **Other liabilities**

##### **Provisions for pensions and similar liabilities**

Provisions for anniversary bonuses and retirement benefits are built up on an on-going basis over the period of employment. The liability is calculated taking into account the expected level of staff reduction based on the Company's experience. The liability is measured at present value by discounting the expected future payments using the interest rate structure.

##### **Corporation tax and deferred tax**

Current tax liabilities and tax receivable, including joint tax contributions, are included in the balance sheet as calculated tax on taxable income for the year adjusted for tax on previous years' taxable income and prepaid tax on



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

Deferred tax on security funds comprises deferred tax on untaxed amounts transferred to the security funds under shareholders' equity. The security funds will be taxed in the proportion of 10% for every 10pp decline in technical provisions net of reinsurance from the level at

31 December 1994. A decline of 10% from the 1994 level is considered improbable as long as Topdanmark Forsikring, in which the transfers were made, continues its current operations. Therefore, the security funds will only be taxed if the insurance portfolio is transferred or the company ceases to conduct insurance business.

**Deposits received from reinsurers**

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

**Debt**

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

Other loans are measured at amortised cost.

## Ratios

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

### Non-life insurance ratios

#### Gross loss ratio

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

#### Net reinsurance ratio

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

#### Gross expense ratio

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

#### Combined ratio

Gross loss ratio + net reinsurance ratio + gross expense ratio

#### Relative run-off, net of reinsurance (%)

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

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

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

### Life insurance ratios

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

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

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

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

#### Risk on return related to unit-linked products

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

#### Expense ratio of provisions (%)

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

#### Cost per policyholder (DKK)

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

#### Return on shareholders' equity (%)

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

**Income statement • Parent company**

(DKKm)	Note	2018	2019
Gross premiums written	1	8,642	8,920
Ceded reinsurance premiums		(615)	(606)
Change in the provisions for unearned premiums	1	63	69
Change in profit margin and risk margin	1	(42)	(32)
Change in the reinsurers' share of the provisions for unearned premiums		10	4
<b>Premiums earned, net of reinsurance</b>		<b>8,058</b>	<b>8,356</b>
Claims paid		(5,510)	(6,025)
Reinsurance cover received		346	323
Change in the provisions for claims		(130)	483
Change in risk margin		34	18
Change in reinsurers' share of the provisions for claims		69	(25)
<b>Claims incurred, net of reinsurance</b>	2	<b>(5,190)</b>	<b>(5,226)</b>
<b>Bonuses and rebates</b>		<b>(53)</b>	<b>(61)</b>
Acquisition costs	3	(986)	(988)
Administrative expenses		(655)	(689)
Intra-group reimbursements		207	208
Reinsurance commission and share of profits		78	76
<b>Insurance operating expenses, net of reinsurance</b>		<b>(1,356)</b>	<b>(1,393)</b>
<b>TECHNICAL RESULT</b>	4	<b>1,458</b>	<b>1,676</b>
Income from affiliates	5	244	146
Income from associates		3	5
Interest income and dividends etc.		289	346
Revaluations	6	(271)	232
Interest charges		(51)	(46)
Expenses on investment activities		(31)	(35)
<b>Total investment return</b>		<b>182</b>	<b>649</b>
Return and revaluations of non-life insurance provisions	7	(67)	(443)
<b>INVESTMENT RETURN AFTER RETURN AND REVALUATIONS OF TECHNICAL PROVISIONS</b>		<b>115</b>	<b>206</b>
Other income	8	18	14
Other expenses		(12)	(12)
<b>PRE-TAX PROFIT</b>		<b>1,579</b>	<b>1,884</b>
Taxation	9	(290)	(384)
<b>PROFIT FOR THE YEAR</b>		<b>1,289</b>	<b>1,501</b>
Proposed appropriation of profit for the year:			
Dividend		1,300	1,500
Transfer to net revaluation reserve at net asset value		247	140
Transfer from profit carried forward		(258)	(139)
		1,289	1,501

**Statement of comprehensive income**

Profit for the year	1,289	1,501
Other comprehensive income from affiliates	1	(14)
Other comprehensive income	1	(14)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,290</b>	<b>1,487</b>

**Assets • Parent company**

(DKKm)	Note	2018	2019
<b>INTANGIBLE ASSETS</b>	10	441	473
Operating equipment		20	16
<b>TOTAL TANGIBLE ASSETS</b>	11	20	16
Equity investments in affiliates	12	3,111	3,250
Loans to affiliates		300	300
Equity investments in associates	13	63	67
Total investment in affiliates and associates		3,474	3,617
Equity investments	14	1,010	1,185
Unit trusts		1	2
Bonds		12,980	14,694
Deposits with credit institutions		1,926	946
Derivatives		32	37
Total other financial investment assets		15,949	16,864
<b>TOTAL INVESTMENT ASSETS</b>		19,423	20,481
Reinsurers' share of the provisions for unearned premiums	15	92	95
Reinsurers' share of the provisions for claims	16	439	417
Total reinsurers' share of provisions		531	512
Receivables from policyholders		173	207
Receivables from insurance companies		144	134
Receivables from affiliates		2,186	2,236
Other receivables		192	116
<b>TOTAL RECEIVABLES</b>		3,226	3,205
Deferred tax assets	17	17	17
Liquid funds		49	33
Other		70	51
<b>TOTAL OTHER ASSETS</b>		136	101
Accrued interest and rent		74	88
Other prepayments and accrued income		92	81
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>		166	170
<b>TOTAL ASSETS</b>		23,413	24,446

**Shareholders' equity and liabilities • Parent company**

(DKKm)	Note	2018	2019
Share capital	18	101	101
Revaluation reserve		2,073	2,205
Security fund		1,452	1,452
Total reserves		1,452	1,452
Profit carried forward		1,106	1,011
Proposed dividend		1,300	1,500
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>6,033</b>	<b>6,269</b>
<b>OTHER SUBORDINATED LOAN CAPITAL</b>	19	1,348	1,349
Provisions for unearned premiums	20	1,750	1,688
Profit margin, non-life insurance contracts	20	807	838
Provisions for claims	21	10,667	10,504
Risk margin, non-life insurance contracts		243	219
Provisions for bonuses and rebates		136	159
<b>TOTAL PROVISIONS FOR INSURANCE CONTRACTS</b>		<b>13,603</b>	<b>13,407</b>
Pensions and similar commitments		24	27
<b>TOTAL PROVISIONS</b>		<b>24</b>	<b>27</b>
Debt relating to direct insurance operations		21	17
Debt relating to reinsurance operations		16	25
Amounts due to credit institutions		237	34
Amounts due to affiliates		1,169	2,184
Derivatives		322	426
Other debt		597	654
<b>TOTAL DEBT</b>		<b>2,362</b>	<b>3,340</b>
<b>ACCRUALS AND DEFERRED INCOME</b>		<b>43</b>	<b>54</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>23,413</b>	<b>24,446</b>

## Statement of changes in equity • Parent company

(DKKm)

	Share capital	Revaluation reserve	Security fund	Profit carried forward	Proposed dividend	Total
<b>2018</b>						
Shareholders' equity at 31 December previous year	101	1,821	1,452	1,329	1,700	6,403
Profit for the year		247		(258)	1,300	1,289
Other comprehensive income		1				1
Total comprehensive income for the year		248		(258)	1,300	1,290
Dividend paid					(1,700)	(1,700)
Capital contribution from the Group (employee shares)				33		33
Taxation				2		2
Equity movements in affiliates		5				5
Other transactions		5		35	(1,700)	(1,660)
<b>Shareholder's equity at 31 December 2018</b>	<b>101</b>	<b>2,073</b>	<b>1,452</b>	<b>1,106</b>	<b>1,300</b>	<b>6,033</b>
<b>2019</b>						
Shareholders' equity at 31 December previous year	101	2,073	1,452	1,106	1,300	6,033
Profit for the year		140		(139)	1,500	1,501
Other comprehensive income		(14)				(14)
Total comprehensive income for the year		126		(139)	1,500	1,487
Dividend paid					(1,300)	(1,300)
Capital contribution from the Group (employee shares)				44		44
Taxation				(1)		(1)
Equity movements in affiliates		5		1		6
Other transactions		5		44	(1,300)	(1,251)
<b>Shareholder's equity at 31 December 2019</b>	<b>101</b>	<b>2,205</b>	<b>1,452</b>	<b>1,011</b>	<b>1,500</b>	<b>6,269</b>

## Notes to the financial statements • Parent company

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Equity investments	14
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## Notes to the financial statements • Parent company

(DKKm)	2018	2019
<b>Note 1. Gross premiums earned</b>		
Gross premiums written	8,642	8,920
Change in provisions for unearned premiums	63	69
Change in profit margin and risk margin	(42)	(32)
<b>Gross premiums earned</b>	<b>8,662</b>	<b>8,958</b>
Gross premiums earned, direct business, by location of the risk:		
Denmark	8,658	8,954
Other EU-countries	3	3
Other countries	1	1
	8,662	8,958

**Note 2. Claims incurred, net of reinsurance**

Run-off result:		
Gross business	169	325
Reinsurance ceded	33	52
Run-off result, net of reinsurance (profit)	201	377
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		
	(99)	(126)

**Note 3. Acquisition costs**

Commissions for directly written insurance policies	190	171
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**Note 4. Technical result**

	2018	2019	2018	2019
			Workers'	
	Illness and accident		compensation	
Gross premiums written	922	954	652	731
Gross premiums earned	909	952	652	705
Claims incurred	(508)	(546)	(560)	(405)
Bonuses and rebates	(3)	(3)	(4)	(6)
Gross operating expenses	(145)	(153)	(81)	(81)
Net reinsurance	(3)	(2)	2	29
Technical result	248	247	8	242
Gross loss ratio	56.2	57.6	86.4	58.0
Run-off result, net of reinsurance	43	41	(2)	211
Claims provisions, net of reinsurance	1,161	1,114	6,033	6,112
Number of claims incurred ('000)	24	26	7	7
Average value of claim (DKK '000)	23	23	83	87
Frequency of claims (per thousand value)	24	25	119	124



## Notes to the financial statements • Parent company

(DKKm)

<b>Note 4. Technical result - continued</b>	2018	2019	2018	2019	2018	2019
		Motor third-party liability		Motor own damage	Fire and property Private	
Gross premiums written	650	647	1,438	1,505	1,934	1,920
Gross premiums earned	684	671	1,447	1,495	1,939	1,948
Claims incurred	(415)	(329)	(878)	(923)	(1,301)	(1,420)
Bonuses and rebates	(2)	(2)	(5)	(4)	(6)	(6)
Gross operating expenses	(124)	(131)	(224)	(245)	(314)	(296)
Net reinsurance	(1)	(3)	(9)	(3)	(73)	(54)
Technical result	143	205	331	320	246	172
Gross loss ratio	60.8	49.3	60.9	61.9	67.3	73.1
Run-off result, net of reinsurance	124	211	0	(1)	(28)	(28)
Claims provisions, net of reinsurance	1,226	1,014	139	145	605	631
Number of claims incurred ('000)	25	24	101	104	87	88
Average value of claim (DKK '000)	22	22	9	9	15	16
Frequency of claims (per thousand value)	43	42	199	204	128	132
		Fire and property SME		Change of ownership	Liability	
Gross premiums written	1,859	1,943	92	69	433	471
Gross premiums earned	1,875	1,932	86	105	441	459
Claims incurred	(1,272)	(1,093)	(47)	(52)	(206)	(331)
Bonuses and rebates	(24)	(19)	(0)	0	(3)	(6)
Gross operating expenses	(360)	(372)	(13)	(8)	(69)	(66)
Net reinsurance	1	(202)	0	0	(27)	13
Technical result	221	233	26	46	135	69
Gross loss ratio	68.7	57.1	55.1	48.9	47.1	73.0
Run-off profits, net of reinsurance	13	(3)	18	7	12	(65)
Claims provisions, net of reinsurance	481	484	57	51	414	445
Number of claims incurred ('000)	22	23	3	2	10	10
Average value of claim (DKK '000)	56	47	25	23	23	24
Frequency of claims (per thousand value)	114	117	72	104	92	86
		Tourist assistance		Other insurance	Total	
Gross premiums written	244	251	420	431	8,642	8,920
Gross premiums earned	241	253	389	438	8,662	8,958
Claims incurred	(163)	(171)	(256)	(254)	(5,606)	(5,525)
Bonuses and rebates	(1)	(1)	(6)	(15)	(53)	(61)
Gross operating expenses	(37)	(40)	(68)	(77)	(1,435)	(1,469)
Net reinsurance	0	0	(0)	(4)	(111)	(227)
Technical result	41	42	59	88	1,458	1,676
Gross loss ratio	67.7	67.7	66.9	60.0	65.1	62.1
Run-off profits, net of reinsurance	13	1	8	5	201	377
Claims provisions, net of reinsurance	36	37	75	53	10,228	10,086
Number of claims incurred ('000)	18	18	84	81	381	383
Average value of claim (DKK '000)	10	10	3	3	15	15
Frequency of claims (per thousand value)	85	83	204	195	100	101

## Notes to the financial statements • Parent company

(DKKm)	2018	2019
<b>Note 5. Income from affiliates</b>		
Topdanmark Liv Holding A/S	210	64
Topdanmark EDB A/S	2	2
TDP.0007 A/S	32	82
Other	(0)	(2)
<b>Income from affiliates</b>	<b>244</b>	<b>146</b>
<b>Note 6. Revaluations</b>		
Equity investments	(85)	231
Bonds	(159)	(60)
Derivatives	(28)	66
Other	(0)	(5)
<b>Revaluations</b>	<b>(271)</b>	<b>232</b>
<b>Note 7. Return and revaluations of non-life insurance provisions</b>		
<b>Amortisation</b>		
Provisions for unearned premiums and profit margin	(3)	12
Reinsurers' share of provisions for unearned premiums	0	(1)
Provisions for claims	(79)	(25)
Risk margin	(1)	(0)
Reinsurers' share of the provisions for claims	1	(0)
	(82)	(15)
<b>Revaluation</b>		
Provisions for unearned premiums and profit margin	1	(5)
Provisions for claims	13	(420)
Risk margin	0	(6)
Reinsurers' share of the provisions for claims	(1)	4
	14	(428)
<b>Return and revaluations of non-life insurance provisions</b>	<b>(67)</b>	<b>(443)</b>
<b>Note 8. Other income</b>		
Brokerage	7	6
Other	11	8
<b>Other income</b>	<b>18</b>	<b>14</b>
<b>Note 9. Taxation</b>		
Current tax	298	385
Change in deferred tax	(3)	(0)
Prior year adjustment	(7)	(0)
Tax for the year	288	385
Tax in shareholders' equity	2	(1)
<b>Tax in the income statement</b>	<b>290</b>	<b>384</b>
Pre-tax profit excl. income from affiliates	1,335	1,738
Calculated tax on profit for the year, 22%	294	382
Adjusted for the tax effect of:		
Non-deductible expenses	4	1
Prior year adjustment	(7)	0
	290	384
<b>Effective tax rate</b>	<b>21.7</b>	<b>22.1</b>

## Notes to the financial statements • Parent company

(DKKm)

### Note 10. Intangible assets

	Goodwill	Developm't project under con- struction	Total
<b>2018</b>			
Cost at 1 January	441	0	441
Cost at 31 December	441	0	441
<b>Intangible assets 2018</b>	441	0	441
<b>2019</b>			
Cost at 1 January	441	0	441
Purchased	0	31	31
Cost at 31 December	441	31	473
<b>Intangible assets 2019</b>	441	31	473

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

Goodwill:

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

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

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

Primary assumptions:

The calculation of premiums earned is based on the insurance portfolio adjusted to reflect the expected effect of business decisions and market development. The portfolio is indexed with the wage and salary index. Claims incurred are based on the current levels adjusted to reflect the normalised level of weather and large-scale claims. Furthermore, in general, the expected development in the level of claims and the effect of loss prevention activities are included. The levels of claims are adjusted to reflect the expected inflation. Expenses are calculated by projecting the expenditure base by the expected changes in activities and pay increases obtained through collective agreement, changes in taxes and duties etc. The reinsurance result is calculated in accordance with the current reinsurance programme and adjusted to reflect known and expected changes in prices and the size of cover. The calculation of the terminal value includes a growth rate of 0% (2018: 0%).

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

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

Development projects:

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

<b>Note 11. Tangible assets</b>	2018	2019
Cost at 1 January	47	46
Additions, improvements	8	6
Disposals	(9)	(12)
Cost at 31 December	46	40
Impairment and amortisation at 1 January	(24)	(25)
Amortisation for the year	(5)	(4)
Reversal of total impairment and amortisation of assets sold or withdrawn from operations during the year	4	6
Impairment and amortisation at 31 December	(25)	(23)
<b>Tangible assets</b>	20	16

### Note 12. Equity investments in affiliates

Topdanmark Liv Holding A/S	2,203	2,272
Topdanmark EDB A/S	282	284
TDP.0007 A/S	572	640
Topdanmark EDB IV ApS	5	5
Topdanmark Holding S.A.	50	48
<b>Equity investments in affiliates</b>	3,111	3,250

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

## Notes to the financial statements • Parent company

(DKKm) 2018      2019

### Note 13. Equity investments in associates

Carrying amount at 1 January	71	63
Share of profit	3	5
Dividends received	(11)	(1)
<b>Equity investments in associates</b>	<b>63</b>	<b>67</b>

Bornholms Brandforsikring A/S, Rønne Information from most recent annual reports	Percentage share	Share- holders' equity	Result
2018 (annual report 2017)	27	268	22
2019 (annual report 2018)	27	237	12

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

### Note 14. Equity investments

2018      2019

The company has agreed to lend equities against security:

Carrying value of equities lent	155	81
Fair value of bonds received as security for the loan	190	105

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

1 January	84	92
Change in accrued commissions	(3)	(1)
Ceded reinsurance premiums	615	606
Earned reinsurance premiums	(605)	(601)
Amortisation	0	(1)
<b>Reinsurers' share of the provisions for unearned premiums at 31 December</b>	<b>92</b>	<b>95</b>

Net present value of expected future cashflows	22	66
Profit margin	70	29

### Note 16. Reinsurers' share of the provisions for claims

1 January	370	439
Reimbursement of claims relating to previous years	(192)	(244)
Change in expected income relating to previous years (run-off)	33	52
Reimbursement of claims relating to this year	(154)	(79)
Expected income relating to this year	383	246
Amortisation	1	(0)
Revaluation	(1)	4
<b>Reinsurers' share of the provisions for claims at 31 December</b>	<b>439</b>	<b>417</b>

### Note 17. Deferred tax assets

Operating equipment	(0)	1
Liabilities provided	5	6
Other	12	11
<b>Deferred tax assets</b>	<b>17</b>	<b>17</b>

### Note 18. Share capital

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

## Notes to the financial statements • Parent company

(DKKm)

### Note 19. Other subordinated loan capital

Principal	500	850
Carrying value		
2019	500	849
2018	499	849
Market value (level 2)		
2019	503	850
2018	505	850
Date of issue	December 2015	December 2015
Maturity	11 December 2025	11 June 2026
If permitted by the Danish FSA, the borrower can give notice of termination from	11 December 2020	11 June 2021
Interest rate	2.92% to 11 December 2020	Cibor 3 months +270bp
Subsequently	Cibor 3 months +250bp	
		2018 2019
Interest charges		36 36
Of the subordinated loan capital DKK 1,204m (2018: DKK 1,148m) 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	1,815	1,750
Profit margin at 1 January	751	807
	2,566	2,557
Gross premiums written	8,642	8,920
Gross premiums earned	(8,662)	(8,958)
Change in risk margin	10	13
Amortisation	3	(12)
Revaluation	(1)	5
Portfolio transfer	0	1
Provisions for unearned premiums at 31 December	1,750	1,688
Profit margin at 31 December	807	838
<b>Provisions for unearned premiums and profit margin at 31 December</b>	<b>2,557</b>	<b>2,526</b>

### Note 21. Provisions for claims

<b>Gross</b>		
Provisions at 1 January	10,570	10,667
Claims paid relating to previous years	(2,398)	(2,808)
Change in expected claims payments relating to previous years (run-off)	(169)	(325)
Claims paid relating to this year	(3,111)	(3,217)
Expected claims payments relating to this year	5,809	5,868
Inflation hedging	(99)	(126)
Amortisation	79	25
Revaluation	(13)	420
<b>Provisions for claims</b>	<b>10,667</b>	<b>10,504</b>
<b>Net of reinsurance</b>		
Provisions at 1 January	10,201	10,228
Claims paid relating to previous years	(2,206)	(2,564)
Change in expected claims payments relating to previous years (run-off)	(201)	(377)
Claims paid relating to this year	(2,957)	(3,138)
Expected claims payments relating to this year	5,426	5,622
Inflation hedging	(99)	(126)
Amortisation	78	26
Revaluation	(13)	417
Provisions for claims, net of reinsurance	10,228	10,086
Workers' compensation insurance	6,033	6,112
Average period of settlement	7 years	6 years

## Notes to the financial statements • Parent company

(DKKm)

### Note 21. Provisions for claims - continued

#### Claims liabilities analysed by claims year

Gross	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	1 alt
End of year	6,333	6,730	5,943	7,109	6,184	6,100	5,939	5,385	5,820	5,875	60,762
1 year later	6,305	6,814	5,944	7,285	6,251	6,175	5,924	5,502	5,960		
2 years later	6,366	6,800	5,918	7,311	6,210	6,077	5,838	5,494			
3 years later	6,367	6,802	5,907	7,268	6,160	6,073	5,795				
4 years later	6,305	6,748	5,845	7,195	6,045	6,069					
5 years later	6,264	6,706	5,833	7,150	5,940						
6 years later	6,224	6,672	5,776	7,053							
7 years later	6,213	6,598	5,755								
8 years later	6,193	6,596									
9 years later	6,226										
Less paid incl. inflation hedging	5,917	6,275	5,343	6,593	5,450	5,370	5,047	4,631	4,572	3,217	52,416
Provisions before discounting at 31 December	308	321	412	460	490	699	748	863	1,388	2,657	8,347
Discounting	(1)	0	0	0	0	0	0	1	1	3	5
	307	321	412	460	490	700	748	863	1,390	2,660	8,352
Provisions relating to previous years at 31 December											2,152
Gross provisions at 31 December 2019											10,504

#### Net of reinsurance

End of year	5,928	5,720	5,586	5,984	5,826	5,725	5,505	5,203	5,436	5,629	55,775
1 year later	5,932	5,764	5,628	6,020	5,872	5,785	5,521	5,296	5,570		
2 years later	6,013	5,761	5,606	6,045	5,845	5,699	5,432	5,291			
3 years later	6,026	5,761	5,593	6,003	5,795	5,691	5,388				
4 years later	5,976	5,715	5,536	5,931	5,680	5,646					
5 years later	5,936	5,674	5,522	5,885	5,567						
6 years later	5,898	5,640	5,465	5,780							
7 years later	5,886	5,566	5,446								
8 years later	5,866	5,560									
9 years later	5,899										
Less paid incl. inflation hedging	5,591	5,240	5,035	5,332	5,083	5,034	4,662	4,442	4,287	3,138	47,844
Provisions before discounting at 31 December	308	320	411	448	484	612	726	849	1,283	2,491	7,931
Discounting	(1)	0	0	0	0	0	0	1	1	3	4
	307	320	411	448	484	612	726	850	1,285	2,493	7,935
Provisions relating to previous years at 31 December											2,151
Provisions, net of reinsurance, at 31 December 2019											10,086

#### Composition of expected payments, net of reinsurance:

Original payment	5,922	5,653	5,564	5,990	5,786	5,737	5,501	5,196	5,433	5,617	56,399
Loss / (gain) on settlement	(182)	(269)	(237)	(325)	(311)	(151)	(165)	43	90	0	(1,508)
Amortisation / revaluation workers' compensation	159	176	119	116	92	60	53	52	48	11	884
	5,899	5,560	5,446	5,780	5,567	5,646	5,388	5,291	5,570	5,629	55,775

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

## Notes to the financial statements • Parent company

(DKKm)	2018	2019
<b>Note 22. Staff costs</b>		
Salaries	1,258	1,273
Pensions	209	213
Social security costs	31	33
Payroll tax	220	229
Share options	7	7
Employee shares	33	43
	1,758	1,798
Average number of full-time employees	2,079	2,073

### Share options

Topdanmark's share option scheme comprises the Executive Board and senior executives. The strike price has been fixed at 110% of the market price on the last trading date in the prior financial year (average of all trades). The options may be exercised 3-5 years subsequent to the granting. The scheme is settled by shares (equity instruments).

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

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

### Employee shares

The parent company Topdanmark offers shares to the Group's employees based on a cash salary reduction. Topdanmark Forsikring's costs calculated as the value of the allocated shares amounts to DKK 35m (2018: DKK 33m) which are recognised as an expense in the Profit and Loss. The shares are given cost-free by the parent company to Topdanmark Forsikring. Thus the value of the allocated shares is included in shareholders' equity as capital infusion.

### Severance pay

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

## Note 23. Related parties

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

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

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

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

### Affiliates

Expenses/costs		
Rent	51	51
Asset management	12	17
Share-based payments	10	9
Expense reimbursements from affiliates	56	88
Dividend payments	1,700	1,300
Interest income	4	16

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

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

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

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

## Notes to the financial statements • Parent company

(DKKm)

### Note 23. Related parties - continued

#### Associates

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

Balances are disclosed in the balance sheet.

Trading takes place under normal market conditions.

Note 24. Own funds	2018	2019
Shareholders' equity	6,033	6,269
Profit margin	1,005	1,138
Intangible assets	(1,091)	(1,291)
Proposed dividend	(1,300)	(1,500)
Other	(66)	(62)
Tax effects	(63)	(50)
Usable share subordinated notes	1,148	1,204
<b>Own funds</b>	<b>5,665</b>	<b>5,707</b>

### Note 25. Collateral

From 2019 non-life insurance companies are not required to register assets as security for technical provisions. End of 2018, the company had registered the following assets as security for technical provisions:

Equity investments in affiliates	572
Equity investments	776
Bonds	12,950
Deposits with credit institutions	1,600
Equity investments in and receivables from affiliates	606
Accrued interest	71
<b>Registered assets</b>	<b>16,574</b>

### Note 26. Contingent liabilities

Rental commitments, yearly rent:

Subsidiary	57	59
External lessors	9	4
Capital commitments made to loan funds and private equity funds etc.	57	34
Minimum rental payments to subsidiary:		
not later than one year	57	59
later than one year and not later than five years	172	177
later than five years	1,029	991

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

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

### Note 27. Other disclosures

Risk disclosures in accordance with Section 91(b) of the Danish Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pensions Funds and sensitivity information according to Section 126 are included in "Risk management" in "Management's review" page 9 and in note 42 "Risk factors".

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



## Notes to the financial statements • Parent company

(DKKm)

Note 28. Five-year summary	2015	2016	2017	2018	2019
Gross premiums earned*	8,497	8,343	8,479	8,662	8,958
Claims incurred	(5,721)	(5,464)	(5,035)	(5,606)	(5,525)
Bonuses and rebates	(58)	(43)	(57)	(53)	(61)
Insurance operating expenses	(1,385)	(1,414)	(1,407)	(1,435)	(1,469)
Net reinsurance	(150)	(115)	(378)	(111)	(227)
<b>TECHNICAL RESULT</b>	<b>1,183</b>	<b>1,307</b>	<b>1,602</b>	<b>1,458</b>	<b>1,676</b>
<b>Profit on investment activities after transfer to technical result</b>	<b>197</b>	<b>513</b>	<b>474</b>	<b>115</b>	<b>206</b>
Other items	39	19	11	6	2
<b>PRE-TAX PROFIT</b>	<b>1,419</b>	<b>1,839</b>	<b>2,087</b>	<b>1,579</b>	<b>1,884</b>
Taxation	(272)	(333)	(414)	(290)	(384)
<b>PROFIT FOR THE YEAR</b>	<b>1,148</b>	<b>1,506</b>	<b>1,673</b>	<b>1,289</b>	<b>1,501</b>
Run-off profits, net of reinsurance	339	434	296	201	377
Provisions for insurance contracts	14,024	13,826	13,558	13,603	13,407
Total insurance assets	504	526	454	531	512
Total shareholders' equity	4,868	5,383	6,403	6,033	6,269
Total assets	23,665	21,770	24,153	23,413	24,446
Gross loss ratio	67.8	65.8	59.8	65.1	62.1
Net reinsurance ratio	1.8	1.4	4.5	1.3	2.5
Claims trend	69.6	67.2	64.3	66.4	64.6
Gross expense ratio	16.4	17.0	16.7	16.7	16.5
Combined ratio (operation ratio)	86.0	84.2	81.0	83.1	81.2
Combined ratio excl. run-off profits	86.0	84.2	81.0	83.1	85.4
Relative run-off profits, net of reinsurance (%)	3.2	4.1	2.8	2.0	3.7
Return on shareholders' equity (%)	22.0	29.6	29.2	22.0	26.9

\* Before bonuses and rebates.

Comparative figures have been restated to the new Executive Order on Financial Reports effective as of 2016.

### Note 29. Accounting policies

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

The accounting policies remain unchanged from 2018.

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

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

income items and equity of affiliated companies is included directly in other comprehensive income items and shareholders' equity respectively.

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

Reconciliation result and shareholders' equity		
(DKKm)	2018	2019
Result parent company	1,289	1,501
<b>Result Group</b>	<b>1,289</b>	<b>1,501</b>
Shareholders' equity - parent company	6,033	6,269
Deferred tax on security funds	(306)	(306)
<b>Shareholders' equity Group</b>	<b>5,727</b>	<b>5,963</b>

### Other

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

## Disclaimer

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

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

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

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

## Statement by Management on the Annual Report

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Topdanmark Forsikring A/S for 2019.

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

In our opinion, the consolidated financial statements and annual financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2019 as well as of the Group's and the parent company's activities and the Group's cash flow for the financial year 1 January to 31 December 2019.

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

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

Ballerup, 20 February 2020

### Executive Board:

Peter Hermann  
(CEO)

Thomas Erichsen

Brian Rothemejer Jacobsen

Lars Thykier

### Board of Directors:

Ricard Wennerklint  
(Chairman)

Jens Aaløse  
(Deputy Chairman)

Elise Bundgaard

Anne Louise Eberhard

Mette Jensen

Cristina Lage

Ole Lomholt Mortensen

Petri Niemisvirta

Morten Thorsrud

## Independent auditor's report

### To the shareholders of Topdanmark Forsikring A/S

#### Opinion

We have audited the consolidated financial statements and the parent company financial statements of Topdanmark Forsikring A/S for the financial year 1 January to 31 December 2019, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

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

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

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

#### Basis for opinion

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

#### Independence

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

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

#### Appointment of auditor

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2019. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

**Measurement of provisions for insurance and investment contracts**

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

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

Significant management estimates regarding non-life insurance provisions include:

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

Significant management estimates regarding life insurance provisions include:

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

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

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

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

**Our audit of provisions for insurance and investment contracts**

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

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

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

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

**Measurement of unlisted investments**

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

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

Significant management estimates include:

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

Information on unlisted investments is disclosed in note 16, 32, 43.

#### *Our audit of unlisted investments*

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

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

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

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

### **Statement on the Management's review**

Management is responsible for the Management's review.

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

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

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements of the Danish Financial Business Act.

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

### **Management's responsibilities for the financial statements**

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

Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high

level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Copenhagen, 20 February 2020

## **ERNST & YOUNG**

Godkendt Revisionspartnerselskab  
Business Registration No 30 70 02 28

Lars Rhod Søndergaard  
State Authorised Public Accountant,  
MNE no 28632

Allan Lunde Pedersen  
State Authorised Public Accountant,  
MNE no 34495