

Interim report for Q1 2021

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Management's review

Key features

Q1 2021

- Post-tax profit of DKK 635m (Q1 2020: DKK 193m (loss))
- EPS was DKK 7.2 (Q1 2020: DKK 2.2 (loss))
- Combined ratio: 85.9 (Q1 2020: 89.8)
- Combined ratio excluding run-off profits: 88.0 (Q1 2020: 91.9)
- Premiums increased by 4.6% in non-life insurance and decreased by 13.0% in life insurance.
- Profit on life insurance was DKK 190m (Q1 2020: DKK 49m (loss)).
- After return on non-life insurance provisions, the investment return was DKK 280m (Q1 2020: DKK 430m (loss)).

Model profit forecast for 2021

- The assumed combined ratio for 2021 has been improved from 89-90 to 87-88, excluding run-off in Q2-Q4.
- The post-tax model profit forecast for 2021 has been improved from DKK 1,000-1,100m to DKK 1,450-1,550m, excluding run-off in Q2-Q4.
- The expected premium growth in non-life has been improved from just above 3% to 3-4%.
- The assumed expense ratio has been reduced from around 16% to just below 16%.

Efficiency programme

- Topdanmark's efforts to become more efficient are progressing according to plan.
- The efficiency programme is still expected to generate annual gross efficiency gains of DKK 500m in 2025 with a net impact of DKK 20m in 2021.

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 results. The call will be conducted in English.

To participate in the conference call, please call:

DK dial-in-number: +45 78 15 01 10

SE dial-in-number: +46 85 05 58 373

UK dial-in-number: +44 333 300 9273

US dial-in-number: +1 833 526 8381

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 2020	Q1 2020	Q1 2021
Premiums earned:			
Non-life insurance	9,732	2,390	2,500
Life insurance	10,981	3,090	2,688
	20,713	5,480	5,187
Results:			
Non-life insurance	1,302	(201)	651
Life insurance	117	(49)	190
Parent company etc.	34	8	(5)
Pre-tax profit	1,453	(242)	836
Tax	(329)	49	(202)
Profit	1,124	(193)	635
Run-off profits, net of reinsurance	164	50	53
Shareholders' equity of parent company at 1 January	6,703	6,703	7,185
Profit	1,124	(193)	635
Dividend paid	(765)	0	(1,800)
Dividend own shares	24	0	48
Share-based payments	98	36	40
Other movements in shareholders' equity	1	0	(1)
Shareholders' equity of parent company end of period	7,185	6,547	6,107
Deferred tax on security funds	(306)	(306)	(306)
Shareholders' equity of Group end of period	6,879	6,241	5,801
Total assets, parent company	7,785	7,235	6,928
Total assets, Group	109,288	93,704	112,977
Provisions for insurance and investment contracts:			
Non-life insurance	16,462	17,850	18,285
Life insurance	79,335	64,424	82,743
Financial ratios (parent company)			
Post-tax profit as a percentage of shareholders' equity	16.6	(2.9)	8.5
Post-tax EPS (DKK)	12.9	(2.2)	7.2
Post-tax EPS, diluted (DKK)	12.9	(2.2)	7.2
Dividend per share issued, proposed (DKK)	20.0	-	-
Net asset value per share, diluted (DKK)	82.0	75.1	69.6
Listed share price end of period	264.2	274.0	290.2
Number of shares end of period ('000)	87,491	87,187	87,597
Average number of shares ('000)	87,266	87,127	87,544
Average number of shares, diluted ('000)	87,475	87,127	87,738
Ratios non-life insurance			
Gross loss ratio	67.5	70.8	68.2
Net reinsurance ratio	2.6	1.7	0.9
Claims trend	70.1	72.5	69.1
Gross expense ratio	16.3	17.2	16.8
Combined ratio	86.5	89.8	85.9
Combined ratio excl. run-off profits	88.2	91.9	88.0

Ratios have been calculated in accordance with the Danish FSA's Executive order on Financial Reports for Insurance Companies and in accordance with the definitions issued by the Danish Finance Society. See accounting policies in the Annual Report 2020.

Results for Q1 2021

Topdanmark's post-tax profit for Q1 2021 was DKK 635m (Q1 2020: DKK 193m (loss)).

The technical result increased by DKK 108m to DKK 352m. The increase is driven by a low level of weather-related claims, and a change in COVID-19 impact from negative in Q1 2020 to positive in Q1 2021, whereas the very low temperatures in part of the quarter caused many water pipes to freeze and burst.

The investment return adjusted for return and revaluation on non-life insurance provisions increased by DKK 744m to DKK 299m. The improvement should be seen in light of the challenging market conditions in Q1 2020, whereas the investment return in Q1 2021 was impacted by more favourable market conditions, especially for equity investments and CLOs.

The profit on life insurance increased by DKK 239m to DKK 190m affected by a higher investment return.

Trend in profit (DKK m)	Full year 2020	Q1 2020	Q1 2021
Non-life insurance			
- Technical result	1,316	244	352
- Investment return after return and revaluations of non-life insurance provisions etc.	(15)	(445)	299
Profit on non-life insurance	1,302	(201)	651
Life insurance	117	(49)	190
Parent company etc.	34	8	(5)
Pre-tax profit	1,453	(242)	836
Tax	(329)	49	(202)
Profit	1,124	(193)	635

Impact of the COVID-19 situation

In Q1 2021, COVID-19 reduced the number of claims, predominantly on travel, but also on motor insurance and contents insurance. Offsetting this, COVID-19 affected other lines of business negatively such as income protection insurance, illness and accident, and workers' compensation.

On a net basis, COVID-19 is assumed to improve the combined ratio for Q1 2021 by 1.4pp.

Non-life insurance

Premiums earned

Premiums earned increased by 4.6% to DKK 2,500m.

The private segment accounted for a 2.9% increase, and the SME segment accounted for a 6.5% increase. In both segments, Topdanmark continues to have a net inflow of customers in the Topdanmark brand.

The restrictions on travelling due to COVID-19 have resulted in termination of many travel insurances. This has had a 0.6pp negative effect on premium growth.

The distribution agreement with Nordea continues to have good traction and balances the outflow from the old Danske Bank agreement in Q1 2021. Topdanmark continues to expect that throughout 2021, the Nordea agreement will compensate fully for the terminated distribution agreement with Danske Bank in terms of premiums.

Claims trend

The claims trend was 69.1 in Q1 2021, down from 72.5 in Q1 2020.

The run-off, net of reinsurance, was DKK 53m, i.e. almost unchanged compared with the Q1 2020 level. Run-off profits were primarily generated in house, property and in workers' compensation, whereas run-off losses were primarily generated within professional liability and accident.

In Q1 2021, there were not registered any weather-related claims (Q1 2020: DKK 65m), representing a 2.7pp improvement of the claims trend. Thereby, the level of weather-related claims was DKK 50m below the normal level of DKK 50m.

Q1 2021 was impacted by fewer large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance), thus decreasing from DKK 42m in Q1 2020 to DKK 26m in Q1 2021, representing a 0.7pp improvement of the claims trend. The large-scale claims were largely in line with the normal quarterly level of DKK 25m.

The record low temperatures in February caused many water pipes to freeze and burst. Claims related to the higher frequency of burst water pipes due to freezing affected the claims trend negatively by 1.2pp in Q1 2021.

The claims trend was negatively impacted by the lower interest rates. The reduction in discounting effect was 0.6pp compared with Q1 2020.

Claims trend	Full year 2020	Q1 2020	Q1 2021
Claims trend	70.1	72.5	69.1
Run-off excl. COVID-19	1.9	2.1	2.1
Weather-related claims	(1.0)	(2.7)	0.0
Large-scale claims	(0.9)	(1.8)	(1.0)
Other	0.3	1.0	0.4
Claims before run-off, weather, large-scale claims and other	70.4	71.1	70.5
Rain/frost	(0.5)	(0.8)	(1.2)
Discounting			(0.6)
COVID-19	1.2	(0.5)	1.4
Underlying claims trend	71.2	69.8	70.1

In full year 2020, 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 0.6pp to 70.5 in Q1 2021.

The underlying claims trend, which is adjusted for the extraordinary rain claims in Q1 2020, severe frost in Q1 2021, discounting and COVID-19 impact, deteriorated by 0.3pp to 70.1.

Expense ratio

The expense ratio was 16.8, down from 17.2 in Q1 2020.

Normally, the expense ratio is higher in Q1 than in the subsequent quarters due to higher sales commissions and fewer holidays taken in Q1.

Combined ratio

The combined ratio was 85.9 in Q1 2021 (Q1 2020: 89.8).

Excluding run-off, the combined ratio was 88.0 (Q1 2020: 91.9).

Financial highlights – Non-life insurance (DKK m)	Full year 2020	Q1 2020	Q1 2021
Gross premiums earned	9,732	2,390	2,500
Claims incurred	(6,568)	(1,692)	(1,704)
Expenses	(1,591)	(412)	(421)
Net reinsurance	(257)	(41)	(23)
Technical result	1,316	244	352
Investment return after return and revaluations of non-life insurance provisions	(12)	(446)	298
Other items	(2)	0	1
Profit on non-life insurance	1,302	(201)	651
Run-off profits, net of reinsurance	164	50	53
Gross loss ratio	67.5	70.8	68.2
Net reinsurance ratio	2.6	1.7	0.9
Claims trend	70.1	72.5	69.1
Gross expense ratio	16.3	17.2	16.8
Combined ratio	86.5	89.8	85.9
Combined ratio excl. run-off profits	88.2	91.9	88.0

Segment reporting

Private

The private segment offers policies to individual households in Denmark.

Premiums earned increased by 2.9% to DKK 1,332m. The distribution agreement with Nordea now fills the gap from Danske Bank.

Premiums were negatively impacted by adjusted

segmentation in terms of accounting between the private and the SME segments (DKK 16m). Without this adjustment, premiums increased by 4.2%.

The technical result was DKK 202m in Q1 2021, representing an increase of DKK 42m compared with Q1 2020.

The claims trend improved 2.1pp to 69.4.

The claims trend was positively impacted by the absence of weather-related claims, however, the cold weather in February caused a higher frequency of burst water pipes.

Compared with Q1 2020, the claims trend was positively impacted by a lower claims trend on travel insurance after the substantial negative COVID-19 impact last year. COVID-19 also improved the claims trend on motor and contents insurance, primarily due to the lower level of activity in society.

On the other hand, COVID-19 impacted income protection insurance, and illness and accident negatively.

Run-off of DKK 28m was DKK 38m lower than in Q1 2020 corresponding to a negative impact of 2.8pp on the claims trend.

The expense ratio improved to 15.4 from 16.1 in Q1 2020.

The combined ratio was 84.8 in Q1 2021 (Q1 2020: 87.7).

Excluding run-off, the combined ratio was 87.0 (Q1 2020: 92.7).

Private (DKKm)	Full year 2020	Q1 2020	Q1 2021
Gross premiums earned	5,179	1,294	1,332
Claims incurred	(3,787)	(914)	(903)
Expenses	(824)	(209)	(206)
Net reinsurance	(41)	(12)	(21)
Technical result	527	160	202
Run-off profits, net of reinsurance	116	66	28
Gross loss ratio	73.1	70.6	67.8
Net reinsurance ratio	0.8	0.9	1.6
Claims trend	73.9	71.5	69.4
Gross expense ratio	15.9	16.1	15.4
Combined ratio	89.8	87.7	84.8
Combined ratio excl. run-off profits	92.1	92.7	87.0

SME

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

Premiums earned increased by 6.5% to DKK 1,173m. Without the adjustment in segmentation between the private and the SME segments mentioned above, premiums increased by 5.0%.

The technical result increased by DKK 66m to DKK 150m in Q1 2021. Run-off was DKK 25m in Q1 2021 (Q1 2020: negative by DKK 16m).

The claims trend improved by 5.0pp to 68.8. The improvements mainly derive from higher run-off (workers' compensation and property) and no weather-related claims.

Conversely, the claims trend in the agricultural segment was at a higher level than usual.

The expense ratio was 18.4 in Q1 2021 which is slightly below Q1 2020.

The combined ratio improved to 87.2 in Q1 2021 (Q1 2020: 92.3).

Excluding run-off, the combined ratio was 89.3 in Q1 2021 (Q1 2020: 90.9).

SME (DKK m)	Full year 2020	Q1 2020	Q1 2021
Gross premiums earned	4,571	1,101	1,173
Claims incurred	(2,799)	(783)	(805)
Expenses	(767)	(204)	(216)
Net reinsurance	(216)	(30)	(2)
Technical result	789	84	150
Run-off profits, net of reinsurance	47	(16)	25
Gross loss ratio	61.2	71.1	68.6
Net reinsurance ratio	4.7	2.7	0.2
Claims trend	66.0	73.8	68.8
Gross expense ratio	16.8	18.5	18.4
Combined ratio	82.7	92.3	87.2
Combined ratio excl. run-off profits	83.8	90.9	89.3

Life insurance

The result from life insurance was a profit of DKK 190m (Q1 2020: DKK 49m (loss)).

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 (DKK m)	Full year 2020	Q1 2020	Q1 2021
Investment return on shareholders' equity	19	(71)	149
Sales and administration	(43)	(19)	2
Insurance risk	(10)	3	(1)
Risk return on shareholders' equity	152	37	40
Profit on life insurance	117	(49)	190

Developments in Q1 2021

Compared with Q1 2020, the increase in profit in Q1 2021 for life insurance primarily derives from investment return on shareholders' equity and sales and administration. The investment return on shareholders' equity was DKK 149m in Q1 2021 (Q1 2020: DKK 71m (loss)) and includes a valuation adjustment of the property portfolio of DKK 110m.

The result of sales and administration increased by DKK 21m to DKK 2m primarily as higher assets under management gave increased fees/commissions from Topdanmark Asset Management. The insurance risk result decreased by DKK 4m to DKK 1m (loss). The insurance risk result may fluctuate from one quarter to the next.

Trend in premiums

Gross premiums decreased by 13.0% to DKK 2,688m in Q1 2021, of which premiums on unit-linked pension schemes were DKK 2,479m, representing a 12.7% decrease compared with Q1 2020.

The reason being price increases on loss of earning capacity products as at 1 September 2020 and 1 January 2021, and a decline in sales, presumably due to COVID-19.

Regular premiums decreased by 1.4% to DKK 871m in Q1 2021. Single premiums were DKK 1,816m in Q1 2021, representing a 17.7% decrease compared with Q1 2020.

Investment activities

Topdanmark Group excl. life insurance

The investment return of the Topdanmark Group excluding life insurance was a loss of DKK 112m in Q1 2021 (Q1 2020: DKK 475m (loss)). Return and revaluation of non-life insurance provisions were DKK 392m in Q1 2021 (Q1 2020: DKK 46m).

The return on investment after return and revaluation of non-life insurance provisions was DKK 280m and thus DKK 242m higher than the assumed return for the quarter, when calculated using Topdanmark's forecast model at the beginning of 2021. The higher return should be seen in the light of the continued financial rebound after the COVID-19 pandemic seems to be contained by vaccines.

The Danish mortgage bond market which is dominated by AAA bonds was marked by the yield curve

steepening and some widening of spreads to swaps. Despite this widening, the profit from revaluations of provisions exceeded the loss on the assets hedging the provisions' interest sensitivity with a robust 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 Q1 2021 on the most significant classes of assets is shown in the table below:

Investment return	Portfolio 31 March		Return Q1 2020		Return Q1 2021	
	2020 (DKKbn)	2021	(DKKm)	%	(DKKm)	%
Danish equities	0.2	0.2	(49)	(17.2)	11	4.9
Foreign equities	0.6	0.9	(174)	(22.3)	63	7.4
Unlisted equities and hedge funds	0.4	0.3	6	1.8	14	4.0
Government and mortgage bonds	17.8	16.9	(190)	(1.1)	(297)	(1.8)
Index linked bonds	0.3	0.3	2	0.6	(6)	(1.9)
CLOs	0.5	0.6	(94)	(16.3)	66	11.6
Properties	1.3	1.2	12	1.0	33	2.8
Expenses, money markets etc.	1.6	1.9	1	0.1	(1)	(0.0)
Subordinated loan capital	(1.7)	(1.7)	(11)	(0.6)	(10)	(0.5)
	20.9	20.7	(496)	(2.4)	(125)	(0.6)
Asset management			21		13	
Investment return			(475)		(112)	
Return and revaluations of non-life insurance provisions			46		392	
Investment return after return on non-life insurance provisions			(430)		280	

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 1,196m pre-tax 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 31 March 2021, 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 22m) and positions in hedge funds where the investment mandates aim at positioning in the credit market (DKK 219m).

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 "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 832m). 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. 99.9% of the property portfolio is currently let when adjusting for properties under construction.

“Expenses, money markets etc.” comprise 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 discount curve with volatility adjustment (VA) for assessing insurance provisions. The VA component comprises a corrective element for the development in pricing of Danish mortgage bonds, as well as a corrective element for the development in pricing of European business credits. The VA component was 22bp at the beginning of the year and 45bp at the end of Q1 2021.

Solvency calculation and capital requirements

Solvency II gives insurance companies the opportunity to develop their own full or partial internal risk model for solvency calculation. Topdanmark uses such 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 while Topdanmark uses the standard model for life products.

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

During Q1 2021, Topdanmark has updated its model apparatus for calculating the Solvency Capital Requirement (SCR) and the own funds in life insurance. The major outcome of this work has been a positive correction in the estimated profit margin on unit-linked products to a more market consistent level. Topdanmark Livsforsikring’s own funds increased by

DKK 898m in Q1 2021, the primary reason being the increase in the estimated profit margin on unit-linked products of DKK 890m. The profit margin on with-profit products is largely unchanged.

The SCR of Topdanmark Livsforsikring has been positively impacted as well. This is due to higher interest rates and solid gains on equities, properties, and CLOs leading to a strengthening of the loss absorption capacity of the collective and individual bonus potentials. Consequently, the SCR of Topdanmark Livsforsikring dropped from DKK 2,232m at year-end 2020 to DKK 1,484m end Q1 2021.

Due to the higher level of own funds and lower SCR, Topdanmark Livsforsikring’s solvency cover improved from 171% at the end of 2020 to 317% end Q1 2021.

The solvency cover for the Group is positively affected by the higher solvency cover in life insurance as well as by the profit in Q1 2021. The solvency cover improved from 170% at the end of 2020 to 243% end Q1 2021.

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 (DKKm)	2018	2019	2020	Q1 2020	Q1 2021
Own funds	6,509	6,660	6,839	7,188	8,293
Solvency requirement	3,322	3,773	4,016	3,512	3,410
Solvency cover (%)	196	177	170	205	243

Potential dividend for the interim periods was not 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 outside the insurance business (primarily Topdanmark Asset Management), finance costs and other expenses. The profit of the parent company decreased by DKK 13m to DKK 5m (loss) in Q1 2021.

Taxation

The tax charge was DKK 202m of the pre-tax profit of DKK 836m, corresponding to an effective tax rate of 24.1% (Q1 2020: 20.4%).

Efficiency Programme

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

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 with a net impact of the efficiency programme of DKK 20m in 2021. Please refer to the Annual Report 2020 for the full details of the programme.

So far, Topdanmark's efforts to become more efficient are progressing according to plan.

New IT systems

Topdanmark has initiated the process of implementing the new IT system in non-life, and the implementation is so far progressing according to plan.

Please refer to the Annual Report 2020 for the full details of the implementation plan.

Model profit forecast

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 model profit forecast 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 model profit forecast will affect the results.

As can be seen, the model investment return forecast 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 Annual Report 2020, it was stated that Topdanmark's post-tax model profit forecast for 2021 was DKK 1,000-1,100m.

In the company announcement no. 06/2021 dated 6 April 2021, the assumed combined ratio for 2021 was improved from 89-90 to 88-89 excluding run-off based on preliminary numbers. Based on final numbers, including run-off of DKK 53m in Q1 2021, the assumed combined ratio for 2021 is further improved to 87-88.

Likewise, the model post-tax profit forecast for 2021 was improved from DKK 1,000-1,100m to DKK 1,300-1,400m, excluding run-off. The revision was mainly a result of the following developments during Q1:

- Higher investment return at Topdanmark Forsikring especially driven by equity investments and CLOs (DKK 170m higher than previously expected)
- Higher investment return at Topdanmark Livsforsikring, including a valuation adjustment of the property portfolio (in total DKK 130m higher than previously expected)
- Claims trend better than expected coupled with higher interest rates (DKK 100m higher technical result than previously expected)
- Tax on the above (DKK 100m).

Based on final numbers the model post-tax profit forecast for 2021 is increased to DKK 1,450-1,550m, excluding run-off in Q2-Q4.

Non-life insurance

In the Annual Report 2020, the model profit forecast for 2021 comprised an assumed combined ratio of 89-90 and a pre-tax profit in non-life insurance of DKK 1,130-1,230m. This forecast was based on the following assumptions:

- Premium growth for 2021 of just above 3%
- Weather-related claims of DKK 170m, DKK 50m of them related to Q1 2021
- An interest level corresponding to the interest rate curve on 30 December 2020
- An annual 7.0% return on equities and unchanged foreign exchange rates from the level on 30 December 2020

- Large-scale claims (large-scale claims of a value exceeding DKK 5m after reinsurance) of DKK 100m
- A negative impact of COVID-19 of 0.3pp compared with 2020, but a positive impact of 0.9pp compared with a normal year without COVID-19
- An expense ratio of approx. 16
- A net positive impact of the efficiency programme of approx. 0.2pp in 2021.

Since the announcement of the Annual Report 2020 the following has changed:

- The assumed premium growth for 2021 in non-life is improved from just above 3% to 3-4%.
- A run-off profit of DKK 53m in Q1 2021 improved the assumed combined ratio for 2021 by 0.5pp.
- There were no weather-related claims in Q1 2021 which improved the assumed combined ratio for 2021 by 0.5pp.
- The discount rates (including changes in VA) have increased relatively to the guidance for 2021 in the Annual Report 2020, representing a 0.6pp improvement of the combined ratio.
- The investment income in Q1 has been DKK 278m higher than assumed.
- The sustained lockdown of society during Q1 2021 and the expected gradual reopening of society during Q2 2021 lead to an unchanged expected impact from COVID-19 on the combined ratio for 2021.
- The assumed expense ratio has been improved to just below 16.

Therefore, the assumed combined ratio for 2021 is improved from 89-90 to 87-88, excluding run-off in Q2-Q4 and the overall assumed pre-tax result for non-life insurance is improved to DKK 1,580-1,670m.

Life insurance

In the Annual Report 2020, Topdanmark assumed a pre-tax profit in the life division of DKK 100-150m in 2021.

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

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

- Full recognition as income of risk return for shareholders' equity from all interest rate groups
- Investment income on shareholders' equity of around DKK 10m.

Since the announcement of the Annual Report 2020, the assumed investment return has improved, affected by a return higher than assumed in Q1 2021 (DKK 130m), primarily due to property revaluation.

Consequently, the pre-tax profit for the life division has been upgraded from DKK 100-150m to DKK 250-300m.

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 20-30m.

Taxation

Given a corporation tax rate of 22%, the tax charge is expected to be DKK 400-450m.

Total Group profit

Topdanmark's overall post-tax profit for 2021 according to the profit forecast model is DKK 1,450-1,550m representing an EPS of between DKK 16.6-17.7. The assumed profit is exclusive of run-off in Q2-Q4.

The profit forecast model assumes an annual 7.0% return on equities, and unchanged foreign exchange rates from the level as at 31 March 2021.

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 1.76% (risk-free interest rate plus 2.0pp).

Profit forecast 2021 (DKKm)	Results 2020	Forecast 2021 30 December 2020		Forecast 2021 31 March 2021	
Non-life insurance					
- Technical result	1,316	1,050	–	1,100	1,250 – 1,300
- Investment return after return and revaluations of non-life insurance provisions etc.	(15)	80	–	130	330 – 370
Profit on non-life insurance	1,302	1,130	–	1,230	1,580 – 1,670
Life insurance	117	100	–	150	250 – 300
Parent company etc.	34	40	–	50	20 – 30
Pre-tax profit	1,453	1,270	–	1,430	1,850 – 2,000
Taxation	(329)	(270)	–	(330)	(400) – (450)
Profit for the year	1,124	1,000	–	1,100	1,450 – 1,550

New Group Executive Management

Topdanmark has decided to adjust the Group Executive Management to support the strategic ambitions of Topdanmark.

The Group Executive Management is strengthened by directors from the business segments to ensure customer focus in all decisions and activities. Furthermore, management is strengthened by a director from Analytics to ensure focus on profitability, as well as a director from HR and Communications to ensure focus on developing Topdanmark's organisation.

The new members of the Group Executive Management are:

- Carsten Elmoose, CCO Private
- Monica Diaz, CCO Agriculture and Commercial
- Vivian Byrholt, CEO Topdanmark Livsforsikring A/S
- Henrik Orloff, CAO (Analytics)
- Louise Hørdum, CHRO (HR and Communications)

Lars Thykier, Group CFO, has announced his decision to retire after 35 years employment with Topdanmark. He will be replaced by Lars Kufall Beck, aged 46, who comes from the position as CFO of Saxo Bank. Lars Kufall Beck takes up the position as CFO and member of the Group Executive Management no later than 1 September 2021. Lars Thykier continues as CFO until then, and for a transitional period hereafter, he will hand over to Lars Kufall Beck.

Financial calendar

2021 Half-year Report	16 July 2021
Q1-Q3 2021 Interim Report	21 Oct 2021
Announcement of 2021 Annual Results	21 Jan 2022
Deadline for submitting items for AGM agenda	9 Feb 2022
2021 Annual Report	17 Feb 2022
AGM	24 Mar 2022

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 → Investor → [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.

Financial statements for Q1 2021 – Group

Income statement • Group

(DKK m)	Note	Full year 2020	Q1 2020	Q1 2021
NON-LIFE INSURANCE				
Gross premiums written		9,803	4,430	4,586
Ceded reinsurance premiums		(592)	(344)	(335)
Change in the provisions for unearned premiums		282	(2,017)	(2,084)
Change in profit margin and risk margin		(323)	(16)	16
Change in the reinsurers' share of the provisions for unearned premiums		3	203	201
Premiums earned, net of reinsurance		9,174	2,255	2,384
Claims paid		(6,500)	(1,757)	(1,649)
Reinsurance cover received		292	58	54
Change in the provisions for claims		(87)	44	(60)
Change in risk margin		30	24	9
Change in the reinsurers' share of the provisions for claims		(41)	23	39
Claims incurred, net of reinsurance	1	(6,305)	(1,608)	(1,607)
Bonuses and rebates		(31)	(7)	(18)
Acquisition costs		(1,015)	(261)	(268)
Administrative expenses		(550)	(145)	(147)
Reinsurance commission and share of profits		81	19	18
Insurance operating expenses, net of reinsurance		(1,484)	(387)	(397)
TECHNICAL RESULT FROM NON-LIFE INSURANCE		1,354	253	361
LIFE INSURANCE				
Gross premiums written	2	10,981	3,090	2,688
Ceded reinsurance premiums		(1)	(0)	(0)
Premiums, net of reinsurance		10,980	3,090	2,687
Allocated investment return, net of reinsurance		5,291	(7,777)	3,797
Pension return tax		(617)	194	(533)
Claims and benefits paid		(6,393)	(1,547)	(2,394)
Reinsurance cover received		6	0	2
Claims and benefits paid, net of reinsurance		(6,387)	(1,547)	(2,393)
Change in the life insurance provisions		(8,839)	6,110	(2,557)
Change in the reinsurers' share		(7)	(0)	(0)
Change in the life insurance provisions, net of reinsurance		(8,847)	6,110	(2,558)
Change in profit margin		(38)	34	(888)
Acquisition costs		(184)	(47)	(50)
Administrative expenses		(375)	(92)	(104)
Insurance operating expenses, net of reinsurance		(559)	(139)	(154)
TECHNICAL RESULT FROM LIFE INSURANCE		(176)	(35)	(41)

Income statement • Group

(DKKm)	Full year 2020	Q1 2020	Q1 2021
NON-TECHNICAL ACTIVITIES			
Technical result from non-life insurance	1,354	253	361
Technical result from life insurance	(176)	(35)	(41)
Income from associates	92	16	270
Income from investment properties	191	40	51
Interest income and dividends etc.	1,909	542	738
Revaluations	3,981	(8,819)	2,920
Interest charges	(102)	(32)	(23)
Expenses on investment activities	(86)	(20)	(25)
Total investment return	5,986	(8,273)	3,931
Return and revaluations of non-life insurance provisions	(374)	46	392
Investment return transferred to life insurance business	(5,291)	7,777	(3,797)
Other income	14	3	6
Other expenses	(59)	(12)	(16)
PRE-TAX PROFIT	1,453	(242)	836
Taxation	(329)	49	(202)
PROFIT FOR THE PERIOD	1,124	(193)	635
EPS (DKK)	12.9	(2.2)	7.2
EPS, diluted (DKK)	12.9	(2.2)	7.2

Statement of comprehensive income • Group

Profit for the period	1,124	(193)	635
Items which cannot subsequently be reclassified as profit or loss:			
Revaluation / Reversed revaluation owner-occupied properties	1	0	(2)
Taxation	(0)	(0)	0
Other comprehensive income	1	0	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,125	(192)	633

Assets • Group

(DKKkm)	31 December 2020	31 March 2020	31 March 2021
INTANGIBLE ASSETS	1,486	1,336	1,524
Operating equipment	108	112	107
Owner-occupied properties	837	836	832
TOTAL TANGIBLE ASSETS	946	949	940
Investment properties	3,934	4,097	4,022
Equity investments in associates	1,741	1,661	2,000
Total investments in associates	1,741	1,661	2,000
Equity investments	4,751	4,376	5,009
Unit trusts	2	2	2
Bonds	41,776	43,125	36,639
Loans guaranteed by mortgages	6	6	5
Deposits with credit institutions	4,989	2,752	3,996
Derivatives	1,405	460	352
Total other financial investment assets	52,928	50,721	46,002
TOTAL INVESTMENT ASSETS	58,603	56,479	52,024
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	44,997	31,667	54,983
Reinsurers' share of the provisions for unearned premiums	96	265	264
Reinsurers' share of the life insurance provisions	5	12	4
Reinsurers' share of the provisions for claims	440	500	476
Total reinsurers' share of provisions	541	776	745
Receivables from policyholders	283	461	383
Receivables from insurance companies	71	67	71
Receivables from associates	252	266	252
Other receivables	584	407	555
TOTAL RECEIVABLES	1,731	1,976	2,006
Current tax assets	0	62	0
Deferred tax assets	33	71	40
Liquid funds	846	359	742
Other	20	118	23
TOTAL OTHER ASSETS	899	610	804
Accrued interest and rent	415	373	423
Other prepayments and accrued income	210	314	271
TOTAL PREPAYMENTS AND ACCRUED INCOME	626	687	695
TOTAL ASSETS	109,288	93,704	112,977

Shareholders' equity and liabilities • Group

(DKK m)	Note	31 December 2020	31 March 2020	31 March 2021
Share capital		90	90	90
Revaluation reserve		1	0	0
Security fund		1,146	1,146	1,146
Other reserves		79	75	81
Total reserves		1,225	1,221	1,227
Profit carried forward		3,763	4,165	4,484
Proposed dividend		1,800	765	0
TOTAL SHAREHOLDERS' EQUITY		6,879	6,241	5,801
OTHER SUBORDINATED LOAN CAPITAL		1,749	1,748	1,749
Provisions for unearned premiums		1,590	3,846	3,632
Profit margin, non-life insurance contracts		1,150	864	1,154
With-profit products		23,178	22,695	22,928
Unit-linked products		55,790	41,433	58,559
Total life insurance provisions		78,968	64,129	81,487
Profit margin, life insurance and investment contracts		367	295	1,255
Provisions for claims		13,364	12,775	13,173
Risk margin, non-life insurance contracts		226	228	206
Provisions for bonuses and rebates		130	137	120
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		95,797	82,275	101,028
Pensions and similar commitments		31	29	30
Deferred tax liabilities		83	72	85
Deferred tax on security funds		306	306	306
TOTAL PROVISIONS		420	407	421
DEPOSITS RECEIVED FROM REINSURERS		33	70	29
Debt relating to direct insurance operations		165	161	173
Debt relating to reinsurance operations		23	138	135
Amounts due to credit institutions		1,350	501	925
Current tax liabilities		60	0	139
Derivatives		983	983	674
Other debt		1,727	1,053	1,836
TOTAL DEBT		4,308	2,834	3,882
ACCRUALS AND DEFERRED INCOME		103	129	67
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		109,288	93,704	112,977
Financial assets and liabilities	3			
Contingent liabilities	4			
Related parties	5			
Cash flow statement	6			
Accounting policies	7			

Cash flow statement • Group

(DKK m)	Full year 2020	Q1 2020	Q1 2021
Cash flow from operations			
Gross premiums	9,741	4,288	4,445
Claims	(6,488)	(1,800)	(1,686)
Expenses	(1,437)	(314)	(300)
Reinsurance ceded	(166)	(63)	(123)
Cash flow from non-life insurance	1,651	2,111	2,337
Gross premiums	10,984	3,088	2,767
Claims and benefits	(6,660)	(1,644)	(2,485)
Pension return tax	(823)	(833)	(750)
Expenses	(483)	(139)	(127)
Reinsurance ceded	(19)	12	(1)
Cash flow from life insurance	2,999	484	(597)
Cash flow from insurance activities	4,650	2,595	1,740
Payments on investment contracts	145	35	38
Interest income etc.	1,483	393	454
Dividends	526	163	314
Interest charges etc.	(184)	(49)	(45)
Corporation tax	(313)	(89)	(127)
Other items	(332)	(186)	(34)
Cash flow from operations	5,975	2,862	2,341
Cash flow from investments			
Intangible assets, operating equipment	(205)	(73)	(74)
Properties	(191)	(26)	(9)
Equity investments in affiliates	(81)	-	-
Equity investments in associates	(8)	(2)	(9)
Dividends from associates	27	25	20
Equity investments	400	(39)	27
Unit trusts	12	(3)	1
Bonds	1,587	(331)	4,721
Derivatives	(250)	(107)	216
Investment assets related to unit-linked products	(5,157)	(2,886)	(6,413)
Balances with associates	34	20	(0)
Cash flow from investments	(3,831)	(3,422)	(1,519)
Cash flow from financing			
Dividend paid	(741)	0	(1,550)
Exercise of share options	33	21	18
Redemption of subordinated loan capital	(500)	0	0
Issue of subordinated loan capital	500	0	0
Amounts due to credit institutions	1,195	346	(425)
Cash flow from financing	486	366	(1,956)
Change in cash and cash equivalents	2,631	(194)	(1,135)
Cash and cash equivalents at 1 January	3,294	3,294	5,835
Revaluation of cash and cash equivalents	(90)	11	37
Cash and cash equivalents end of period	5,835	3,111	4,737
Cash and cash equivalents comprise:			
Liquid funds	846	359	742
Deposits with credit institutions	4,989	2,752	3,996
	5,835	3,111	4,737

Statement of changes in equity • Group

(DKKm)

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Total
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
Q1 2020							
Shareholders' equity at 31 December prior 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				3	(195)		(193)
Other comprehensive income							0
Total comprehensive income for the period				3	(195)		(192)
Share-based payments					20		20
Exercise of share options					21		21
Taxation					(5)		(5)
Other transactions					36		36
Shareholders' equity at 31 March 2020	90	0	1,146	75	4,165	765	6,241
Q1 2021							
Shareholders' equity at 31 December previous year	90	1	1,146	79	3,763	1,800	6,879
Profit for the period				2	633		635
Other comprehensive income		(1)					(1)
Total comprehensive income for the periode		(1)		2	633		633
Dividend paid						(1,800)	(1,800)
Dividend, own shares					48		48
Share-based payments					21		21
Exercise of share options					18		18
Taxation					1		1
Other transactions					88	(1,800)	(1,712)
Shareholders' equity at 31 March 2021	90	0	1,146	81	4,484	0	5,801

Segment information • Group

Income statement

(DKK m)	Private	SME	Eliminated	Non-life	Life	Parent etc.	Eliminated	Group
Q1 2020								
Non-life insurance								
Gross premiums earned	1,294	1,101	(5)	2,390				2,390
Claims incurred	(914)	(783)	5	(1,692)			3	(1,689)
Expenses	(209)	(204)	0	(412)			6	(406)
Net reinsurance	(12)	(30)	(0)	(41)				(41)
Technical result from non-life insurance	160	84	(0)	244			9	253
Life insurance								
Gross premiums written					3,090			3,090
Allocated investment return					(7,777)			(7,777)
Pension return tax					194			194
Benefits and change in provisions					4,597			4,597
Expenses					(141)		1	(139)
Technical result from life insurance					(36)		1	(35)
Total investment return				(494)	(7,848)	19	50	(8,273)
Pension return tax non-life insurance				3	(3)			0
Return and revaluations of non-life insurance provisions				46				46
Transferred to technical result					7,777			7,777
Other items				0	61	(10)	(61)	(9)
Pre-tax profit				(201)	(49)	8	0	(242)
Taxation								49
Profit								(193)
Q1 2021								
Non-life insurance								
Gross premiums earned	1,332	1,173	(4)	2,500				2,500
Claims incurred	(903)	(805)	4	(1,704)			3	(1,701)
Expenses	(206)	(216)	1	(421)			6	(415)
Net reinsurance	(21)	(2)	(0)	(23)				(23)
Technical result from non-life insurance	202	150	0	352			9	361
Life insurance								
Gross premiums written					2,688			2,688
Allocated investment return					3,797			3,797
Pension return tax					(533)			(533)
Benefits and change in provisions					(5,840)			(5,840)
Expenses					(155)		1	(154)
Net reinsurance					1			1
Technical result from life insurance					(42)		1	(41)
Total investment return				(118)	3,956	8	86	3,931
Pension return tax non-life insurance				24	(24)			0
Return and revaluations of non-life insurance provisions				392				392
Transferred to technical result					(3,797)			(3,797)
Other items				1	97	(12)	(96)	(10)
Pre-tax profit				651	190	(5)	0	836
Taxation								(202)
Profit								635

Notes to the financial statements • Group

(DKK m)	Full year 2020	Q1 2020	Q1 2021
Note 1. Claims incurred, net of reinsurance - Non-life insurance			
Run-off result:			
Gross business	201	36	18
Reinsurance ceded	(38)	14	35
Run-off result, net of reinsurance (profit)	164	50	53

Note 2. Gross premiums written - Life insurance

Individual policies	266	56	67
Policies which are part of a tenure	2,860	716	699
Group life	268	111	105
Regular premiums	3,394	883	871
Individual policies	4,226	1,255	1,014
Policies which are part of a tenure	3,361	951	803
Single premiums	7,587	2,207	1,816
Gross premiums	10,981	3,090	2,688

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 2020 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 Q1 2021 (DKK 7.5bn), DKK 6.3bn is related to unit-linked products, DKK 0.5bn to with-profit contracts, and DKK 0.7bn 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

(DKKm)

Note 3. Financial assets and liabilities - continued

Most significant inputs:

Discount rate:

AAA	0.9%
A & BBB	2.3%
BBB and lower	7%

Expected recovery 63-65%

Reinvestment price 97.5-99.5%

Constant default rate 3.5-2%

Sensitivities:	Reasonably possible changes	Effect on market value
Discount rate	+1%	DKK 253m loss
Expected recovery	-1%	DKK 34m loss
Reinvestment spread	-25bps	DKK 114m loss
Constant default rate	+0.5%	DKK 270m loss

	31 December 2020	31 March 2020	31 March 2021
Financial assets recorded at fair value based on non-observable input (level 3):			
1 January	371	371	7,278
Purchases	583	21	664
Transferred from level 2	6,628	6,628	0
Repayments	(327)	(90)	(416)
Revaluations	23	3	288
	7,278	6,933	7,814

Besides CLOs the portfolio consists of construction financing of property projects (DKK 240m) and bonds (DKK 110m), 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	501	0	480
Adjustments to VAT liabilities	136	124	115
Other liabilities	1	3	1
Capital commitments made to loan funds and private equity funds etc.	356	383	404

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 2021, Q1, Topdanmark A/S paid dividend of DKK 840m (Q2 2020: DKK 357m) to Sampo plc. and received dividend of DKK 1,800m (Q2 2020: DKK 750m) from Topdanmark Forsikring A/S.

In December 2020, Topdanmark Forsikring A/S issued subordinated notes of DKK 500m subscribed by If P&C Insurance Ltd.

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

Notes to the financial statements • Group

(DKKm)

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

Note 7. Accounting policies

The announcement of the Q1 2021 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 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 2021. None of these has affected recognition or measurement.

The segmented income statement and the tables "financial highlights – non-life insurance" and "Investment return" have been affected by a reclassification in the accounts for Topdanmark Forsikring A/S of investment brokerage commissions from Other income to Investment expenses. Comparatives have been adapted. The classification in the group income statement is not affected.

Expenses for loss preventing activities have been reclassified from administrative expenses to claims incurred due to a change in the Danish FSA's Executive Order on Financial Reports for Insurance Companies. The change has had no significant effect.

Apart from the above, the accounting policies remain unchanged compared with 2020. Please refer to the Annual Report 2020 for the full accounting policies of the Group.

Financial statements for Q1 2021 – Parent company

Income statement • Parent company

(DKKm)	Full year 2020	Q1 2020	Q1 2021
Income from affiliates	1,168	(183)	649
Revaluations	0	0	(3)
Interest charges	(11)	(3)	(3)
Total investment return	1,157	(185)	643
Other expenses	(46)	(10)	(12)
PRE-TAX PROFIT	1,112	(195)	631
Taxation	12	3	4
PROFIT FOR THE PERIOD	1,124	(193)	635

Statement of comprehensive income • Parent company

Profit for the period	1,124	(193)	635
Other comprehensive income from affiliates	1	0	(1)
Other comprehensive income	1	0	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,125	(192)	633

Balance sheet • Parent company

(DKKm)	31 December 2020	31 March 2020	31 March 2021
Assets			
Operating equipment	3	3	3
TOTAL TANGIBLE ASSETS	3	3	3
Equity investments in affiliates	6,816	6,259	5,608
Total investment in affiliates	6,816	6,259	5,608
Equity investments	4	0	1
Total other financial investment assets	4	0	1
TOTAL INVESTMENT ASSETS	6,820	6,259	5,609
Receivables from affiliates	913	906	1,284
Other receivables	48	1	29
TOTAL RECEIVABLES	961	907	1,314
Current tax assets	0	62	0
Deferred tax assets	0	3	0
Liquid funds	1	1	2
TOTAL OTHER ASSETS	2	66	2
TOTAL ASSETS	7,785	7,235	6,928
Shareholders' equity and liabilities			
Share capital	90	90	90
Other reserves	3,067	2,510	1,475
Total reserves	3,067	2,510	1,475
Profit carried forward	2,228	3,182	4,542
Proposed dividend	1,800	765	0
TOTAL SHAREHOLDERS' EQUITY	7,185	6,547	6,107
OTHER SUBORDINATED LOAN CAPITAL	399	399	399
Amounts due to affiliates	133	283	70
Current tax liabilities	60	0	139
Other debt	8	7	214
TOTAL DEBT	201	289	422
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	7,785	7,235	6,928

Statement by Management

The Board of Directors and the Executive Board have today considered and adopted the interim report for Q1 2021 for Topdanmark A/S.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards 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 31 March 2021 as well as the result of the Group's and the parent company's activities and the Group's cash flows for the financial period from 1 January to 31 March 2021.

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 can be affected.

There have been no events in the period from 31 March 2021 until the presentation of the consolidated financial statements which could change the assessment of the interim report for Q1 2021.

Ballerup, 26 April 2021

Executive Board:

Peter Hermann
(CEO)

Lars Thykier

Brian Rothemejer Jacobsen

Thomas Erichsen

Board of Directors:

Ricard Wennerklint
(Chairman)

Jens Aaløse
(Deputy Chairman)

Elise Bundgaard

Anne Louise Eberhard

Mette Jensen

Cristina Lage

Ole Lomholt Mortensen

Petri Niemisvirta

Morten Thorsrud