

Half-year report for 2021

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Topdanmark 

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Management's review

Key features

H1 2021

- Post-tax profit of DKK 1,157m (H1 2020: DKK 196m)
- EPS was DKK 13.2 (H1 2020: DKK 2.2)
- Combined ratio: 83.6 (H1 2020: 85.5)
- Combined ratio excluding run-off: 85.8 (H1 2020: 87.2)
- Premiums increased by 4.7% in non-life insurance and decreased by 12.9% in life insurance
- Profit on life insurance was DKK 258m (H1 2020: DKK 25m (loss))
- After return on non-life insurance provisions, the investment return was DKK 387m (H1 2020: DKK 372m (loss)).

Q2 2021

- Post-tax profit of DKK 522m (Q2 2020: DKK 389m)
- EPS was DKK 5.9 (Q2 2020: DKK 4.4)
- Combined ratio: 81.2 (Q2 2020: 81.3)
- Combined ratio excluding run-off profits: 83.6 (Q2 2020: 82.6)
- Premiums increased by 4.7% in non-life insurance and decreased by 12.7% in life insurance
- Profit on life insurance was DKK 68m (Q2 2020: DKK 24m)
- After return on non-life insurance provisions, the investment return was DKK 107m (Q2 2020: DKK 57m).

Model profit forecast 2021

- The assumed combined ratio for 2021 is improved from 87-88 to 85-86, excluding run-off in H2 2021
- The assumed premium growth for non-life insurance is improved from 3-4% to 4-5%
- The model post-tax profit forecast for 2021 is improved from DKK 1,450-1,550m to DKK 1,650-1,750m, excluding run-off in H2 2021.

Other events

- During H1 2021, inflation within construction materials has been significant, but our procurement efforts provide an effective safeguard against rising claims costs in the short term.
- Topdanmark has launched an online sales platform for the non-life small enterprises segment.

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 72 32 52

SE dial-in-number: +46 8 50 55 8 368

UK dial-in-number: +44 333 300 9266

US dial-in-number: +1 646 722 4903

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

(DKK)m	Full year 2020	Q2 2020	Q2 2021	H1 2020	H1 2021
Premiums earned:					
Non-life insurance	9,732	2,428	2,542	4,817	5,042
Life insurance	10,981	2,905	2,535	5,995	5,222
	20,713	5,333	5,077	10,812	10,264
Results:					
Non-life insurance	1,302	471	569	270	1,220
Life insurance	117	24	68	(25)	258
Parent company etc.	34	9	2	17	(2)
Pre-tax profit	1,453	504	639	262	1,476
Tax	(329)	(115)	(117)	(66)	(319)
Profit	1,124	389	522	196	1,157
Run-off profits, net of reinsurance	164	31	60	81	114
Shareholders' equity of parent company at 1 January	6,703	6,547	6,107	6,703	7,185
Profit	1,124	389	522	196	1,157
Dividend paid	(765)	(765)	0	(765)	(1,800)
Dividend own shares	24	24	0	24	48
Share-based payments	98	24	30	60	70
Other movements in shareholders' equity	1	0	0	1	(1)
Shareholders' equity of parent company end of period	7,185	6,218	6,659	6,218	6,659
Deferred tax on security funds	(306)	(306)	(306)	(306)	(306)
Shareholders' equity of Group end of period	6,879	5,912	6,353	5,912	6,353
Total assets, parent company	7,785			6,730	7,394
Total assets, Group	109,288			99,635	115,683
Provisions for insurance and investment contracts:					
Non-life insurance	16,462			17,488	17,801
Life insurance	79,335			71,023	85,115
Financial ratios (parent company)					
Post-tax profit as a percentage of shareholders' equity	16.6	6.4	8.2	3.0	16.7
Post-tax EPS (DKK)	12.9	4.5	6.0	2.2	13.2
Post-tax EPS, diluted (DKK)	12.9	4.4	5.9	2.2	13.2
Dividend per share issued, proposed (DKK)	20.0	-	-	-	-
Net asset value per share, diluted (DKK)	82.0			71.1	75.7
Listed share price end of period	264.2			274.0	326.4
Number of shares end of period ('000)	87,491			87,232	87,665
Average number of shares ('000)	87,266	87,225	87,631	87,176	87,587
Average number of shares, diluted ('000)	87,475	87,411	87,867	87,408	87,800
Ratios non-life insurance					
Gross loss ratio	67.5	62.3	65.7	66.5	66.9
Net reinsurance ratio	2.6	2.7	(0.1)	2.2	0.4
Claims trend	70.1	65.0	65.6	68.7	67.3
Gross expense ratio	16.3	16.4	15.7	16.8	16.3
Combined ratio	86.5	81.3	81.2	85.5	83.6
Combined ratio excl. run-off profits	88.2	82.6	83.6	87.2	85.8

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 H1 2021

Topdanmark's post-tax profit for H1 2021 was DKK 1,157m (H1 2020: DKK 196m).

The technical result increased by DKK 132m to DKK 829m. The improvement is driven by a low level of weather-related claims, and a larger positive impact from COVID-19. Conversely, the very low temperatures in Q1 2021 caused many water pipes to freeze and burst, and Q2 2021 saw a higher frequency of rain- and fire-related claims.

The investment return adjusted for return and revaluation on non-life insurance provisions increased by DKK 818m to DKK 391m. The improvement should be seen in the light of the challenging market conditions especially in Q1 2020, whereas the investment return in H1 2021 was impacted by more favourable market conditions, especially for equity investments and CLOs.

The profit on life insurance increased by DKK 283m to DKK 258m affected by a higher investment return and a positive development in the sales and administration result.

Trend in profit (DKKm)	Full year 2020	H1 2020	H1 2021
Non-life insurance			
- Technical result	1,316	697	829
- Investment return after return and revaluations of non-life insurance provisions etc.	(15)	(427)	391
Profit on non-life insurance	1,302	270	1,220
Life insurance	117	(25)	258
Parent company etc.	34	17	(2)
Pre-tax profit	1,453	262	1,476
Tax	(329)	(66)	(319)
Profit	1,124	196	1,157

Results for Q2 2021

The profit for Q2 2021 was DKK 522m (Q2 2020: DKK 389m).

Pre-tax profit increased by DKK 135m to DKK 639m.

The technical result increased by DKK 24m to DKK 477m with a run-off level that is DKK 29m higher than the level of Q2 2020. COVID-19 related issues had an estimated impact on the technical result in line with Q2 2020.

After return on non-life insurance provisions, the investment return in non-life insurance increased by DKK 75m to DKK 93m.

The profit on life insurance increased by DKK 44m to DKK 68m as a result of a positive development in the sales and administration result and a higher investment return.

Trend in profit (DKKm)	Q2 2020	Q2 2021
Non-life insurance		
- Technical result	453	477
- Investment return after return and revaluations of non-life insurance provisions etc.	18	93
Profit on non-life insurance	471	569
Life insurance	24	68
Parent company etc.	9	2
Pre-tax profit	504	639
Tax	(115)	(117)
Profit	389	522

Impact of the COVID-19 situation

In H1 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 H1 2021 by 1.2pp compared with a situation without COVID-19.

Overall, loss frequencies normalised during Q2 2021 except for travel insurance. The total number of claims in Q2 2021 (excl. travel) was on par with the level in Q2 2019, and in June 2021 the total number of claims (excl. travel) was 7% above the level in June 2019 driven mainly by motor. As a result of this development and because of the very high uncertainty in the assessment of the COVID-19 effect, we will not report on the financial impact of the COVID-19 situation going forward.

Non-life insurance in H1 2021

Premiums earned

Premiums earned increased by 4.7% to DKK 5,042m. The private segment accounted for a 3.1% increase, while the SME segment accounted for a 6.3% increase.

The distribution agreement with Nordea continues to have good traction and more than compensated for

the outflow from the old Danske Bank agreement in H1 2021. Topdanmark now expects that throughout 2021, the Nordea agreement will more than compensate for the terminated distribution agreement with Danske Bank in terms of premiums.

Claims trend

The claims trend was 67.3 in H1 2021, down from 68.7 in H1 2020.

The run-off profit excluding COVID-19, net of reinsurance, was DKK 114m (H1 2020: DKK 106m), representing a 0.1pp positive effect on the claims trend. Run-off profits were primarily generated in house, in property and in workers' compensation.

In H1 2021, there were no weather-related events big enough to define the resulting claims as weather-related claims (H1 2020: DKK 67m), representing a 1.4pp improvement of the claims trend. Thereby, the level of weather-related claims was DKK 75m below the assumed normal level of DKK 75m.

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) increased by DKK 18m to DKK 56m in H1 2021, representing a 0.3pp deterioration of the claims trend. The large-scale claims were DKK 6m above the assumed normal half-yearly level of DKK 50m.

Interest rates used for discounting in H1 2021 increased the claims trend by 0.2pp compared with H1 2020. The first six months of 2021 have seen

significant inflation within construction materials, most notably on iron and steel but also on timber. In the short term, we are in a good position to handle rising cost inflation through procurement. Effective as at 1 January 2021, we have signed a new 3-year contract with a supplier of building material with fixed prices for the first 12 months. Effective as at 1 March 2021, we have also signed 3-year contracts with two claims service suppliers with fixed prices throughout the contracts except for indexation.

In total, we have more than 20 initiatives to reduce claims-related costs and additionally more than 20 initiatives to reduce IT and indirect costs in our pipeline. These are all a part of our efforts within the efficiency programme, in which procurement and cost efficiency are expected to contribute DKK 250m of annual gross savings from 2025.

Ultimately, pricing is the final lever to adjust to changing market dynamics. If necessary, we can adjust our pricing with significant flexibility and short time-to-market.

The claims trend adjusted for run-off, weather-related claims, large-scale claims and other positions including change of risk margin improved by 0.5pp to 68.9 in H1 2021.

The underlying claims trend, which is adjusted for the unusually large rain claims in H1 2020 as well as in H1 2021, severe frost in Q1 2021, discounting and COVID-19 impact, improved by 0.2pp to 69.0.

Claims trend	Full year 2020	Q2 2020	Q2 2021	H1 2020	H1 2021
Claims trend	70.1	65.0	65.6	68.7	67.3
Run-off excl. COVID-19	1.9	2.3	2.4	2.2	2.3
Weather-related claims	(1.0)	(0.1)	0.0	(1.4)	0.0
Large-scale claims	(0.9)	0.2	(1.2)	(0.8)	(1.1)
Other	0.3	0.2	0.5	0.6	0.4
Claims before run-off, weather, large-scale claims and other	70.4	67.6	67.2	69.4	68.9
Rain/frost	(0.5)	0.0	(0.4)	(0.4)	(0.8)
Discounting			0.2		(0.2)
COVID-19	1.2	1.1	1.0	0.2	1.2
Underlying claims trend	71.2	68.7	68.0	69.2	69.0

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.

Expense ratio

The expense ratio was 16.3, down from 16.8 in H1 2020.

The decrease in expense ratio is driven by Topdanmark's efficiency programme and is achieved despite higher sales.

Combined ratio

The combined ratio was 83.6 in H1 2021 (H1 2020: 85.5).

Excluding run-off, the combined ratio was 85.8 (H1 2020: 87.2).

Reinsurance

The storm reinsurance programme has been renewed for one year as at 1 July 2021 and still covers claims up to DKK 5.1bn with a retention of DKK 100m.

The renewal was made within the framework of the assumptions made in the model profit forecast for 2021.

Non-life insurance in Q2 2021

Premiums earned in Q2 2021 increased by 4.7% to DKK 2,542m. The growth in premiums was 3.3% and 6.1% in the private segment and the SME segment, respectively.

The claims trend was 65.6 in Q2 2021 (Q2 2020: 65.0), representing a 0.6pp deterioration.

In Q2 2021, large-scale claims amounted to DKK 30m, which was DKK 34m higher than the positive impact from large-scale claims of DKK 4m in Q2 2020, representing a deterioration of the claims trend of 1.4pp.

No weather-related events big enough to define the resulting claims as weather-related claims were registered in Q2 2021, almost unchanged from the level in Q2 2020 (DKK 2m). Nonetheless, Q2 2021 was affected by a lot of rain which resulted in a 0.4pp increase in the claims trend.

Increasing interest rates improved the claims trend by 0.2pp.

The run-off profit, net of reinsurance, was DKK 60m (Q2 2020: DKK 56m, DKK 31m before transfer to COVID-19 impact), representing a 0.1pp positive effect on the claims trend.

The claims trend adjusted for run-off, weather-related claims, large-scale claims and other positions including change of risk margin improved by 0.4pp to 67.2 in Q2 2021.

The underlying claims trend, which is adjusted for the extraordinary rain claims in Q2 2021, discounting and COVID-19 impact, improved by 0.7pp to 68.0.

The expense ratio was 15.7 in Q2 2021 (Q2 2020: 16.4).

The combined ratio was 81.2 in Q2 2021 (Q2 2020: 81.3). Excluding run-off, the combined ratio was 83.6 (Q2 2020: 82.6).

Financial highlights – Non-life insurance (DKKm)	Full year 2020	Q2 2020	Q2 2021	H1 2020	H1 2021
Gross premiums earned	9,732	2,428	2,542	4,817	5,042
Claims incurred	(6,568)	(1,512)	(1,669)	(3,204)	(3,373)
Expenses	(1,591)	(397)	(398)	(809)	(819)
Net reinsurance	(257)	(65)	2	(107)	(20)
Technical result	1,316	453	477	697	829
Investment return after return and revaluations of non-life insurance provisions	(12)	21	93	(425)	391
Other items	(2)	(3)	(1)	(3)	0
Profit on non-life insurance	1,302	471	569	270	1,220
Run-off profits, net of reinsurance	164	31	60	81	114
Gross loss ratio	67.5	62.3	65.7	66.5	66.9
Net reinsurance ratio	2.6	2.7	(0.1)	2.2	0.4
Claims trend	70.1	65.0	65.6	68.7	67.3
Gross expense ratio	16.3	16.4	15.7	16.8	16.3
Combined ratio	86.5	81.3	81.2	85.5	83.6
Combined ratio excl. run-off profits	88.2	82.6	83.6	87.2	85.8

Segment reporting

Private

The private segment offers policies to individual households in Denmark.

Premiums earned increased by 3.1% to DKK 2,656m.

The distribution agreement with Nordea now more than compensates for the terminated distribution agreement with 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 3.8%.

The technical result was DKK 420m in H1 2021, representing an increase of DKK 85m compared with H1 2020.

The claims trend improved by 2.2pp to 69.0.

The claims trend was positively impacted by the absence of weather-related claims in H1 2021.

Compared with H1 2020, the claims trend was further positively impacted by a lower claims trend on travel insurance after the substantial, negative COVID-19 impact in Q1 last year. COVID-19 also improved the claims trend on motor and contents insurance primarily due to the lower level of activity in society. In June, the activity gradually returned to normal. Price increases on illness and accident have improved the result before run-off.

On the other hand, extraordinary rain claims in Q2 2021 (not defined as weather-related events) and burst waterpipes affected the claims trend negatively.

Run-off of DKK 63m was DKK 35m lower than in H1 2020 corresponding to a negative impact of 1.3pp on the claims trend.

The expense ratio improved to 15.1 from 15.8 in H1 2020.

The combined ratio was 84.2 in H1 2021 (H1 2020: 87.0).

Excluding run-off, the combined ratio was 86.5 (H1 2020: 90.8).

Private (DKKm)	Full year 2020	Q2 2020	Q2 2021	H1 2020	H1 2021
Gross premiums earned	5,179	1,281	1,324	2,575	2,656
Claims incurred	(3,787)	(896)	(906)	(1,810)	(1,809)
Expenses	(824)	(199)	(196)	(407)	(402)
Net reinsurance	(41)	(12)	(4)	(24)	(24)
Technical result	527	175	218	335	420
Run-off profits, net of reinsurance	116	32	35	98	63
Gross loss ratio	73.1	69.9	68.4	70.3	68.1
Net reinsurance ratio	0.8	0.9	0.3	0.9	0.9
Claims trend	73.9	70.8	68.7	71.2	69.0
Gross expense ratio	15.9	15.5	14.8	15.8	15.1
Combined ratio	89.8	86.3	83.5	87.0	84.2
Combined ratio excl. run-off profits	92.1	88.9	86.1	90.8	86.5

SME

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

In Q2 2021, Topdanmark launched a new online sales platform targeting the small enterprises segment in the Topdanmark brand.

Premiums earned increased by 6.3% to DKK 2,395m. Without the adjustment in segmentation between the private and the SME segments mentioned above, premiums increased by 5.6%.

The technical result increased by DKK 46m to DKK 409m in H1 2021. Run-off was DKK 50m in H1 2021 (H1 2020: negative by DKK 17m).

The claims trend improved by 0.5 pp to 65.5. The improvements mainly derived from the absence of weather-related claims and improvements on workers' compensation related to increased premiums.

Conversely, the claims trend in the SME segment was at a higher level than usual due to many large fire claims, which mostly are covered by reinsurance.

The expense ratio was 17.5 in H1 2021 which is 0.4pp below H1 2020.

The combined ratio improved to 82.9 in H1 2021 (H1 2020: 83.9).

Excluding run-off, the combined ratio was 85.0 in H1 2021 (H1 2020: 83.1).

SME (DKK m)	Full year 2020	Q2 2020	Q2 2021	H1 2020	H1 2021
Gross premiums earned	4,571	1,151	1,222	2,252	2,395
Claims incurred	(2,799)	(621)	(767)	(1,404)	(1,572)
Expenses	(767)	(199)	(203)	(402)	(418)
Net reinsurance	(216)	(53)	6	(83)	4
Technical result	789	278	258	363	409
Run-off profits, net of reinsurance	47	(1)	25	(17)	50
Gross loss ratio	61.2	53.9	62.8	62.3	65.6
Net reinsurance ratio	4.7	4.6	(0.5)	3.7	(0.2)
Claims trend	66.0	58.6	62.3	66.0	65.5
Gross expense ratio	16.8	17.3	16.6	17.9	17.5
Combined ratio	82.7	75.8	78.8	83.9	82.9
Combined ratio excl. run-off profits	83.8	75.7	80.9	83.1	85.0

Life insurance in H1 2021

The result from life insurance was DKK 258m (H1 2020: DKK 25m (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	Q2 2020	Q2 2021	H1 2020	H1 2021
Investment return on shareholders' equity	19	8	25	(63)	174
Sales and administration	(43)	(21)	9	(40)	11
Insurance risk	(10)	(2)	(4)	1	(5)
Risk return on shareholders' equity	152	39	38	77	78
Profit on life insurance	117	24	68	(25)	258

Developments in H1 2021

Compared with H1 2020, the profit in H1 2021 for life insurance was primarily impacted by a higher investment return on shareholders' equity, and a higher return on sales and administration. The investment return on shareholders' equity was DKK 174m (H1 2020: DKK 63m (loss)) affected by a return higher than assumed, primarily due to property revaluation in Q1 2021.

The result of sales and administration increased by DKK 51m to DKK 11m, primarily as higher assets under management gave increased fees/commissions from Topdanmark Asset Management. The insurance risk result has decreased by DKK 6m to DKK 5m (loss). The insurance risk result may fluctuate from one quarter to the next.

In 2020, Topdanmark launched the new savings product Formåls pension (Purpose pension), and 6,500 customers have already invested in this product.

The AUM just topped DKK 2bn in H1 2021. On average, customers with Formåls pension have achieved a return of 33% over the past year. Topdanmark is dedicated to Formåls pension and has thus set a new ambition of having 30% of the total pension funds managed by Topdanmark in 2025 placed in Formåls pension. Therefore, Formåls pension (defensive mid, global shares) is now the new standard product offered to customers with new pensions policies with Topdanmark Livsforsikring.

Trend in premiums

Gross premiums decreased by 12.9% to DKK 5,222m in H1 2021, of which premiums on unit-linked pension schemes were DKK 4,868m, representing a 12.4% decrease compared with H1 2020.

Regular premiums increased by 0.9% to DKK 1,712m in H1 2021. Single premiums were DKK 3,511m in H1 2021, representing an 18.3% decrease.

Life insurance in Q2 2021

The result from life insurance was DKK 68m (Q2 2020: DKK 24m).

The higher result in Q2 2021 compared with Q2 2020 is due to a higher result in investment return on shareholders' equity, and a higher return on sales and administration.

Gross premiums decreased by 12.7% to DKK 2,535m in Q2 2021 of which premiums on unit-linked pension schemes were DKK 2,390m, a 12.2% decrease compared with Q2 2020.

Regular premiums increased by 3.3% to DKK 840m in Q2 2021, whereas single premiums decreased by 19.0% to DKK 1,695m.

Investment activities

Topdanmark Group excl. life insurance

The investment return of the Topdanmark Group excluding life insurance was a loss of DKK 43m in H1 2021 (H1 2020: DKK 127m (loss)). Return and revaluation of non-life insurance provisions were DKK 430m in H1 2021 (H1 2020: DKK 245m (loss)).

The return on investment after return and revaluation of non-life insurance provisions in H1 2021 was DKK 387m and thus DKK 309m higher than the

assumed return, when calculated by means of 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 investment return in Q2 was driven by robust positive returns on equities and structured credits. In Q2 2021, the Danish mortgage bond market which is dominated by AAA bonds was marked by the rising yields and further steepening of the curve in the short to medium term leading to widening of spreads to swaps. The loss suffered on assets hedging the provisions due to this widening exceeded the profit from revaluations of provisions in Q2 2021. H1 2021 gains on return and revaluation of provisions still dominate the losses from assets hedging the interest sensitivity.

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

The investment return in H1 2021 on the most significant classes of assets is shown in the table below:

Investment return	Portfolio 30 June		Return Q2 2020		Return Q2 2021		Return H1 2020		Return H1 2021	
	2020 (DKKbn)	2021	(DKKkm)	%	(DKKkm)	%	(DKKkm)	%	(DKKkm)	%
Danish equities	0.3	0.2	46	19.4	20	9.8	(3)	(1.1)	30	15.1
Foreign equities	0.7	0.8	115	19.0	47	5.8	(59)	(7.5)	111	13.6
Unlisted equities and hedge funds	0.3	0.4	(52)	(13.8)	21	6.1	(45)	(12.2)	35	10.3
Government and mortgage bonds	16.9	17.0	220	1.3	(87)	(0.5)	30	0.2	(384)	(2.3)
Index linked bonds	0.3	0.6	10	3.5	(1)	0.1	12	4.2	(6)	(1.8)
CLOs	0.5	0.7	(5)	(1.1)	43	6.8	(99)	(17.2)	109	19.2
Properties	1.3	1.2	14	1.1	12	1.0	26	2.1	45	3.8
Expenses, money markets etc.	1.9	1.6	(11)	(0.7)	6	0.3	(9)	(0.6)	5	0.3
Subordinated loan capital	(1.7)	(1.7)	(11)	(0.6)	(10)	(0.6)	(23)	(1.3)	(20)	(1.1)
	20.4	20.6	326	1.6	51	0.3	(170)	(0.8)	(74)	(0.4)
Asset management			22		18		43		31	
Investment return			348		69		(127)		(43)	
Return and revaluations of non-life insurance provisions			(291)		38		(245)		430	
Investment return after return on non-life insurance provisions			57		107		(372)		387	

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

The equity exposure was DKK 1,007m 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 at 30 June 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 43m) and positions in hedge funds where the investment mandates aim at positioning in the credit market (DKK 216m).

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 the Danish mortgage bonds, as well as a corrective element for the development in the pricing of European business credits. The VA component was 22bp at the beginning of the year and 48bp at the end of H1 2021.

Solvency calculation and capital requirements

Solvency II provides insurance companies with the opportunity to develop their own full or partial internal risk model for solvency calculation. Topdanmark uses such a partial internal in-house developed model 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 tier 2 (max. 50% of SCR)

Own funds

As mentioned in the Q1 2021 Report, Topdanmark has updated its model apparatus for calculating the Solvency Capital Requirement (SCR) and the own funds in life insurance, leading to an increase in own funds by DKK 898m. End Q2 2021, Topdanmark Livsforsikring has acquired Topdanmark Kapitalforvaltning (Topdanmark Asset Management)

from Topdanmark A/S thereby making Topdanmark Kapitalforvaltning a wholly owned subsidiary of Topdanmark Livsforsikring. The ownership of the asset management operation implies that the present value of future income from asset management on Topdanmark Livsforsikring's in-force contracts constitutes a part of the profit margin. Including the add-on from the asset management operation, Topdanmark Livsforsikring's own funds total DKK 5,040m, an increase of DKK 332m compared with Q1 2021.

The SCR in Topdanmark Livsforsikring decreased from DKK 1,484m end Q1 2021 to 1,395m end Q2 2021.

Topdanmark Livsforsikring's solvency cover is 361% end Q2 2021 while it was 317% end Q1 2021.

The solvency cover for the Group is negatively affected by Topdanmark's redemption of DKK 850m of outstanding tier 2 debt as at 11 September 2021 but positively affected by the quarterly result and by the increase in profit margin in Topdanmark Livsforsikring. The Group's solvency cover increased from 243% end Q1 2021 to 246% end Q2 2021 after deduction of DKK 850m of outstanding tier 2 debt from the own funds.

Topdanmark has an outstanding subordinated tier 1 loan (restricted tier 1 capital notes) of DKK 400m. This loan is perpetual, but includes an option enabling Topdanmark to redeem the loan as at 23 November 2022. Topdanmark Forsikring has outstanding subordinated tier 2 notes in two tranches:

- DKK 500m, call in 2025, expiry in 2030.
- DKK 850m, which, as mentioned above, will be redeemed as at 11 September 2021 and therefore is not included as part of own funds.

Solvency cover (DKKm)	2018	2019	2020	H1 2020	H1 2021
Own funds	6,509	6,660	6,839	7,526	8,155
Solvency requirement	3,322	3,773	4,016	3,829	3,311
Solvency cover (%)	196	177	170	197	246

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 not within the insurance business (primarily Topdanmark Asset Management up to and including Q2 2021), finance costs and other expenses.

The profit of the parent company decreased by DKK 19m to DKK 2m (loss) in H1 2021.

Taxation

The tax charge was DKK 319m of the pre-tax profit of DKK 1,476m, corresponding to an effective tax rate of 21.6% (H1 2020: 25.3%).

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

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

The annual gross efficiency gains are targeted to be DKK 500m in 2025. We now expect a net impact of the efficiency programme of around DKK 70m in 2021, as the gross expected efficiency gains in 2021 exceed our previous expectations.

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 profit forecast model

will already deviate from actual expectations by the time it is published. Therefore, set out at www.topdanmark.com → Investor → [Risk management](#). we provide additional information on how changes in the assumptions underlying the profit forecast model will affect the results.

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

In the Q1 Report for 2021, it was stated that Topdanmark's post-tax model profit forecast for 2021 was DKK 1,450-1,550m exclusive run-off in Q2-Q4 2021.

Non-life insurance

For non-life insurance, Topdanmark assumed a pre-tax profit of DKK 1,580-1,670m in Q1 2021. This model profit forecast was based on the following assumptions:

- Premium growth for 2021 of 3-4%
- A normal year as regards weather-related claims of DKK 120m in Q2-Q4
- 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
- Combined ratio for 2021 of 87-88, excl. run-off in Q2-Q4 2021
- An interest level corresponding to the interest rate curve on 31 March 2021
- An annual 7.0% return on equities and unchanged foreign exchange rates from the level as at 31 March 2021.

After the model profit forecast for 2021 was published in the Q1 Report for 2021, the following assumptions have changed:

- In Q2 2021, there were run-off profits of DKK 60m, corresponding to a 0.6pp improvement of the combined ratio for 2021.
- There were no weather-related claims in Q2 2021 which improved the assumed combined ratio for 2021 by 0.2pp.
- The benefits from the efficiency programme are materialising a bit faster than expected resulting in a combined ratio improvement of 0.5pp.
- Increase in interest rates reduces combined ratio by 0.1pp.

- The forecasted risk premium on some business lines has been reduced.
- The investment result including return on provisions in Q2 was DKK 70m higher than assumed in the Q1 Report.

The assumed combined ratio for 2021 is adjusted from about 87-88 to 85-86 excluding run-off in H2 2021.

As a result of good momentum in new sales and churn rate on the Topdanmark brand, the assumed premium growth in non-life has improved from 3-4% to 4-5%. The overall assumed pre-tax result for non-life insurance is DKK 1,830-1,930m excluding run-off in H2 2021.

Life insurance

In the Q1 Report for 2021, Topdanmark assumed a pre-tax profit on life insurance of DKK 250-300m in 2021, based on the following assumptions:

- A decrease in regular premiums of 0-5%
- Full recognition as income of risk return for shareholders' equity from all interest rate groups
- Investment income on shareholders' equity of around DKK 10m.

After the model profit forecast for 2021 was published in the Q1 Report for 2021, the following assumptions have changed:

- The investment return in Q2 2021 has been DKK 30m higher than forecasted
- Topdanmark Livsforsikring has acquired Topdanmark's asset management company. The acquisition is expected to increase the return by around DKK 50m in H2 2021.

The assumed pre-tax result on life insurance is adjusted from DKK 250-300m to DKK 320-370m.

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 assumed a pre-tax profit of DKK 20-30m in the Q1 Report. Due to the divestment of Topdanmark's asset management company to Topdanmark Livsforsikring, this profit forecast is reduced to DKK 20-30m (loss).

Taxation

Given a corporation tax rate of 22%, the tax charge is expected to be DKK 470-530m.

Total Group profit

Topdanmark's overall post-tax model profit forecast for 2021 is upgraded by DKK 200m to DKK 1,650-1,750m, representing an EPS of DKK 18.8-20.0. The assumed profit is exclusive of run-off in H2 2021.

The profit forecast model assumes an annual 7.0% return on equities, and unchanged foreign exchange rates from the level of 30 June 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 1.79% (risk-free interest rate plus 2.0pp).

Profit forecast 2021 (DKKm)	Results		Forecast 2021		Forecast 2021		
	2020		31 March 2021		30 June 2021		
Non-life insurance							
- Technical result	1,316	1,250	-	1,300	1,450	-	1,500
- Investment return after return and revaluations of non-life insurance provisions etc.	(15)	330	-	370	380	-	430
Profit on non-life insurance	1,302	1,580	-	1,670	1,830	-	1,930
Life insurance	117	250	-	300	320	-	370
Parent company etc.	34	20	-	30	(30)	-	(20)
Pre-tax profit	1,453	1,850	-	2,000	2,120	-	2,280
Taxation	(329)	(400)	-	(450)	(470)	-	(530)
Profit for the year	1,124	1,450	-	1,550	1,650	-	1,750

New Group CFO

As previously announced, Lars Thykier, Group CFO, has decided to retire after 35 years employment with Topdanmark. On 10 August 2021, he will be replaced as Group CFO and member of the Group Executive Management by Lars Kufall Beck, aged 46, who comes from the position as CFO of Saxo Bank. For a transitional period hereafter, Lars Thykier will hand over the duties to Lars Kufall Beck.

Financial calendar

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
Q1 2022 Interim Report	26 Apr 2022
2022 Half-year Report	21 July 2022
Q1-Q3 2022 Interim Report	21 Oct 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 H1 2021 - Group

Income statement • Group

(DKK)m	Note	Full year 2020	Q2 2020	Q2 2021	H1 2020	H1 2021
NON-LIFE INSURANCE						
Gross premiums written		9,803	1,803	1,912	6,233	6,497
Ceded reinsurance premiums		(592)	(49)	(57)	(394)	(392)
Change in the provisions for unearned premiums		282	624	577	(1,393)	(1,507)
Change in profit margin and risk margin		(323)	8	83	(8)	99
Change in the reinsurers' share of the provisions for unearned premiums		3	(96)	(94)	107	107
Premiums earned, net of reinsurance		9,174	2,290	2,420	4,545	4,804
Claims paid		(6,500)	(1,536)	(1,506)	(3,293)	(3,155)
Reinsurance cover received		292	79	72	138	126
Change in the provisions for claims		(87)	21	(173)	65	(233)
Change in risk margin		30	6	12	30	21
Change in the reinsurers' share of the provisions for claims		(41)	(19)	63	3	102
Claims incurred, net of reinsurance	1	(6,305)	(1,449)	(1,532)	(3,057)	(3,139)
Bonuses and rebates		(31)	(8)	(30)	(15)	(48)
Acquisition costs		(1,015)	(262)	(271)	(523)	(538)
Administrative expenses		(550)	(129)	(123)	(274)	(270)
Reinsurance commission and share of profits		81	20	19	39	37
Insurance operating expenses, net of reinsurance		(1,484)	(371)	(374)	(758)	(771)
TECHNICAL RESULT FROM NON-LIFE INSURANCE		1,354	463	484	716	846
LIFE INSURANCE						
Gross premiums written	2	10,981	2,905	2,535	5,995	5,222
Ceded reinsurance premiums		(1)	(0)	(0)	(0)	(0)
Premiums, net of reinsurance		10,980	2,905	2,535	5,995	5,222
Allocated investment return, net of reinsurance		5,291	5,359	2,614	(2,418)	6,411
Pension return tax		(617)	(110)	(393)	85	(926)
Claims and benefits paid		(6,393)	(1,434)	(2,273)	(2,982)	(4,668)
Reinsurance cover received		6	4	1	4	2
Claims and benefits paid, net of reinsurance		(6,387)	(1,431)	(2,273)	(2,978)	(4,666)
Change in the life insurance provisions		(8,839)	(6,598)	(2,028)	(487)	(4,586)
Change in the reinsurers' share		(7)	(5)	(1)	(5)	(1)
Change in the life insurance provisions, net of reinsurance		(8,847)	(6,602)	(2,029)	(492)	(4,587)
Change in profit margin		(38)	(29)	(361)	5	(1,249)
Acquisition costs		(184)	(48)	(45)	(95)	(94)
Administrative expenses		(375)	(92)	(96)	(184)	(200)
Insurance operating expenses, net of reinsurance		(559)	(139)	(141)	(279)	(295)
TECHNICAL RESULT FROM LIFE INSURANCE		(176)	(47)	(48)	(82)	(88)

Income statement • Group

(DKKm)	Full year 2020	Q2 2020	Q2 2021	H1 2020	H1 2021
NON-TECHNICAL ACTIVITIES					
Technical result from non-life insurance	1,354	463	484	716	846
Technical result from life insurance	(176)	(47)	(48)	(82)	(88)
Income from associates	92	(7)	13	8	283
Income from investment properties	191	49	51	88	102
Interest income and dividends etc.	1,909	433	541	976	1,279
Revaluations	3,981	5,320	2,232	(3,498)	5,152
Interest charges	(102)	(23)	(21)	(55)	(44)
Expenses on investment activities	(86)	(21)	(24)	(41)	(50)
Total investment return	5,986	5,751	2,792	(2,522)	6,723
Return and revaluations of non-life insurance provisions	(374)	(291)	38	(245)	430
Investment return transferred to life insurance business	(5,291)	(5,359)	(2,614)	2,418	(6,411)
Other income	14	3	7	6	13
Other expenses	(59)	(16)	(20)	(29)	(36)
PRE-TAX PROFIT	1,453	504	639	262	1,476
Taxation	(329)	(115)	(117)	(66)	(319)
PROFIT FOR THE PERIOD	1,124	389	522	196	1,157
EPS (DKK)	12.9	4.5	6.0	2.2	13.2
EPS, diluted (DKK)	12.9	4.4	5.9	2.2	13.2

Statement of comprehensive income • Group

Profit for the period	1,124	389	522	196	1,157
Items which cannot subsequently be reclassified as profit or loss:					
Revaluation / Reversed revaluation owner-occupied properties	1	0	0	1	(2)
Other comprehensive income	1	0	0	1	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,125	389	522	196	1,156

Assets • Group

(DKKkm)	31 December 2020	30 June 2020	30 June 2021
INTANGIBLE ASSETS	1,486	1,397	1,564
Operating equipment	108	115	101
Owner-occupied properties	837	837	832
TOTAL TANGIBLE ASSETS	946	952	933
Investment properties	3,934	4,007	3,679
Equity investments in associates	1,741	1,657	2,013
Total investments in associates	1,741	1,657	2,013
Equity investments	4,751	4,197	4,719
Unit trusts	2	1	2
Bonds	41,776	42,043	37,104
Loans guaranteed by mortgages	6	6	5
Deposits with credit institutions	4,989	4,659	4,548
Derivatives	1,405	666	252
Total other financial investment assets	52,928	51,572	46,629
TOTAL INVESTMENT ASSETS	58,603	57,237	52,321
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	44,997	37,080	58,115
Reinsurers' share of the provisions for unearned premiums	96	180	181
Reinsurers' share of the life insurance provisions	5	7	4
Reinsurers' share of the provisions for claims	440	483	538
Total reinsurers' share of provisions	541	670	723
Receivables from policyholders	283	326	306
Receivables from insurance companies	71	76	88
Receivables from associates	252	261	243
Other receivables	584	368	503
TOTAL RECEIVABLES	1,731	1,700	1,862
Deferred tax assets	33	27	57
Liquid funds	846	646	178
Other	20	18	26
TOTAL OTHER ASSETS	899	690	261
Accrued interest and rent	415	327	376
Other prepayments and accrued income	210	251	251
TOTAL PREPAYMENTS AND ACCRUED INCOME	626	579	627
TOTAL ASSETS	109,288	99,635	115,683

Shareholders' equity and liabilities • Group

(DKKkm)	Note	31 December 2020	30 June 2020	30 June 2021
Share capital		90	90	90
Revaluation reserve		1	1	0
Security fund		1,146	1,146	1,146
Other reserves		79	73	81
Total reserves		1,225	1,219	1,227
Profit carried forward		3,763	4,603	5,035
Proposed dividend		1,800	0	0
TOTAL SHAREHOLDERS' EQUITY		6,879	5,912	6,353
OTHER SUBORDINATED LOAN CAPITAL		1,749	1,748	1,749
Provisions for unearned premiums		1,590	3,255	3,055
Profit margin, non-life insurance contracts		1,150	846	1,065
With-profit products		23,178	22,978	22,709
Unit-linked products		55,790	47,721	60,789
Total life insurance provisions		78,968	70,699	83,499
Profit margin, life insurance and investment contracts		367	324	1,616
Provisions for claims		13,364	13,030	13,348
Risk margin, non-life insurance contracts		226	224	197
Provisions for bonuses and rebates		130	134	136
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		95,797	88,511	102,916
Pensions and similar commitments		31	29	29
Deferred tax liabilities		83	83	84
Deferred tax on security funds		306	306	306
TOTAL PROVISIONS		420	418	418
DEPOSITS RECEIVED FROM REINSURERS		33	42	24
Debt relating to direct insurance operations		165	150	175
Debt relating to reinsurance operations		23	48	47
Amounts due to credit institutions		1,350	860	982
Current tax liabilities		60	15	288
Derivatives		983	807	676
Other debt		1,727	1,040	1,993
TOTAL DEBT		4,308	2,920	4,162
ACCRUALS AND DEFERRED INCOME		103	83	60
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		109,288	99,635	115,683
Financial assets and liabilities	3			
Contingent liabilities	4			
Related parties	5			
Cash flow statement	6			
Accounting policies	7			

Cash flow statement • Group

(DKKm)	Full year 2020	H1 2020	H1 2021
Cash flow from operations			
Gross premiums	9,741	6,129	6,394
Claims	(6,488)	(3,306)	(3,169)
Expenses	(1,437)	(740)	(725)
Reinsurance ceded	(166)	(129)	(195)
Cash flow from non-life insurance	1,651	1,954	2,306
Gross premiums	10,984	6,089	5,338
Claims and benefits	(6,660)	(3,123)	(4,809)
Pension return tax	(823)	(822)	(733)
Expenses	(483)	(235)	(251)
Reinsurance ceded	(19)	(11)	(8)
Cash flow from life insurance	2,999	1,897	(463)
Cash flow from insurance activities	4,650	3,851	1,843
Payments on investment contracts	145	62	55
Interest income etc.	1,483	750	928
Dividends	526	307	462
Interest charges etc.	(184)	(89)	(90)
Corporation tax	(313)	(89)	(111)
Other items	(332)	(139)	37
Cash flow from operations	5,975	4,654	3,123
Cash flow from investments			
Intangible assets, operating equipment	(205)	(63)	(145)
Properties	(191)	(158)	(76)
Equity investments in affiliates	(81)	(81)	-
Equity investments in associates	(8)	(8)	(9)
Dividends from associates	27	27	20
Equity investments	400	(72)	(2,606)
Unit trusts	12	(2)	(59)
Bonds	1,587	1,123	3,796
Derivatives	(250)	(308)	(1,069)
Investment assets related to unit-linked products	(5,157)	(3,113)	(2,033)
Balances with associates	34	25	9
Cash flow from investments	(3,831)	(2,629)	(2,170)
Cash flow from financing			
Dividend paid	(741)	(741)	(1,752)
Exercise of share options	33	28	29
Redemption of subordinated loan capital	(500)	0	0
Issue of subordinated loan capital	500	0	0
Amounts due to credit institutions	1,195	705	(368)
Cash flow from financing	486	(8)	(2,091)
Change in cash and cash equivalents	2,631	2,017	(1,138)
Cash and cash equivalents at 1 January	3,294	3,294	5,835
Revaluation of cash and cash equivalents	(90)	(7)	29
Cash and cash equivalents end of period	5,835	5,304	4,726
Cash and cash equivalents comprise:			
Liquid funds	846	646	178
Deposits with credit institutions	4,989	4,659	4,548
	5,835	5,304	4,726

Statement of changes in equity • Group

(DKK m)

	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
H1 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					195		196
Other comprehensive income		1					1
Total comprehensive income for the period		1			195		196
Dividend paid						(765)	(765)
Dividend, own shares					24		24
Share-based payments					36		36
Exercise of share options					28		28
Taxation					(4)		(4)
Other transactions					84	(765)	(681)
Shareholders' equity at 30 June 2020	90	1	1,146	73	4,603	0	5,912
H1 2021							
Shareholders' equity at 31 December previous year	90	1	1,146	79	3,763	1,800	6,879
Profit for the period				2	1,155		1,157
Other comprehensive income		(1)					(1)
Total comprehensive income for the period		(1)		2	1,155		1,156
Dividend paid						(1,800)	(1,800)
Dividend, own shares					48		48
Share-based payments					38		38
Exercise of share options					29		29
Taxation					3		3
Other transactions					118	(1,800)	(1,682)
Shareholders' equity at 30 June 2021	90	0	1,146	81	5,035	0	6,353

Segment information • Group

Income statement

(DKK m)	Private	SME	Elimin- ated	Non-life	Life	Parent etc.	Elimin- ated	Group
H1 2020								
Non-life insurance								
Gross premiums earned	2,575	2,252	(10)	4,817				4,817
Claims incurred	(1,810)	(1,404)	9	(3,204)			6	(3,198)
Expenses	(407)	(402)	0	(809)			12	(797)
Net reinsurance	(24)	(83)	0	(107)				(107)
Technical result from non-life insurance	335	363	(0)	697			18	716
Life insurance								
Gross premiums written					5,995			5,995
Allocated investment return					(2,418)			(2,418)
Pension return tax					85			85
Benefits and change in provisions					(3,464)			(3,464)
Expenses					(282)		3	(279)
Net reinsurance					(1)			(1)
Technical result from life insurance					(85)		3	(82)
Total investment return				(166)	(2,492)	38	98	(2,522)
Pension return tax non-life insurance				(14)	14			0
Return and revaluations of non-life insurance provisions				(245)				(245)
Transferred to technical result					2,418			2,418
Other items				(3)	120	(21)	(119)	(22)
Pre-tax profit				270	(25)	17	0	262
Taxation								(66)
Profit								196
H1 2021								
Non-life insurance								
Gross premiums earned	2,656	2,395	(9)	5,042				5,042
Claims incurred	(1,809)	(1,572)	8	(3,373)			6	(3,367)
Expenses	(402)	(418)	1	(819)			11	(808)
Net reinsurance	(24)	4	(0)	(20)				(20)
Technical result from non-life insurance	420	409	0	829			17	846
Life insurance								
Gross premiums written					5,222			5,222
Allocated investment return					6,411			6,411
Pension return tax					(926)			(926)
Benefits and change in provisions					(10,502)			(10,502)
Expenses					(296)		2	(295)
Net reinsurance					1			1
Technical result from life insurance					(90)		2	(88)
Total investment return				(64)	6,597	23	167	6,723
Pension return tax non-life insurance				25	(25)			0
Return and revaluations of non-life insurance provisions				430				430
Transferred to technical result					(6,411)			(6,411)
Other items					187	(25)	(186)	(23)
Pre-tax profit				1,220	258	(2)	0	1,476
Taxation								(319)
Profit								1,157

Notes to the financial statements • Group

(DKK m)	Full year 2020	H1 2020	H1 2021
Note 1. Claims incurred, net of reinsurance - Non-life insurance			
Run-off result:			
Gross business	201	40	70
Reinsurance ceded	(38)	40	44
Run-off result, net of reinsurance (profit)	164	81	114

Note 2. Gross premiums written - Life insurance

Individual policies	266	111	126
Policies which are part of a tenure	2,860	1,423	1,428
Group life	268	163	157
Regular premiums	3,394	1,697	1,712
Individual policies	4,226	2,406	1,909
Policies which are part of a tenure	3,361	1,893	1,602
Single premiums	7,587	4,298	3,511
Gross premiums	10,981	5,995	5,222

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.

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

	31 December 2020	30 June 2020	30 June 2021
Financial assets recorded at fair value based on non-observable input (level 3):			
1 January	371	371	7,278
Purchases	583	197	664
Transferred from level 2	6,628	6,628	0
Transferred to level 2	0	0	(7,463)
Repayments	(327)	(256)	(441)
Revaluations	23	(179)	287
	7,278	6,761	324

The portfolio consists of construction financing of property projects (DKK 240m) and bonds (DKK 84m), 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.

Notes to the financial statements • Group

(DKKm)	31 December 2020	30 June 2020	30 June 2021
Note 4. Contingent liabilities			
Contract liabilities	501	240	431
Adjustments to VAT liabilities	136	130	116
Other liabilities	1	3	2
Capital commitments made to loan funds and private equity funds etc.	356	414	364

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.

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 H1 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 H1 2021 - Parent company

Income statement • Parent company

(DKKm)	Full year 2020	Q2 2020	Q2 2021	H1 2020	H1 2021
Income from affiliates	1,168	399	535	216	1,184
Revaluations	0	0	0	0	(3)
Interest charges	(11)	(3)	(3)	(5)	(5)
Total investment return	1,157	396	532	211	1,175
Other expenses	(46)	(11)	(13)	(21)	(25)
PRE-TAX PROFIT	1,112	386	519	190	1,150
Taxation	12	3	3	6	7
PROFIT FOR THE PERIOD	1,124	389	522	196	1,157

Statement of comprehensive income • Parent company

Profit for the period	1,124	389	522	196	1,157
Other comprehensive income from affiliates	1	0	0	1	(1)
Other comprehensive income	1	0	0	1	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,125	389	522	196	1,156

Balance sheet • Parent company

(DKK m)	31 December 2020	30 June 2020	30 June 2021
Assets			
Operating equipment	3	3	3
TOTAL TANGIBLE ASSETS	3	3	3
Equity investments in affiliates	6,816	5,833	6,116
Total investment in affiliates	6,816	5,833	6,116
Equity investments	4	0	1
Total other financial investment assets	4	0	1
TOTAL INVESTMENT ASSETS	6,820	5,833	6,117
Receivables from affiliates	913	892	1,243
Other receivables	48	1	30
TOTAL RECEIVABLES	961	892	1,273
Liquid funds	1	1	1
TOTAL OTHER ASSETS	2	2	1
TOTAL ASSETS	7,785	6,730	7,394
Shareholders' equity and liabilities			
Share capital	90	90	90
Other reserves	3,067	2,084	2,388
Total reserves	3,067	2,084	2,388
Profit carried forward	2,228	4,044	4,181
Proposed dividend	1,800	0	0
TOTAL SHAREHOLDERS' EQUITY	7,185	6,218	6,659
OTHER SUBORDINATED LOAN CAPITAL	399	399	399
Amounts due to affiliates	133	91	37
Current tax liabilities	60	15	288
Other debt	8	8	11
TOTAL DEBT	201	113	336
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	7,785	6,730	7,394

Statement by Management

The Board of Directors and the Executive Board have today considered and adopted the half-year report for H1 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 30 June 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 30 June 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 30 June 2021 until the presentation of the consolidated financial statements which could change the assessment of the interim report for H1 2021.

Ballerup, 16 July 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