

TOPDANMARK ANNOUNCEMENT OF 2020 ANNUAL RESULTS

22 January 2021, Announcement No. 02/2021

Key features 2020

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

Q4 2020

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

Dividend distribution for 2020

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

Profit forecast model for 2021

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

Efficiency programme

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

Annual General Meeting

The Annual General Meeting will be held on 25 March 2021, 15:00 (CET) as a virtual AGM.

Webcast

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

Conference call

A conference call will be held today at 16:00 (CET) where Peter Hermann, CEO and Lars Thykier, CFO will be available for questions based on the annual results 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 78 72 32 50
SE dial-in-number: +46 85 66 42 706
UK dial-in-number: +44 333 300 9031
US dial-in-number: +1 833 526 8383

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

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

Results for 2020

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

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

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

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

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

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

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

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

Results for Q4 2020

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

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

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

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

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

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

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

Impact of the COVID-19 situation

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

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

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

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

Non-life insurance in 2020 Premiums earned

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

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

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

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

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

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

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

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

Claims trend

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

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

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

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

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) increased by DKK 34m to DKK 86m in 2020, representing a 0.3pp deterioration of the claims trend. The large-scale claims were DKK 14m below the assumed normal annual level of DKK 100m.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Expense ratio

The expense ratio was 16.3 up from 16.0 in 2019.

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

The level of the expense ratio is also affected by significant investments in digital solutions and automation. Topdanmark expects that these investments will pay off in the coming years through efficiency gains, see "Targeted gross efficiency gains of DKK 500m in 2025" and "Profit forecast model for 2021" on pages 13-14.

Combined ratio

The combined ratio was 86.5 in 2020 (2019: 83.7).

Excluding run-off, the combined ratio was 88.2 (2019: 88.3).

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

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

Non-life insurance in Q4 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment reporting

Private

The private segment offers policies to individual households in Denmark.

Premiums increased by 1.3% to DKK 5,179m.

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

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

The claims trend deteriorated by 3.0pp to 73.9. The claims trend was negatively impacted by a lower level of run-off profits (2.0pp), a higher level of weather-related claims and house insurance see pages 6-7.

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

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

The combined ratio was 89.8 (2019: 86.6).

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

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

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

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

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

SME

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

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

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

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

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

The expense ratio was 16.8 compared with 16.4 in 2019.

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

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

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

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

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

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

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

Life insurance in 2020

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

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

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

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

Developments in 2020

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

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

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

Trend in premiums

Gross premiums decreased by 1.1% to DKK 10,981m in 2020, of which premiums on unit-linked pension schemes were DKK 10,216m, representing a 1.9% increase compared with 2019.

Regular premiums increased by 3.6% to DKK 3,394m in 2020. Single premiums decreased by 3.1% to DKK 7,587m in 2020.

Life insurance in Q4 2020

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

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

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

Investment activities Topdanmark Group excl. life insurance

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

The investment return including return and revaluation of non-life insurance provisions was DKK 52m, and thus DKK 150m lower than the projected return for 2020, when calculated using Topdanmark's forecast model at the beginning of 2020. The lower return should be seen in the light of COVID-19. Lockdowns imposed by numerous countries slowed down the economic activity in large parts of the world. The economic uncertainty has had a negative impact on some high-risk assets such as CLOs. Others, such as global equities have fully recovered, and during Q4 reached a new record high.

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

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

The investment return in 2020 on the most significant asset classes is shown in the table below:

Investment return	Portfolio 31 Dec									
	2019	2020	Return Q4 2019	Return Q4 2020	Return 2019	Return 2020	2019	2020	2019	2020
	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)
Danish equities	0.3	0.2	29	11.1	47	17.8	60	26.6	78	30.6
Foreign equities	0.8	0.9	50	6.8	100	13.2	174	28.7	81	10.4
Unlisted equities and hedge funds	0.4	0.4	6	1.6	46	14.6	21	6.4	26	7.8
Government and mortgage bonds	16.5	15.6	(212)	(1.2)	71	0.4	350	2.1	191	1.1
Credit bonds	0.0	0.0	0	1.5	0	0.0	3	6.8	0	0.0
Index linked bonds	0.3	0.3	(16)	(5.1)	3	0.9	18	6.8	10	3.3
CLOs	0.6	0.6	(2)	(0.3)	59	11.5	22	4.0	(10)	(1.7)
Properties	1.3	1.2	8	0.6	22	1.7	83	6.9	62	5.0
Expenses, money markets etc.	1.3	2.9	(5)	(0.3)	(18)	(0.7)	(9)	(0.6)	(60)	(3.2)
Subordinated loan capital	(1.7)	(1.7)	(11)	(0.6)	(11)	(0.6)	(46)	(2.6)	(46)	(2.6)
	19.6	20.2	(153)	(0.7)	319	1.6	678	3.4	332	1.6
Asset management			48		29		116		94	
Investment return			(105)		348		794		426	
Return and revaluations of non-life insurance provisions			335		(56)		(616)		(374)	
Investment return after return on non-life insurance provisions			230		292		179		52	

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

The equity exposure was DKK 1,159m pre-tax and excluding associated companies but including the impact of derivatives. The equity portfolios are well diversified with no large individual positions. The composition of the portfolios is based on OMXCCAP for Danish equities,

representing approx. 20% of the portfolio as of 30 December 2020, and the foreign portfolios are based on MSCI World DC in local currency for foreign equities.

The class “Unlisted equities and hedge funds” includes private equity positions (DKK 75m) and positions in hedge funds where the investment mandates aim at positioning in the credit market (DKK 194m).

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

The class “Government and mortgage bonds” mainly consists of Danish government and mortgage bonds. The interest rate sensitivity of this asset class is to a significant extent equivalent to the total interest rate sensitivity of the technical provisions in Topdanmark Forsikring, and the illness and accident provisions in Topdanmark Livsforsikring (the life insurance company). Consequently, the return on “Government and mortgage bonds” and the return and revaluation of non-life insurance provisions should be assessed on an aggregate level. However, as mentioned above during times of financial distress, proper interest risk management does not necessarily ensure that losses on liabilities are offset by gains on assets and vice versa.

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

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

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

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

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

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

Topdanmark uses the Solvency II discounting curve with volatility adjustment (VA) for assessing insurance provisions. The VA component comprises a corrective

element for the development in pricing of Danish mortgage bonds, as well as a corrective element for the development in pricing of European business credits. The VA component was 19bp at the beginning of the year and 22bp at the end of 2020.

Solvency calculation and capital requirements

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

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

Own funds

Principal elements of own funds:

Shareholders' equity
 - Proposed dividend
 + Deferred tax on security funds
 + Profit margin
 - Intangible assets
 + Tax effect
 + Usable share, subordinated loan tier 1
 (max. 20% of tier 1-capital)
 + Usable share, subordinated notes (max. 50% of SCR)
 Own funds

As at 11 December 2020, Topdanmark Forsikring A/S has redeemed subordinated notes of DKK 500m issued in 2015. The subordinated notes were replaced by a new subordinated loan of DKK 500m with provisions in accordance with the requirements of Solvency II as at 30 December. The issue was a private placement subscribed by If Forsikring.

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

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

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

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

*) Proposed dividend has been deducted.

Parent company etc.

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

Taxation

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

Targeted gross efficiency gains of DKK 500m in 2025

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

The main focus areas in the efficiency programme are:

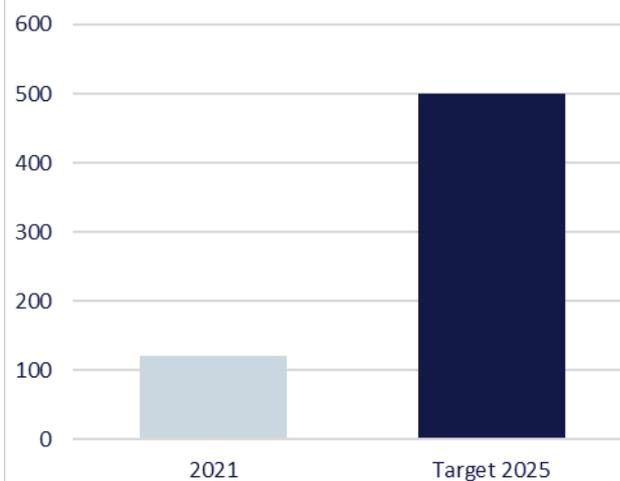
- Automation/digitalisation of routine-based processes
- Risk and pricing
- Procurement and cost

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

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

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

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



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

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

New IT systems

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

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

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

Profit forecast model for 2021

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

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

Non-life insurance

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

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

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

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

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

This was based on the following assumptions:

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

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

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

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

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

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

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

Life insurance

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

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

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

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

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

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

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

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

Parent company

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

Taxation

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

Total Group profit

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

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

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

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

Distribution of dividend for 2020

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

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

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

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

On 26 June 2020, the Danish FSA decided to recommend Danish financial companies not to complete capital distribution for the remainder of 2020. Based on the Danish FSA's recommendation Topdanmark's Board of Directors decided to postpone the pay-out of the remainder of the dividend for 2019 until the AGM on 25 March 2021.

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

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

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

Annual General Meeting

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

The agenda for the Annual General Meeting will be published in the period from 17 February to 3 March 2020.

New Head of Investor Relations

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

Financial calendar

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	16 July 2021
Q1-Q3 2021 Interim Report	21 Oct 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 2020 annual results 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 annual 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 Group has implemented those IFRS standards and interpretations taking effect from 2020. None of these has affected recognition or measurement in 2020.

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

Future accounting standards

IFRS

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

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

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

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

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

IFRS 17 "Insurance Contracts"

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

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

This announcement has not been audited nor subjected to review.

Income statement • Group

(DKKkm)	Note	Q4 2019	Q4 2020	2019	2020
NON-LIFE INSURANCE					
Gross premiums written		1,593	1,717	9,494	9,803
Ceded reinsurance premiums		(40)	(54)	(609)	(592)
Change in the provisions for unearned premiums		954	1,190	1	282
Change in profit margin and risk margin		(182)	(421)	(32)	(323)
Change in the reinsurers' share of the provisions for unearned premiums		(107)	(102)	4	3
Premiums earned, net of reinsurance		2,218	2,331	8,858	9,174
Claims paid		(1,747)	(1,648)	(6,503)	(6,500)
Reinsurance cover received		142	61	345	292
Change in the provisions for claims		115	38	376	(87)
Change in risk margin		(9)	1	18	30
Change in the reinsurers' share of the provisions for claims		(48)	(12)	(53)	(41)
Claims incurred, net of reinsurance	1	(1,547)	(1,560)	(5,817)	(6,305)
Bonuses and rebates		(17)	0	(66)	(31)
Acquisition costs		(244)	(268)	(949)	(1,015)
Administrative expenses		(145)	(143)	(534)	(550)
Reinsurance commission and share of profits		19	20	78	81
Insurance operating expenses, net of reinsurance		(370)	(391)	(1,405)	(1,484)
TECHNICAL RESULT FROM NON-LIFE INSURANCE		283	380	1,571	1,354
LIFE INSURANCE					
Gross premiums written	2	2,991	2,575	11,106	10,981
Ceded reinsurance premiums		(0)	(0)	(1)	(1)
Premiums, net of reinsurance		2,991	2,575	11,105	10,980
Allocated investment return, net of reinsurance		1,566	5,353	8,357	5,291
Pension return tax		(394)	(621)	(1,094)	(617)
Claims and benefits paid		(1,007)	(1,751)	(4,133)	(6,393)
Reinsurance cover received		1	2	4	6
Claims and benefits paid, net of reinsurance		(1,007)	(1,749)	(4,129)	(6,387)
Change in the life insurance provisions		(3,008)	(5,429)	(13,759)	(8,839)
Change in the reinsurers' share		(1)	(2)	(4)	(7)
Change in the life insurance provisions, net of reinsurance		(3,008)	(5,431)	(13,763)	(8,847)
Change in profit margin		(36)	(38)	(61)	(38)
Acquisition costs		(57)	(51)	(166)	(184)
Administrative expenses		(94)	(102)	(319)	(375)
Insurance operating expenses, net of reinsurance		(150)	(153)	(485)	(559)
TECHNICAL RESULT FROM LIFE INSURANCE		(37)	(64)	(71)	(176)

Income statement • Group

(DKKm)	Q4 2019	Q4 2020	2019	2020
NON-TECHNICAL ACTIVITIES				
Technical result from non-life insurance	283	380	1,571	1,354
Technical result from life insurance	(37)	(64)	(71)	(176)
Income from associates	96	80	165	92
Income from investment properties	28	46	135	191
Interest income and dividends etc.	416	539	2,301	1,909
Revaluations	1,043	5,219	7,029	3,981
Interest charges	(22)	(23)	(78)	(102)
Expenses on investment activities	(16)	(24)	(53)	(86)
Total investment return	1,546	5,837	9,499	5,986
Return and revaluations of non-life insurance provisions	335	(56)	(616)	(374)
Investment return transferred to life insurance business	(1,566)	(5,353)	(8,357)	(5,291)
Other income	4	5	19	14
Other expenses	(13)	(18)	(57)	(59)
PRE-TAX PROFIT	551	731	1,987	1,453
Taxation	(120)	(159)	(441)	(329)
PROFIT FOR THE YEAR	431	571	1,547	1,124
EPS (DKK)	5.0	6.5	17.8	12.9
EPS, diluted (DKK)	4.9	6.5	17.7	12.9

Statement of comprehensive income • Group

Profit for the year	431	571	1,547	1,124
Items which cannot subsequently be reclassified as profit or loss:				
Revaluation / Reversed revaluation on owner-occupied properties	0	0	(18)	1
Taxation	0	0	4	(0)
Other comprehensive income	0	0	(14)	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	431	571	1,533	1,125

Assets • Group

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

Shareholders' equity and liabilities • Group

(DKKm)	Note	2019	2020
Share capital		90	90
Revaluation reserve		0	1
Security fund		1,146	1,146
Other reserves		72	79
Total reserves		1,218	1,225
Profit carried forward		3,559	3,763
Proposed dividend		1,530	1,800
TOTAL SHAREHOLDERS' EQUITY		6,397	6,879
OTHER SUBORDINATED LOAN CAPITAL		1,747	1,749
Provisions for unearned premiums		1,849	1,590
Profit margin, non-life insurance contracts		838	1,150
With-profit products		23,618	23,178
Unit-linked products		46,656	55,790
Total life insurance provisions		70,274	78,968
Profit margin, life insurance and investment contracts		329	367
Provisions for claims		13,071	13,364
Risk margin, non-life insurance contracts		253	226
Provisions for bonuses and rebates		163	130
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		86,778	95,797
Pensions and similar commitments		30	31
Deferred tax liabilities		71	83
Deferred tax on security funds		306	306
TOTAL PROVISIONS		407	420
DEPOSITS RECEIVED FROM REINSURERS		69	33
Debt relating to direct insurance operations		194	165
Debt relating to reinsurance operations		26	23
Amounts due to credit institutions		155	1,350
Current tax liabilities		27	60
Derivatives		679	983
Other debt		1,867	1,727
TOTAL DEBT		2,949	4,308
ACCRUALS AND DEFERRED INCOME		94	103
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		98,442	109,288
Financial assets and liabilities	3		
Contingent liabilities	4		
Related parties	5		
Cash flow statement	6		

Cash flow statement • Group

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

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 year				5	12	1,530	1,547
Other comprehensive income		(14)					(14)
Total comprehensive income for the year		(14)		5	12	1,530	1,533
Dividend paid						(1,350)	(1,350)
Dividend, own shares					50		50
Share-based payments					62		62
Exercise of share options					88		88
Taxation					(1)		(1)
Other transactions					198	(1,350)	(1,152)
Shareholders' equity at 31 December 2019	90	0	1,146	72	3,559	1,530	6,397

2020

Shareholders' equity at 31 December previous year	90	0	1,146	72	3,559	1,530	6,397
Reduction of proposed dividend previous year					765	(765)	0
Profit for the year				7	(683)	1,800	1,124
Other comprehensive income		1					1
Total comprehensive income for the year		1		7	(683)	1,800	1,125
Dividend paid						(765)	(765)
Dividend, own shares					24		24
Share-based payments					70		70
Exercise of share options					33		33
Taxation					(5)		(5)
Other transactions					122	(765)	(643)
Shareholders' equity at 31 December 2020	90	1	1,146	79	3,763	1,800	6,879

Own funds

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

Segment information • Group

Income statement

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

Notes to the financial statements • Group

(DKKm)

2019

2020

Note 1. Claims incurred, net of reinsurance - Non-life insurance

Run-off result:		
Gross business	388	201
Reinsurance ceded	45	(38)
Run-off result, net of reinsurance (profit)	433	164

Note 2. Gross premiums written - Life insurance

Individual policies	295	266
Policies which are part of a tenure	2,711	2,860
Group life	269	268
Regular premiums	3,275	3,394
Individual policies	2,179	4,226
Policies which are part of a tenure	5,652	3,361
Single premiums	7,831	7,587
Gross premiums	11,106	10,981

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

Of the CLO portfolio end of Q4 (6.9 bn) 5.8 bn is related to unit-linked products, DKK 0.5 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

(DKK m)

Note 3. Financial assets and liabilities - continued

Most significant inputs:

Discount rate	AAA	1.0%	
	A & BBB	2.7%	
	BBB and lower	7%	
Expected recovery		62-65%	
Reinvestment price		97.5-99.5%	
Constant default rate		5-2%	
	Reasonably possible changes		Effect on market value
Sensitivities:			
Discount rate	+1%		DKK 253m loss
Expected recovery	-1%		DKK 46m loss
Reinvestment spread	-25bps		DKK 120m loss
Constant default rate	+0.5%		DKK 296m loss

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

Besides CLOs and CDOs added to level 3 in Q1, the portfolio consists of construction financing of property projects (DKK 240m) and bonds (DKK 111m), for which current return depends on payment on life annuity contracts. 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	501
Adjustments to VAT liabilities	136	136
Other liabilities	4	1
Capital commitments made to loan funds and private equity funds etc.	398	356

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

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

Note 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 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	Q4 2019	Q4 2020	2019	2020
Income from affiliates	441	584	1,587	1,168
Interest charges	(3)	(3)	(10)	(11)
Total investment return	439	581	1,577	1,157
Other expenses	(10)	(14)	(41)	(46)
PRE-TAX PROFIT	429	567	1,536	1,112
Taxation	3	4	11	12
PROFIT FOR THE YEAR	431	571	1,547	1,124

Statement of comprehensive income • Parent company

Profit for the year	431	571	1,547	1,124
Other comprehensive income from affiliates	0	0	(14)	1
Other comprehensive income	0	0	(14)	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	431	571	1,533	1,125

Balance sheet • Parent company

(DKK)m	2019	2020
Assets		
Operating equipment	3	3
TOTAL TANGIBLE ASSETS	3	3
Equity investments in affiliates	6,431	6,816
Total investment in affiliates	6,431	6,816
Equity investments	0	4
Total other financial investment assets	0	4
TOTAL INVESTMENT ASSETS	6,431	6,820
Receivables from affiliates	836	913
Other receivables	0	48
TOTAL RECEIVABLES	836	961
Liquid funds	3	1
TOTAL OTHER ASSETS	3	2
TOTAL ASSETS	7,274	7,785

Shareholders' equity and liabilities

Share capital	90	90
Other reserves	2,682	3,067
Total reserves	2,682	3,067
Profit carried forward	2,401	2,228
Proposed dividend	1,530	1,800
TOTAL SHAREHOLDERS' EQUITY	6,703	7,185
OTHER SUBORDINATED LOAN CAPITAL	398	399
Amounts due to affiliates	139	133
Current tax liabilities	27	60
Other debt	7	8
TOTAL DEBT	172	201
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	7,274	7,785