

TOPDANMARK HALF-YEAR REPORT FOR 2020

17 July 2020, Announcement No. 08/2020

Key features

H1 2020

- Post-tax profit of DKK 196m (H1 2019: DKK 831m)
- EPS was DKK 2.2 (H1 2019: DKK 9.5)
- Combined ratio: 85.5 (H1 2019: 80.7)
- Combined ratio excluding run-off: 87.2 (H1 2019: 86.2)
- Premiums increased by 2.7% in non-life insurance and by 20.7% in life insurance
- Profit on life insurance was DKK 25m (loss) (H1 2019: DKK 219m)
- After return on non-life insurance provisions, the investment return was DKK 387m (loss) (H1 2019: DKK 4m (loss)).

Q2 2020

- Post-tax profit of DKK 389m (Q2 2019: DKK 391m)
- EPS was DKK 4.4 (Q2 2019: DKK 4.5)
- Combined ratio: 81.3 (Q2 2019: 81.4)
- Combined ratio excluding run-off profits: 82.6 (Q2 2019: 85.1)
- Premiums increased by 3.0% in non-life insurance and by 33.9% in life insurance
- Profit on life insurance was DKK 24m (Q2 2019: DKK 109m)
- After return on non-life insurance provisions, the investment return was DKK 45m (Q2 2019: DKK 21m (loss)).

Profit forecast model for 2020

- The assumed combined ratio for 2020 improved from about 90 to 88-89, excluding run-off in H2 2020
- The assumed premium growth for non-life insurance is adjusted from 0-2.9% to 2-3%
- The model post-tax profit forecast for 2020 is improved from DKK 450-650m to DKK 550-750m, excluding run-off in H2 2020.

Postponement of half of the dividend for 2019 until the AGM in March 2021

- Following the Danish FSA's recommendation, Topdanmark's Board of Directors has decided to postpone paying out the remainder of the dividend for 2019 until the AGM on 25 March 2021. It is still the intention to distribute in part or in full the remaining DKK 8.5 of the previously announced dividend of DKK 17 per share.

Other events

- For the fourth consecutive year, Topdanmark has been awarded "The Insurance Company of the Year" prize in Denmark. The prize was awarded by FinansWatch together with EY.
- Topdanmark has launched an online sales platform for the non-life private segment.
- Topdanmark has co-launched Heap, which is a digital pension solution for the BtC market focused on freelancers and self-employed.

Webcast

In a [webcast](#) Group Communications and IR Director, Steffen Heegaard, will present the financial highlights and comment on the forecast.

Conference call

A conference call will be held today at 15:30 (CET) where Peter Hermann, CEO and Lars Thykier, CFO will be available for questions based on the interim report and the webcast. The call will be conducted in English.

In order to participate in the conference call, please call:

DK dial-in-number: +45 7876 8490

SE dial-in-number: +46 8 1241 0952

UK dial-in-number: +44 203 769 6819

US dial-in-number: +1 917 962 0650

(PIN Code for all countries: 587062)

10-15 minutes before the conference and ask the operator to connect you to the Topdanmark conference call – or listen to the [live transmission](#) of the call.

Please direct any queries to:

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Financial highlights

(DKKm)	Full year 2019	Q2 2019	Q2 2020	H1 2019	H1 2020
Premiums earned:					
Non-life insurance	9,397	2,358	2,428	4,691	4,817
Life insurance	11,106	2,169	2,905	4,966	5,995
	20,502	4,527	5,333	9,657	10,812
Results:					
Non-life insurance	1,601	384	471	829	270
Life insurance	327	109	24	219	(25)
Parent company etc.	60	9	9	17	17
Pre-tax profit	1,987	502	504	1,066	262
Tax	(441)	(110)	(115)	(235)	(66)
Profit	1,547	391	389	831	196
Run-off profits, net of reinsurance	433	89	31	257	81
Shareholders' equity of parent company					
at 1 January	6,322	6,827	6,547	6,322	6,703
Profit	1,547	391	389	831	196
Dividend paid	(1,350)	(1,350)	(765)	(1,350)	(765)
Dividend own shares	50	50	24	50	24
Share-based payments	148	50	24	116	60
Other movements in shareholders' equity	(14)	0	0	1	1
Shareholders' equity of parent company end of period	6,703	5,969	6,218	5,969	6,218
Deferred tax on security funds	(306)	(306)	(306)	(306)	(306)
Shareholders' equity of Group end of period	6,397	5,663	5,912	5,663	5,912
Total assets, parent company	7,274			6,601	6,730
Total assets, Group	98,442			93,041	99,635
Provisions for insurance and investment contracts:					
Non-life insurance	16,175			17,748	17,488
Life insurance	70,603			64,458	71,023
Financial ratios (parent company)					
Post-tax profit as a percentage of shareholders' equity	24.8	6.7	6.4	13.4	3.0
Post-tax EPS (DKK)	17.8	4.5	4.5	9.6	2.2
Post-tax EPS, diluted (DKK)	17.7	4.5	4.4	9.5	2.2
Dividend per share issued, proposed (DKK)	17.0	-	-	-	-
Net asset value per share, diluted (DKK)	76.7			68.4	71.1
Listed share price end of period	328.4			370.2	274.0
Number of shares end of period ('000)	87,067			86,860	87,232
Average number of shares ('000)	86,824	86,830	87,225	86,694	87,176
Average number of shares, diluted ('000)	87,229	87,268	87,411	87,143	87,408
Ratios non-life insurance					
Gross loss ratio	65.1	61.6	62.3	61.4	66.5
Net reinsurance ratio	2.5	3.7	2.7	2.7	2.2
Claims trend	67.6	65.3	65.0	64.1	68.7
Gross expense ratio	16.0	16.1	16.4	16.6	16.8
Combined ratio	83.7	81.4	81.3	80.7	85.5
Combined ratio excl. run-off profits	88.3	85.1	82.6	86.2	87.2

Impact of the COVID-19 situation

Topdanmark has a robust business model with a high degree of diversification between the business activities, a very low liquidity risk and a solid capital base (a solvency cover of 197 in H1 2020).

In the Q1 Report, the impact of COVID-19 on the combined ratio for 2020 was subject to great uncertainty, but it was assumed to be negative by 0.5-1.0pp depending on actions taken by third parties such as the Danish government.

The assumed premium growth for 2020 was reduced from approx. 2.9% to 0-2.9% (the latter being the level of premium growth in 2019). The reason being expected adjustment of earlier reported workforce (workers' compensation), revenue (business interruption insurance), and as a consequence of bankruptcies etc.

However, given the development in Q2, the negative impact of COVID-19 on the assumed combined ratio for 2020 has been improved from 0.5-1.0pp to 0.0-0.5pp, and the assumed premium growth for 2020 has been improved from 0-2.9% to 2-3% cf. the profit forecast model on page 11.

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

In April and May, 95% of all employees worked remotely. Efficiency has been high, and the reported sickness, including stress indicators, has declined. COVID-19 has created a new normal for servicing customers digitally through chatbots etc. In terms of HR, Topdanmark has introduced the project "Future Workplace" which includes a higher degree of flexibility for working remotely.

Results for H1 2020

Topdanmark's post-tax profit for H1 2020 was DKK 196m (H1 2019: DKK 831m).

Pre-tax profit was DKK 262m (H1 2019: DKK 1,066m).

The technical result decreased by DKK 207m to DKK 697m. The decrease is caused by lower run-off (DKK 176m), and by a higher level of weather-related claims (DKK 49m). COVID-19 related issues improved the technical result in H1 by estimated DKK 12m of which DKK 25m is run-off loss included above.

The investment return adjusted for return on non-life insurance provisions decreased by DKK 352m to DKK 427m (loss). The investment return was impacted by the turmoil in the Danish mortgage market during Q1 2020 resulting in a substantial spread widening

impacting the portfolio of Danish mortgage bonds which is used for hedging of the provisions.

The profit on life insurance decreased by DKK 244m to DKK 25m (loss) primarily due to a lower investment return (DKK 210m).

Trend in profit (DKKkm)	Full year 2019	H1 2019	H1 2020
Non-life insurance			
- Technical result	1,534	904	697
- Investment return after return and revaluations of non-life insurance provisions etc.	66	(75)	(427)
Profit on non-life insurance	1,601	829	270
Life insurance	327	219	(25)
Parent company etc.	60	17	17
Pre-tax profit	1,987	1,066	262
Tax	(441)	(235)	(66)
Profit	1,547	831	196

Results for Q2 2020

The profit for Q2 2020 was DKK 389m (Q2 2019: DKK 391m).

Pre-tax profit increased by DKK 2m to DKK 504m.

The technical result increased by DKK 14m to DKK 453m with a run-off level DKK 58m lower than the level of Q2 2019. COVID-19 related issues had an estimated positive impact on the technical result of DKK 26m including a DKK 25m run-off loss which is included above. Furthermore, the SME segment improved by DKK 57m, adjusted for run-off.

After return on non-life insurance provisions, the investment return in non-life insurance increased by DKK 73m to DKK 18m. On the one hand, the investment return was impacted by the positive markets for listed equities (DKK 161m), and on the other hand by a reduction in the VA by 28bp (DKK 190m (loss)).

The profit on life insurance decreased by DKK 85m to DKK 24m as a result of a lower investment return.

Trend in profit (DKKkm)	Q2 2019	Q2 2020
Non-life insurance		
- Technical result	439	453
- Investment return after return and revaluations of non-life insurance provisions etc.	(55)	18
Profit on non-life insurance	384	471
Life insurance	109	24
Parent company etc.	9	9
Pre-tax profit	502	504
Tax	(110)	(115)
Profit	391	389

Non-life insurance in H1 2020

Premiums earned

Premiums earned increased by 2.7% to DKK 4,817m. The private segment accounted for a 1.7% increase, while the SME segment accounted for a 3.9% increase.

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

In H1 2020, the net impact of the switch of distribution partner had a negative impact of 2.1pp on Topdanmark's total non-life premium income split between a 0.3pp growth from the new distribution agreement with Nordea and a decline of 2.4pp from the previous distribution agreement with Danske Bank.

Topdanmark continues to assume that the change of distribution partner will have a negative impact of approx. 0.5pp on Topdanmark's total non-life premium growth in 2020.

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

Claims trend

The claims trend was 68.7 in H1 2020 up from 64.1 in H1 2019.

The run-off profit excluding COVID-19, net of reinsurance, was DKK 106m (H1 2019: DKK 257m), representing a 3.1pp negative effect on the claims trend. Run-off profits were primarily generated in motor third-party liability, illness and accident and in workers' compensation, whereas run-off losses were generated within accident, property and professional liability.

The lower level of run-off profits in H1 2020 compared with previous years was due to outliers in the short tale business lines with substantial run-off losses on professional liability and property, but also due to a stabilisation of the through many years constantly falling risk premium on motor third-party liability and accident. Topdanmark assumes that the risk premium on motor third-party liability and accident will remain stable in the coming years.

In H1 2020, weather-related claims amounted to DKK 67m (H1 2019: DKK 18m), representing a 1.0pp deterioration of the claims trend. Thereby, the level of weather-related claims was DKK 8m below the assumed normal level.

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) increased by DKK 3m to DKK 38m in H1 2020, representing a 0.1pp deterioration of the claims trend. The large-scale claims were DKK 12m below the assumed normal half-yearly level of DKK 50m.

Claims trend	Q2 2019	Q2 2020	H1 2019	H1 2020
Claims trend	65.3	65.0	64.1	68.7
Run-off excl. COVID-19	3.8	2.3	5.5	2.2
Weather-related claims	(0.2)	(0.1)	(0.4)	(1.4)
Large-scale claims	(0.0)	0.2	(0.7)	(0.8)
Other	0.5	0.2	0.5	0.6
Claims before run-off, weather, large-scale claims and other	69.3	67.6	69.0	69.4
Rain	0.0	0.0	0.0	(0.4)
Discounting	(0.9)	(0.2)	(0.5)	(0.5)
COVID-19	0.0	1.1	0.0	0.2
Underlying claims trend	68.4	68.5	68.5	68.7

Run-off loss of DKK 25m related to COVID-19 effects on income protection insurance is included in the line COVID-19.

The claims trend adjusted for run-off, weather-related claims, large-scale claims and other positions including change of risk margin deteriorated by 0.4pp to 69.4 in H1 2020.

In H1 2020, the claims trend was impacted by many small water claims on houses owing to a record high level of rain. Claims related to the higher level of rain impacted the claims trend negatively by 0.4pp.

The claims trend was negatively impacted by the lower level of interest rates. The discounting effect (movements in the yield curve used for discounting the provisions) had a negative impact on the claims trend of 0.5pp compared with H1 2019.

Compared with H1 2019, COVID-19 is assumed to have had a positive impact on the adjusted claims trend of DKK 12m (0.2pp) including a run-off loss of DKK 25m.

The positive impact of COVID-19 was on motor (0.9pp), on accident (0.4pp), and on contents (0.3pp).

On the other hand, COVID-19 impacted the adjusted claims trend related to income protection insurance negatively by DKK 41m (0.9pp) due to the increase in unemployment.

In addition, COVID-19 is assumed to have a negative impact on illness and accident (0.2pp) and workers' compensation (0.2pp). Illness and accident will be hit by a higher level of costumers making use of their health insurance getting treatments in private hospitals as the public hospitals have focused on COVID-19 patients. Both illness and accident as well as workers' compensation will be hit by the higher level of unemployment (harder to reactivate injured employees).

Finally, COVID-19 had a marginal negative impact on the claims trend on travel insurance (0.1pp).

The underlying claims trend, which is adjusted for the extraordinary rain claims in Q1 2020, discounting and COVID-19 impact, deteriorated 0.2pp to 68.7.

Expense ratio

The expense ratio was 16.8 up from 16.6 in H1 2019.

The increase in expense ratio is due to sales higher than assumed through Nordea, and COVID-19 related expenses.

The level of the expense ratio is impacted by significant investments in digital solutions and automation.

Topdanmark expects that these investments will pay off in the coming years through efficiency gains. The investments are made in order to lower the expenses on both sales and administration and on claims handling.

Combined ratio

The combined ratio was 85.5 in H1 2020 (H1 2019: 80.7). Excluding run-off, the combined ratio was 87.2 (H1 2019: 86.2).

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

Reinsurance

The storm reinsurance programme has been renewed for one year as at 1 July 2020 and still covers claims up to DKK 5.1bn with a retention of DKK 100m.

The renewal was made within the framework of the assumptions made in the profit forecast model for 2020.

Financial highlights – Non-life insurance	Full year	Q2	Q2	H1	H1
(DKKrm)	2019	2019	2020	2019	2020
Gross premiums earned	9,397	2,358	2,428	4,691	4,817
Claims incurred	(6,121)	(1,453)	(1,512)	(2,881)	(3,204)
Expenses	(1,507)	(380)	(397)	(778)	(809)
Net reinsurance	(234)	(86)	(65)	(128)	(107)
Technical result	1,534	439	453	904	697
Investment return after return and revaluations of non-life insurance provisions	64	(57)	9	(79)	(439)
Other items	2	2	9	4	12
Profit on non-life insurance	1,601	384	471	829	270
Run-off profits, net of reinsurance	433	89	31	257	81
Gross loss ratio	65.1	61.6	62.3	61.4	66.5
Net reinsurance ratio	2.5	3.7	2.7	2.7	2.2
Claims trend	67.6	65.3	65.0	64.1	68.7
Gross expense ratio	16.0	16.1	16.4	16.6	16.8
Combined ratio	83.7	81.4	81.3	80.7	85.5
Combined ratio excl. run-off profits	88.3	85.1	82.6	86.2	87.2

Non-life insurance in Q2 2020

Premiums earned in Q2 2020 increased by 3.0% to DKK 2,428m. The growth in premiums was 1.8% and 4.3% in the private segment and the SME segment respectively.

The claims trend was 65.0 in Q2 2020 (Q2 2019: 65.3), representing a 0.3pp improvement.

In Q2 2020, the large-scale claims were a DKK 4m positive impact due to adjustments from Q1 2020, which was DKK 5m lower than the large-scale claims of DKK 1m in Q2 2019, representing an improvement of the claims trend of 0.2pp.

Weather-related claims were DKK 2m in Q2 2020. In Q2 2019, the weather-related claims were DKK 5m, representing an improvement of the claims trend of 0.1pp.

The run-off profit excluding COVID-19, net of reinsurance, was DKK 56m (Q2 2019: DKK 89m), representing a 1.4pp negative effect on the claims trend.

The claims trend adjusted for run-off, weather-related claims, large-scale claims and change of risk margin improved by 1.7pp to 67.6 in Q2 2020.

The claims trend was negatively impacted by the lower level of interest rates (0.2pp).

In Q2 2020, COVID-19 had a positive impact on the adjusted claims trend of DKK 26m (1.1pp).

COVID-19 impacted the claims trend positively on travel insurance (1.3pp), motor (0.9pp), accident (0.6pp), and contents (0.5pp).

The claims trend on motor and accident gradually normalised during Q2 2020. Thus, claims frequencies on motor increased by 5% in June 2020 compared with June 2019.

In Q2 2020, COVID-19 negatively impacted the adjusted claims trend related to income protection insurance by DKK 36m (1.5pp).

Furthermore, COVID-19 had a negative impact on illness and accident (0.4pp) and on workers' compensation (0.4pp).

The underlying claims trend, which is adjusted for discounting and the impact of COVID-19, deteriorated by 0.1pp to 68.5.

The expense ratio was 16.4 in Q2 2020 (Q2 2019: 16.1).

The combined ratio was 81.3 in Q2 2020 (Q2 2019: 81.4). Excluding run-off, the combined ratio was 82.6 (Q2 2019: 85.1).

In Q2, Topdanmark launched a new online sales platform targeting the private segment in the Topdanmark Brand. Contents and motor products were launched in Q2 2020. Accident, travel and house insurance will follow in the second half of 2020 and Q1 2021.

Segment reporting

Private

The private segment offers policies to individual households in Denmark.

Premiums earned increased by 1.7% to DKK 2,615m. The technical result was DKK 375m in H1 2020, representing a decrease of DKK 66m compared to H1 2019.

The claims trend increased by 3.4pp to 70.1. The claims trend was negatively impacted by a lower level of run-off profits (1.0pp). Furthermore, the claims trend was negatively impacted by a higher level of fire claims, weather-related claims, and many small water claims caused by rain and burst waterpipes.

Compared with H1 2019, the claims trend was favourably influenced by a positive development in personal injuries within motor insurance and on theft.

Run-off profits of DKK 98m were DKK 26m below H1 2019 corresponding to a decline in the claims trend of 1.0pp.

The expense ratio improved to 15.6 from 16.2 in H1 2019.

The combined ratio was 85.7 (H1 2019: 82.8).

Excluding run-off, the combined ratio was 89.4 in H1 2020 (H1 2019: 87.7).

In Q2 2020, premiums earned increased by 1.8% to DKK 1,311m.

The claims trend deteriorated by 0.9pp to 69.2 impacted by a lower level of run-off profits and a higher level of claims from water pipes and income protection insurance. COVID-19 improved the claims trend on motor, contents, accident and travel insurance.

The combined ratio in Q2 2020 of 84.4 was almost unchanged compared with Q2 2019 (84.3). Excluding run-off, the combined ratio improved by 0.9pp to 86.8 in Q2 2020.

Private (DKKm)	Full year 2019	Q2 2019	Q2 2020	H1 2019	H1 2020
Gross premiums earned	5,114	1,288	1,311	2,572	2,615
Claims incurred	(3,555)	(870)	(896)	(1,669)	(1,810)
Expenses	(802)	(207)	(199)	(415)	(407)
Net reinsurance	(70)	(10)	(12)	(46)	(24)
Technical result	686	202	205	441	375
Run-off profits, net of reinsurance	221	43	32	124	98
Gross loss ratio	69.5	67.5	68.3	64.9	69.2
Net reinsurance ratio	1.4	0.7	0.9	1.8	0.9
Claims trend	70.9	68.3	69.2	66.7	70.1
Gross expense ratio	15.7	16.1	15.2	16.2	15.6
Combined ratio	86.6	84.3	84.4	82.8	85.7
Combined ratio excl. run-off profits	90.9	87.7	86.8	87.7	89.4

SME

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

Premiums earned increased by 3.9% to DKK 2,212m. Topdanmark continues to have positive momentum in new sales to SMEs and agricultural businesses.

The technical result decreased by DKK 140m to DKK 323m in H1 2020.

The claims trend deteriorated by 6.0pp to 67.2 caused by a lower level of run-off profits (6.8pp).

The expense ratio was 18.2 compared with 17.1 in H1 2019. The expense ratio in H1 2020 was impacted by changes in the sales force organisation and by COVID-19 related issues.

The combined ratio was 85.4 in H1 2020 against 78.3 in H1 2019.

Excluding run-off, the combined ratio was 84.6 in H1 2020 (H1 2019: 84.5).

In Q2 2020, premiums earned increased by 4.3% to DKK 1,121m.

The claims trend improved by 1.7pp to 60.1 impacted by a lower level of run-off profits and a lower level of fire and weather-related claims.

The combined ratio improved slightly by 0.1pp in Q2 2020 to 77.8. Excluding run-off, the combined ratio improved 4.5pp to 77.7 in Q2 2020.

SME (DKKm)	Full year 2019	Q2 2019	Q2 2020	H1 2019	H1 2020
Gross premiums earned	4,302	1,075	1,121	2,128	2,212
Claims incurred	(2,583)	(587)	(621)	(1,220)	(1,404)
Expenses	(707)	(173)	(199)	(364)	(402)
Net reinsurance	(164)	(77)	(53)	(82)	(83)
Technical result	848	238	248	463	323
Run-off profits, net of reinsurance	212	46	(1)	133	(17)
Gross loss ratio	60.0	54.6	55.4	57.3	63.5
Net reinsurance ratio	3.8	7.1	4.8	3.8	3.8
Claims trend	63.8	61.8	60.1	61.2	67.2
Gross expense ratio	16.4	16.1	17.7	17.1	18.2
Combined ratio	80.3	77.9	77.8	78.3	85.4
Combined ratio excl. run-off profits	85.2	82.2	77.7	84.5	84.6

Life insurance in H1 2020

The result from life insurance was DKK 25m (loss) (H1 2019: DKK 219m).

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

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

Result of life insurance (DKKm)	Full year 2019	Q2 2019	Q2 2020	H1 2019	H1 2020
Investment return on shareholders' equity	186	92	8	147	(63)
Sales and administration	(22)	(17)	(21)	(16)	(40)
Insurance risk	23	(1)	(2)	17	1
Risk return on shareholders' equity	141	35	39	71	77
Profit on life insurance	327	109	24	219	(25)

Developments in H1 2020

Compared with H1 2019, the profit in H1 2020 for life insurance was primarily impacted by a lower investment return on shareholders' equity, and a lower return on sales and administration. The investment return on shareholders' equity was DKK 63m (loss) (H1 2019: DKK 147m) impacted by the negative financial markets during COVID-19.

The result of sales and administration decreased by DKK 24m to DKK 40m (loss) derived from costs connected to the implementation of the new life administration system launched in April 2019. The insurance risk result has decreased by DKK 16m to DKK 1m. The insurance risk result may fluctuate from one quarter to the next.

Trend in premiums

Gross premiums increased by 20.7% to DKK 5,995m in H1 2020, of which premiums on unit-linked pension schemes were DKK 5,560m, representing a 28.2% increase compared with H1 2019.

Regular premiums increased by 3.5% to DKK 1,697m in H1 2020. Single premiums were DKK 4,298m in H1 2020, representing a 29.2% growth.

Life insurance in Q2 2020

The lower result in Q2 2020 is due to a lower result in investment return on shareholders' equity.

Gross premiums increased by 33.9% to DKK 2,905m in Q2 2020 of which premiums on unit-linked pension schemes were DKK 2,721m, a 39.5% increase compared with Q2 2019.

Regular premiums increased by 3.3% to DKK 813m in Q2 2020 whereas single premiums increased by 51.4% to DKK 2,091m.

The premium growth was positively impacted by the implementation of a new IT-platform in Q2 2019 which caused a substantial but temporary reduction in the inflow of new single premiums.

In Q2 2020, in a corporate venture partnership with Heap, Topdanmark launched an online platform for pension

primarily targeting the self-employed and freelancers. The solution is a digital pension and insurance product that is tailored to meet the new ways of working with more flexible lives, job-hopping and unconventional working lives. There are 340,000 self-employed and freelancers in Denmark, and 40% are between the age of 25 and 45 (generation Z), and 50% of those are without pensions.

Investment activities Topdanmark Group excl. life insurance

The investment return of the Topdanmark Group excluding life insurance was a loss of DKK 142m in H1 2020 (H1 2019: DKK 693m). Return and revaluation of non-life insurance provisions were a loss of DKK 245m in H1 2020 (H1 2019: loss of DKK 697m).

The return on investment after return and revaluation of non-life insurance provisions was a loss of DKK 387m, and thus DKK 485m (loss) lower than the assumed return for the half-year, when calculated using Topdanmark's forecast model at the beginning of 2020. The lower return should be seen in the light of COVID-19 which has caused setbacks in the global equity markets and has also impacted the CLO portfolio.

In H1 2020, losses on listed Danish and foreign equities were DKK 62m and thus together with the CLOs the primary loss drivers. CLOs suffered from the sharp shift in uncertainty on credit markets.

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

Topdanmark's policy is to accept a certain level of financial risk, given its strong liquidity and stable, high earnings from insurance operations. Among other things, Topdanmark has invested in equities, properties and CLOs to improve the average investment return.

The investment return in H1 2020 on the most significant classes of assets is shown in the table below:

Investment return	Portfolio 30 June									
	2019	2020	Return Q2 2019		Return Q2 2020		Return H1 2019		Return H1 2020	
	(DKKbn)	(DKKbn)	(DKKkm)	%	(DKKkm)	%	(DKKkm)	%	(DKKkm)	%
Danish equities	0.3	0.3	5	2.1	46	19.4	31	13.7	(3)	(1.1)
Foreign equities	0.7	0.7	33	4.8	115	19.0	114	18.8	(59)	(7.5)
Unlisted equities and hedge funds	0.3	0.3	11	3.2	(52)	(13.8)	11	3.3	(45)	(12.2)
Government and mortgage bonds	17.8	16.9	146	0.8	220	1.3	412	2.4	30	0.2
Credit bonds	0.0	0.0	0	0.6	0	0.0	2	5.3	0	0.0
Index linked bonds	0.3	0.3	13	4.5	10	3.5	21	7.7	12	4.2
CLOs	0.6	0.5	19	3.3	(5)	(1.1)	21	3.8	(99)	(17.2)
Properties	1.3	1.3	26	2.1	14	1.1	64	5.4	26	2.1
Expenses, money markets etc.	0.7	1.9	(5)	(0.3)	(23)	(1.4)	(3)	(0.1)	(24)	(1.5)
Subordinated loan capital	(1.7)	(1.7)	(12)	(0.7)	(11)	(0.6)	(23)	(1.3)	(23)	(1.3)
	20.2	20.4	236	1.1	314	1.6	651	3.2	(185)	(0.9)
Asset management			22		22		42		43	
Investment return			258		336		693		(142)	
Return and revaluations of non-life insurance provisions			(280)		(291)		(697)		(245)	
Investment return after return on non-life insurance provisions			(21)		45		(4)		(387)	

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

The equity exposure was DKK 1,056m pre-tax and excluding associated companies but including the impact of derivatives. The equity portfolios are well diversified with no large individual positions.

The composition of the portfolios is based on OMXCCAP for Danish equities, representing approx. 28% of the portfolio as at 30 June 2020, and the foreign portfolios are based on MSCI World DC in the original currency for foreign equities.

The class "Unlisted equities and hedge funds" includes private equity positions (DKK 47m) and positions in hedge funds where the investment mandates aim at positioning in the credit market (DKK 171m).

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. However, as mentioned above, the balance in interest sensitivity does not ensure a good match between assets and liabilities in turbulent times when asset prices are impacted by product specific dislocations.

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

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

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

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

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

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

Topdanmark uses the Solvency II discounting curve with volatility adjustment (VA) for assessing insurance provisions. The VA component comprises a corrective element for the development in pricing of Danish

mortgage bonds, as well as a corrective element for the development in pricing of European business credits. The VA component was 19bp at the beginning of the year and 29bp by the end of H1 2020.

Solvency calculation and capital requirements

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

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

Own funds

Principal elements of own funds:

Shareholders' equity

- Proposed dividend

+ Deferred tax on security funds

+ Profit margin

- Intangible assets

+ Tax effect

+ Usable share, subordinated loan tier 1

(max. 20% of tier 1-capital)

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

Own funds

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

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

- DKK 500m, call as at 11 December 2020, expiry in 2025
- DKK 850m, call as at 11 June 2021, expiry in 2026.

Solvency cover (DKKm)					
	2017	2018	2019	1) 2019	1) 2) 2020
Own funds	6,370	6,509	6,660	7,416	7,526
Solvency requirement	3,116	3,322	3,773	4,084	3,829
Solvency cover (%)	204	196	177	182	197

¹⁾ Potential dividend for semiannual numbers was not deducted.

²⁾ Neither is postponed dividend for 2019 deducted.

Parent company etc.

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

The profit of the parent company was unchanged at DKK 17m in H1 2020.

Taxation

The tax charge was DKK 66m of the pre-tax profit of DKK 262m, corresponding to an effective tax rate of 25.3% (H1 2019: 22.1%).

Profit forecast model

Traditionally, Topdanmark does not publish actual profit forecasts, but instead, the expected level of results provided that a number of assumptions about the return in the financial markets are met. The return on financial assets changes on a daily basis, and consequently Topdanmark's profit forecast model will already deviate from actual expectations by the time it is published.

Therefore, set out at www.topdanmark.com → Investors → [Risk management](#), we provide additional information on how changes in the assumptions underlying the profit forecast model will affect the results.

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

In the Q1 Report for 2020, it was stated that Topdanmark's post-tax model profit forecast for 2020 was DKK 450-650m exclusive run-off in Q2-Q4 2020.

Non-life insurance

For non-life insurance, Topdanmark assumed a pre-tax profit of DKK 530-750m in Q1 2020. This model profit forecast was based on the following assumptions:

- Premium growth for 2020 between 0% and 2.9% the latter being the level of premium growth in 2019
- A normal year as regards to weather-related claims of DKK 120m in Q2-Q4
- A negative impact from COVID-19 of 0.5-1.0pp
- Combined ratio for 2020 of about 90, excl. run-off in Q2-Q4 2020
- An interest level corresponding to the interest rate curve on 31 March 2020
- An annual 7.0% return on equities and unchanged foreign exchange rates from the level as at 31 March 2020
- The changes in the interest rates (the discount curve) have had a negligible impact on the guidance for the combined ratio in 2020.

After the model profit forecast for 2020 was published in the Q1 Report for 2020, the following assumptions have changed:

- In Q2 2020, there were run-off profits of DKK 31m, corresponding to a 0.3pp improvement of the combined ratio for 2020

- Weather-related claims were DKK 2m in Q2 2020, which is DKK 23m lower than assumed, corresponding to a 0.2pp improvement of the combined ratio for 2020
- The extent of large-scale claims was a DKK 4m gain in Q2 2020 which is DKK 29m lower than assumed, corresponding to a 0.3pp improvement of the combined ratio
- Discounting rates (including changes in VA) have decreased relatively to the guidance for 2020 in the Q1 Report for 2020, representing a 0.2pp deterioration of the combined ratio
- From 31 March 2020 until 30 June 2020, the pre-tax investment return was DKK 80m lower than assumed
- Due to a higher level of transparency into the COVID-19 effects, the assumed impact of COVID-19 has improved from a negative impact of 0.5-1.0pp to a negative impact of 0.0-0.5pp on the combined ratio.

The assumed combined ratio for 2020 is adjusted from about 90 to 88-89 excluding run-off in H2 2020.

As a result of a good momentum in new sales and churn rate on the Topdanmark brand and a higher level of transparency on COVID-19 effects, the assumed premium growth in non-life has improved from 0-2.9% to 2-3%.

Due to an unsatisfactory profit development in illness and accident, Topdanmark is increasing prices with gradual effect from September 2020. The price increases will have an insignificant impact on both combined ratio and premium growth in 2020.

COVID-19 has caused an increased level of unemployment in Denmark. In order to keep profitability, Topdanmark is increasing prices on income protection insurance. This will only have a small impact on Topdanmark's premium growth in 2020.

The overall assumed pre-tax result for non-life insurance is DKK 680-850m excluding run-off in H2 2020.

Life insurance

In the Q1 Report for 2020, Topdanmark assumed a pre-tax profit on life insurance of DKK 0-50m in 2020, based on the following assumptions:

- Around 0% increase in regular premiums
- Full recognition as income of risk return for shareholders' equity from all interest rate groups
- No profit from the shadow account.

These assumptions are unchanged. Therefore, the assumed pre-tax profit on life insurance remains DKK 0-50m. The result is very sensitive to fluctuations particularly in the investment return. The risk return and shadow account will not be finally determined before year end.

Parent company

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

Taxation

Given a corporation tax rate of 22%, the tax charge is expected to be DKK 170-200m.

Total Group profit

Topdanmark's overall post-tax model profit forecast for 2020 is upgraded by DKK 100m to DKK 550-750m, representing an EPS of DKK 7.5. The assumed profit is exclusive of run-off in H2 2020.

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

Furthermore, it is assumed that the return on interest-bearing assets that hedge 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 1.77% (risk-free interest rate plus 2.0pp).

Profit forecast 2020 (DKKm)	Results		Forecast 2020		Forecast 2020		
	2019		31 March 2020		30 June 2020		
Non-life insurance							
- Technical result	1,534	900	-	1,050	1,050	-	1,150
- Investment return after return and revaluations of non-life insurance provisions etc.	66	(370)	-	(300)	(370)	-	(300)
Profit on non-life insurance	1,601	530	-	750	680	-	850
Life insurance	327	0	-	50	0	-	50
Parent company etc.	60	40	-	50	40	-	50
Pre-tax profit	1,987	570	-	850	720	-	950
Taxation	(441)	(120)	-	(200)	(170)	-	(200)
Profit for the year	1,547	450	-	650	550	-	750

The remaining dividend for 2019

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

In the Q1 report 2020, it was stated that when the situation is back to normal, the Board of Directors has the option to distribute in part or in full the remaining DKK 8.5 of the previously announced dividend of DKK 17 per share as extraordinary dividend. If so, this extraordinary dividend would be paid out later in 2020 or after the ordinary general meeting in 2021.

On 26 June 2020, the Danish FSA decided to recommend Danish financial companies not to complete capital distribution for the remainder of 2020. Topdanmark's Board of Directors has discussed the Danish FSA's recommendation and has decided to postpone the pay-out of the remainder of the dividend for 2019 until the Annual General Meeting 25 March 2021. It is still the intention to distribute in part or in full the remaining DKK 8.5 of the previously announced dividend of DKK 17 per share.

Financial calendar

Q1-Q3 2020 Interim Report	23 Oct 2020
Announcement of 2020 Annual Results	22 Jan 2021
Deadline for submitting items for AGM agenda	10 Feb 2021
2020 Annual Report	18 Feb 2021
AGM	25 Mar 2021
Q1 2021 Interim Report	26 Apr 2021
2021 Half-year Report	20 July 2021

Disclaimer

This interim 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 interim report.

Such factors could be, for example, cyclical movements, changes in the financial markets, the financial effect of unexpected events such as acts of terror or exceptional weather conditions, changes in Danish and EU rules,

competitive factors in the insurance industry, and trends in the reinsurance market. See also: www.topdanmark.com → Investors → [Risk management](#).

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

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

Accounting policies

The announcement of the H1 2020 interim report has been prepared in accordance with IAS 34 on interim reports for listed companies and additional Danish disclosure requirements on interim reports for listed financial services companies.

The results of the parent company have been prepared in accordance with the executive order on financial reports presented by insurance companies and lateral pension funds issued by the Danish FSA.

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

Accounting estimates and judgements

As described under Accounting policies in the Annual Report 2019, management makes a number of estimates and judgements in connection with the financial reporting.

In regard to the interim report and due to the current situation with COVID-19, management has assessed that, in general, the markets for structured credit products (CLOs) cannot be defined as being active in accordance with the definition in IFRS 13. Therefore, according to the applied accounting policies, these assets were transferred from level 2 to level 3 by the end of Q1 2020. Please see Note 3 in this interim report for further information.

This announcement has not been audited nor subjected to review.

Income statement • Group

(DKK)m	Note	Full year 2019	Q2 2019	Q2 2020	H1 2019	H1 2020
NON-LIFE INSURANCE						
Gross premiums written		9,494	1,796	1,803	6,138	6,233
Ceded reinsurance premiums		(609)	(40)	(49)	(416)	(394)
Change in the provisions for unearned premiums		1	495	624	(1,440)	(1,393)
Change in profit margin and risk margin		(32)	83	8	24	(8)
Change in the reinsurers' share of the provisions for unearned premiums		4	(103)	(96)	113	107
Premiums earned, net of reinsurance		8,858	2,232	2,290	4,420	4,545
Claims paid		(6,503)	(1,528)	(1,536)	(3,103)	(3,293)
Reinsurance cover received		345	83	79	128	138
Change in the provisions for claims		376	65	21	204	65
Change in risk margin		18	13	6	24	30
Change in the reinsurers' share of the provisions for claims		(53)	(45)	(19)	8	3
Claims incurred, net of reinsurance	1	(5,817)	(1,412)	(1,449)	(2,739)	(3,057)
Bonuses and rebates		(66)	(16)	(8)	(32)	(15)
Acquisition costs		(949)	(251)	(262)	(505)	(523)
Administrative expenses		(534)	(123)	(129)	(260)	(274)
Reinsurance commission and share of profits		78	19	20	39	39
Insurance operating expenses, net of reinsurance		(1,405)	(355)	(371)	(727)	(758)
TECHNICAL RESULT FROM NON-LIFE INSURANCE		1,571	448	463	923	716
LIFE INSURANCE						
Gross premiums written	2	11,106	2,169	2,905	4,966	5,995
Ceded reinsurance premiums		(1)	(0)	(0)	(0)	(0)
Premiums, net of reinsurance		11,105	2,169	2,905	4,966	5,995
Allocated investment return, net of reinsurance		8,357	1,635	5,359	5,359	(2,418)
Pension return tax		(1,094)	(266)	(110)	(489)	85
Claims and benefits paid		(4,133)	(671)	(1,434)	(1,951)	(2,982)
Reinsurance cover received		4	0	4	1	4
Claims and benefits paid, net of reinsurance		(4,129)	(671)	(1,431)	(1,950)	(2,978)
Change in the life insurance provisions		(13,759)	(2,779)	(6,598)	(7,655)	(487)
Change in the reinsurers' share		(4)	(0)	(5)	(2)	(5)
Change in the life insurance provisions, net of reinsurance		(13,763)	(2,779)	(6,602)	(7,657)	(492)
Change in profit margin		(61)	(10)	(29)	(31)	5
Acquisition costs		(166)	(45)	(48)	(77)	(95)
Administrative expenses		(319)	(76)	(92)	(152)	(184)
Insurance operating expenses, net of reinsurance		(485)	(121)	(139)	(229)	(279)
TECHNICAL RESULT FROM LIFE INSURANCE		(71)	(42)	(47)	(30)	(82)

Income statement • Group

(DKKm)	Full year 2019	Q2 2019	Q2 2020	H1 2019	H1 2020
NON-TECHNICAL ACTIVITIES					
Technical result from non-life insurance	1,571	448	463	923	716
Technical result from life insurance	(71)	(42)	(47)	(30)	(82)
Income from associates	165	34	(7)	51	8
Income from investment properties	135	31	49	49	88
Interest income and dividends etc.	2,301	592	433	1,073	976
Revaluations	7,029	1,393	5,320	5,134	(3,498)
Interest charges	(78)	(18)	(23)	(36)	(55)
Expenses on investment activities	(53)	(9)	(21)	(23)	(41)
Total investment return	9,499	2,023	5,751	6,248	(2,522)
Return and revaluations of non-life insurance provisions	(616)	(280)	(291)	(697)	(245)
Investment return transferred to life insurance business	(8,357)	(1,635)	(5,359)	(5,359)	2,418
Other income	19	16	3	21	6
Other expenses	(57)	(28)	(16)	(41)	(29)
PRE-TAX PROFIT	1,987	502	504	1,066	262
Taxation	(441)	(110)	(115)	(235)	(66)
PROFIT FOR THE PERIOD	1,547	391	389	831	196
EPS (DKK)	17.8	4.5	4.5	9.6	2.2
EPS, diluted (DKK)	17.7	4.5	4.4	9.5	2.2

Statement of comprehensive income • Group

Profit for the period	1,547	391	389	831	196
Items which cannot subsequently be reclassified as profit or loss:					
Revaluation / Reversed revaluation owner-occupied properties	(18)	0	0	1	1
Taxation	4	0	0	0	(0)
Other comprehensive income	(14)	0	0	1	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,533	392	389	831	196

Assets • Group

(DKK)m	31 December 2019	30 June 2019	30 June 2020
INTANGIBLE ASSETS	1,291	1,209	1,397
Operating equipment	113	114	115
Owner-occupied properties	834	853	837
TOTAL TANGIBLE ASSETS	948	967	952
Investment properties	4,034	3,914	4,007
Equity investments in associates	1,668	1,571	1,657
Total investments in associates	1,668	1,571	1,657
Equity investments	5,087	5,687	4,197
Unit trusts	6	7	1
Bonds	43,632	41,059	42,043
Loans guaranteed by mortgages	6	6	6
Deposits with credit institutions	2,745	2,433	4,659
Derivatives	198	455	666
Total other financial investment assets	51,675	49,646	51,572
TOTAL INVESTMENT ASSETS	57,376	55,131	57,237
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	36,104	32,763	37,080
Reinsurers' share of the provisions for unearned premiums	95	185	180
Reinsurers' share of the life insurance provisions	12	14	7
Reinsurers' share of the provisions for claims	478	540	483
Total reinsurers' share of provisions	585	739	670
Receivables from policyholders	265	318	326
Receivables from insurance companies	151	120	76
Receivables from associates	286	345	261
Other receivables	225	475	368
TOTAL RECEIVABLES	1,512	1,998	1,700
Assets held temporarily	0	3	0
Deferred tax assets	25	23	27
Liquid funds	550	282	646
Other	28	56	18
TOTAL OTHER ASSETS	603	363	690
Accrued interest and rent	388	346	327
Other prepayments and accrued income	219	264	251
TOTAL PREPAYMENTS AND ACCRUED INCOME	607	609	579
TOTAL ASSETS	98,442	93,041	99,635

Shareholders' equity and liabilities • Group

(DKK)m	Note	31 December 2019	30 June 2019	30 June 2020
Share capital		90	90	90
Revaluation reserve		0	15	1
Security fund		1,146	1,146	1,146
Other reserves		72	71	73
Total reserves		1,218	1,217	1,219
Profit carried forward		3,559	4,341	4,603
Proposed dividend		1,530	0	0
TOTAL SHAREHOLDERS' EQUITY		6,397	5,663	5,912
OTHER SUBORDINATED LOAN CAPITAL		1,747	1,747	1,748
Provisions for unearned premiums		1,849	3,316	3,255
Profit margin, non-life insurance contracts		838	753	846
With-profit products		23,618	23,966	22,978
Unit-linked products		46,656	40,194	47,721
Total life insurance provisions		70,274	64,160	70,699
Profit margin, life insurance and investment contracts		329	298	324
Provisions for claims		13,071	13,265	13,030
Risk margin, non-life insurance contracts		253	263	224
Provisions for bonuses and rebates		163	152	134
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		86,778	82,206	88,511
Pensions and similar commitments		30	28	29
Deferred tax liabilities		71	79	83
Deferred tax on security funds		306	306	306
TOTAL PROVISIONS		407	413	418
DEPOSITS RECEIVED FROM REINSURERS		69	78	42
Debt relating to direct insurance operations		194	164	150
Debt relating to reinsurance operations		26	50	48
Amounts due to credit institutions		155	237	860
Current tax liabilities		27	133	15
Derivatives		679	791	807
Other debt		1,867	1,388	1,040
TOTAL DEBT		2,949	2,763	2,920
ACCRUALS AND DEFERRED INCOME		94	172	83
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		98,442	93,041	99,635

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Cash flow statement • Group

(DKK)m	Full year 2019	H1 2019	H1 2020
Cash flow from operations			
Gross premiums	9,410	6,017	6,129
Claims	(6,433)	(3,099)	(3,306)
Expenses	(1,373)	(723)	(740)
Reinsurance ceded	(162)	(165)	(129)
Cash flow from non-life insurance	1,443	2,030	1,954
Gross premiums	10,942	4,932	6,089
Claims and benefits	(4,138)	(1,865)	(3,123)
Pension return tax	(122)	(120)	(822)
Expenses	(457)	(222)	(235)
Reinsurance ceded	32	41	(11)
Cash flow from life insurance	6,257	2,766	1,897
Cash flow from insurance activities	7,700	4,796	3,851
Payments on investment contracts	264	253	62
Interest income and dividends etc.	2,347	1,036	1,057
Interest charges etc.	(133)	(56)	(89)
Corporation tax	(414)	(91)	(89)
Other items	42	(147)	(139)
Cash flow from operations	9,805	5,792	4,654
Investments			
Intangible assets, operating equipment	(291)	(149)	(63)
Properties	(467)	(178)	(158)
Purchase of affiliate	-	-	(81)
Equity investments in associates	(0)	0	(8)
Dividends from associates	175	158	27
Equity investments	1,412	490	(72)
Unit trusts	7	4	(2)
Bonds	(8,717)	(5,626)	1,123
Loans	(1)	(5)	0
Derivatives	(279)	(305)	(308)
Investment assets related to unit-linked products	(1,765)	(892)	(3,113)
Balances with associates	80	20	25
Investments	(9,846)	(6,482)	(2,629)
Financing			
Dividend paid	(1,300)	(1,300)	(741)
Exercise of share options	88	80	28
Amounts due to credit institutions	(87)	(5)	705
Financing	(1,299)	(1,226)	(8)
Change in cash and cash equivalents	(1,340)	(1,916)	2,017
Cash and cash equivalents at 1 January	4,634	4,634	3,294
Revaluation of cash and cash equivalents	0	(3)	(7)
Cash and cash equivalents end of period	3,294	2,714	5,304
Cash and cash equivalents comprise:			
Liquid funds	550	282	646
Deposits with credit institutions	2,745	2,433	4,659
	3,294	2,714	5,304

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	Total
2019							
Shareholders' equity at 31 December previous year	90	14	1,146	67	3,349	1,350	6,016
Profit for the period				5	12	1,530	1,547
Other comprehensive income		(14)					(14)
Total comprehensive income for the period		(14)		5	12	1,530	1,533
Dividend paid						(1,350)	(1,350)
Dividend, own shares					50		50
Share-based payments					62		62
Exercise of share options					88		88
Taxation					(1)		(1)
Other transactions					198	(1,350)	(1,152)
Shareholders' equity at 31 December 2019	90	0	1,146	72	3,559	1,530	6,397
H1 2019							
Shareholders' equity at 31 December previous year	90	14	1,146	67	3,349	1,350	6,016
Profit for the period				4	827		831
Other comprehensive income		1					1
Total comprehensive income for the period		1		4	827		831
Dividend paid						(1,350)	(1,350)
Dividend, own shares					50		50
Share-based payments					33		33
Exercise of share options					80		80
Taxation					3		3
Other transactions					165	(1,350)	(1,185)
Shareholders' equity at 30 June 2019	90	15	1,146	71	4,341	0	5,663
H1 2020							
Shareholders' equity at 31 December previous year	90	0	1,146	72	3,559	1,530	6,397
Reduction of proposed dividend previous year					765	(765)	0
Profit for the period				0	195		196
Other comprehensive income		1					1
Total comprehensive income for the period		1		0	195		196
Dividend paid						(765)	(765)
Dividend, own shares					24		24
Share-based payments					36		36
Exercise of share options					28		28
Taxation					(4)		(4)
Other transactions					84	(765)	(681)
Shareholders' equity at 30 June 2020	90	1	1,146	73	4,603	0	5,912

Segment information • Group

Income statement

(DKKm)	Private	SME	Elimin- ated	Non-life	Life	Parent etc.	Elimin- ated	Group
H1 2019								
Non-life insurance								
Gross premiums earned	2,572	2,128	(9)	4,691				4,691
Claims incurred	(1,669)	(1,220)	8	(2,881)			6	(2,875)
Expenses	(415)	(364)	1	(778)			13	(766)
Net reinsurance	(46)	(82)	(0)	(128)				(128)
Technical result from non-life insurance	441	463	(0)	904			19	923
Life insurance								
Gross premiums written					4,966			4,966
Allocated investment return					5,359			5,359
Pension return tax					(489)			(489)
Benefits and change in provisions					(9,636)			(9,636)
Expenses					(232)		3	(229)
Net reinsurance					(1)			(1)
Technical result from life insurance					(33)		3	(30)
Total investment return				655	5,474	38	82	6,248
Pension return tax non-life insurance				(36)	36			0
Return and revaluations of non-life insurance provisions				(697)				(697)
Transferred to technical result					(5,359)			(5,359)
Other items				4	101	(21)	(104)	(20)
Pre-tax profit				829	219	17	0	1,066
Taxation								(235)
Profit								831
H1 2020								
Non-life insurance								
Gross premiums earned	2,615	2,212	(10)	4,817				4,817
Claims incurred	(1,810)	(1,404)	9	(3,204)			6	(3,198)
Expenses	(407)	(402)	0	(809)			12	(797)
Net reinsurance	(24)	(83)	0	(107)				(107)
Technical result from non-life insurance	375	323	(0)	697			18	716
Life insurance								
Gross premiums written					5,995			5,995
Allocated investment return					(2,418)			(2,418)
Pension return tax					85			85
Benefits and change in provisions					(3,464)			(3,464)
Expenses					(282)		3	(279)
Net reinsurance					(1)			(1)
Technical result from life insurance					(85)		3	(82)
Total investment return				(180)	(2,492)	38	112	(2,522)
Pension return tax non-life insurance				(14)	14			0
Return and revaluations of non-life insurance provisions				(245)				(245)
Transferred to technical result					2,418			2,418
Other items				12	120	(21)	(133)	(22)
Pre-tax profit				270	(25)	17	0	262
Taxation								(66)
Profit								196

Notes to the financial statements • Group

(DKK m)	Full year 2019	H1 2019	H1 2020
Note 1. Claims incurred, net of reinsurance - Non-life insurance			
Run-off result:			
Gross business	388	228	40
Reinsurance ceded	45	29	40
Run-off result, net of reinsurance (profit)	433	257	81

Note 2. Gross premiums written - Life insurance

Individual policies	295	131	111
Policies which are part of a tenure	2,711	1,343	1,423
Group life	269	167	163
Regular premiums	3,275	1,640	1,697
Individual policies	2,179	805	2,406
Policies which are part of a tenure	5,652	2,521	1,893
Single premiums	7,831	3,326	4,298
Gross premiums	11,106	4,966	5,995

Note 3. Financial assets and liabilities

Fair value measurement

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 CLOs and CDOs. Valuation methods or other publicly available information is 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.

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

Of the CLO portfolio 5.6 bn is related to unit-linked products, DKK 0.4 bn to with-profit contracts, and DKK 0.6 bn to non-life.

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

CLO investments are measured based on the present value of expected future cashflow. The cashflows are estimated by modelling the collateral-pool in each CLO ensuring that the deal is in compliance with e.g. collateral quality tests on each payment date.

If such tests are breached, cashflows for lower rated tranches are diverted to buy additional collateral and/or redeem tranches with the highest rating. Cashflows are to be diverted as long as collateral tests are breached. Lower rated tranches might receive Paid-In-Kind coupons during such periods which are to be paid in full before cashflows to unrated tranches are resumed.

Notes to the financial statements • Group

Note 3. Financial assets and liabilities - continued

The most significant inputs are:

Discount rate	AAA	1.1%
	A & BBB	2.8%
	BBB and lower	7%
Expected recovery		60-65%
Reinvestment price		93-99.5%
Constant default rate		8-2%

Sensitivities

Effect of reasonably possible changes to most significant inputs:		Effect on market value
Discount rate	+1%	DKK 226m loss
Expected recovery	-1%	DKK 51m loss
Reinvestment spread	-25bps	DKK 103m loss
Constant default rate	-½%	DKK 283m loss

	31 December 2019	30 June 2019	30 June 2020
Financial assets recorded at fair value based on non-observable input (level 3):			
1 January	469	469	371
Purchases	49	37	197
Transferred from level 2	0	0	6,628
Repayments	(150)	(45)	(256)
Revaluations	3	1	(179)
	371	462	6,761

Besides CLOs and CDOs added to level 3 in Q1, the portfolio consists of Vindmøllepark (wind farm) guaranteed by EKF (DKK 20m) and bonds (DKK 121m), 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.

The carrying value of financial assets and financial liabilities recorded at amortised cost corresponds approximately to fair value.

The accounting policies for financial assets and liabilities are stated in the latest Annual Report.

Note 4. Contingent liabilities

Contract liabilities	0	288	240
Adjustments to VAT liabilities	136	105	130
Other liabilities	4	5	3
Capital commitments made to loan funds and private equity funds etc.	398	496	414

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

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

Note 5. Related parties

In 2020, Q2, Topdanmark A/S paid dividend of DKK 357m (Q2 2019: DKK 630m) to Sampo plc. and received dividend of DKK 750m from Topdanmark Forsikring A/S.

There have been no other material transactions with related parties except from ordinary commercial trade between the companies in the Topdanmark Group.

Note 6. Cash flow statement

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

The purchase price was compounded as follows:

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

Income statement • Parent company

(DKK)m	Full year 2019	Q2 2019	Q2 2020	H1 2019	H1 2020
Income from affiliates	1,587	402	399	851	216
Interest charges	(10)	(3)	(3)	(5)	(5)
Total investment return	1,577	399	396	846	211
Other expenses	(41)	(11)	(11)	(21)	(21)
PRE-TAX PROFIT	1,536	388	386	825	190
Taxation	11	3	3	6	6
PROFIT FOR THE PERIOD	1,547	391	389	831	196

Statement of comprehensive income • Parent company

Profit for the period	1,547	391	389	831	196
Other comprehensive income from affiliates	(14)	0	0	1	1
Other comprehensive income	(14)	0	0	1	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,533	392	389	831	196

Balance sheet • Parent company

(DKK)m	31 December 2019	30 June 2019	30 June 2020
Assets			
Operating equipment	3	3	3
TOTAL TANGIBLE ASSETS	3	3	3
Equity investments in affiliates	6,431	5,688	5,833
Total investment in affiliates	6,431	5,688	5,833
TOTAL INVESTMENT ASSETS	6,431	5,688	5,833
Receivables from affiliates	836	905	892
Other receivables	0	2	1
TOTAL RECEIVABLES	836	907	892
Liquid funds	3	3	1
TOTAL OTHER ASSETS	3	3	2
TOTAL ASSETS	7,274	6,601	6,730

Shareholders' equity and liabilities

Share capital	90	90	90
Other reserves	2,682	1,939	2,084
Total reserves	2,682	1,939	2,084
Profit carried forward	2,401	3,940	4,044
Proposed dividend	1,530	0	0
TOTAL SHAREHOLDERS' EQUITY	6,703	5,969	6,218
OTHER SUBORDINATED LOAN CAPITAL	398	398	399
Amounts due to affiliates	139	95	91
Current tax liabilities	27	132	15
Other debt	7	7	8
TOTAL DEBT	172	234	113
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	7,274	6,601	6,730

Statement by Management

The Board of Directors and the Executive Board have today considered and adopted the interim report for H1 2020 for Topdanmark A/S.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the interim financial statements for the parent company are presented in accordance with the Danish Financial Business Act. Further, the interim report is presented in accordance with additional Danish disclosure requirements on interim reports for listed financial services companies.

In our opinion, the consolidated financial statements and the interim financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position as at 30 June 2020 as well as the result from the Group's and the parent company's activities and the Group's cash flows for the financial period from 1 January to 30 June 2020.

We believe that the management review contains a fair view of the development in 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 may be affected.

Ballerup, 17 July 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