

# Interim report for Q1-Q3 2021

21 October 2021, Announcement No. 13/2021



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# Management's review

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# Highlights

## Q1-Q3 2021

- Post-tax profit of DKK 1,513m (Q1-Q3 2020: DKK 553m)
- EPS was DKK 17.2 (Q1-Q3 2020: DKK 6.3)
- Combined ratio: 84.3 (Q1-Q3 2020: 87.0)
- Combined ratio excluding run-off: 86.4 (Q1-Q3 2020: 88.5)
- Premiums increased by 4.6% in non-life insurance and decreased by 9.4% in life insurance.
- Profit on life insurance was DKK 371m (Q1-Q3 2020: DKK 44m).
- After return on non-life insurance provisions, the investment return was DKK 395m (Q1-Q3 2020: DKK 214m (loss)).

## Q3 2021

- Post-tax profit of DKK 356m (Q3 2020: DKK 357m)
- EPS was DKK 4.0 (Q3 2020: DKK 4.1)
- Combined ratio: 85.7 (Q3 2020: 89.8)
- Combined ratio excluding run-off profits: 87.6 (Q3 2020: 91.2)
- Premiums increased by 4.4% in non-life insurance and decreased by 0.7% in life insurance.
- Profit on life insurance was DKK 113m (Q3 2020: DKK 69m).
- After return on non-life insurance provisions, the investment return was DKK 8m (Q3 2020: DKK 158m).

## Profit forecast model for 2021

- The assumed combined ratio for 2021 is narrowed from 85-86 to 85-85.5, excluding run-off in Q4 2021.
- The assumed premium growth for non-life is narrowed from 4-5% to 4-4.5%.
- The post-tax profit forecast for 2021 is improved from DKK 1,650-1,750m to DKK 1,750-1,800m, excluding run-off in Q4 2021.

## Assumptions for 2022

- Premium growth in non-life of 4-5.5%, and a combined ratio of 86-89, excluding run-off, are assumed for 2022.

## Conference call

A conference call will be held today at 15:30 (CET) where Peter Hermann, CEO, and Lars Kufall Beck, 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 83 73  
UK dial-in-number: +44 333 300 9031  
US dial-in-number: +1 646 722 4956

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:



Peter Hermann  
Chief Executive Officer



Lars Kufall Beck  
Chief Financial Officer



Robin Hjelgaard Løfgren  
Head of Investor Relations  
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# Financial highlights

(DKK)m	Full year 2020	Q3 2020	Q3 2021	Q1-Q3 2020	Q1-Q3 2021
<b>Premiums earned:</b>					
Non-life insurance	9,732	2,428	2,534	7,245	7,575
Life insurance	10,981	2,411	2,393	8,406	7,616
	20,713	4,839	4,927	15,651	15,191
<b>Results:</b>					
Non-life insurance	1,302	383	376	653	1,597
Life insurance	117	69	113	44	371
Parent company etc.	34	8	(16)	25	(18)
Pre-tax profit	1,453	460	474	722	1,950
Tax	(329)	(103)	(118)	(169)	(437)
<b>Profit</b>	<b>1,124</b>	<b>357</b>	<b>356</b>	<b>553</b>	<b>1,513</b>
Run-off profits, net of reinsurance	164	33	46	114	160
Shareholders' equity of parent company at 1 January	6,703	6,218	6,659	6,703	7,185
Profit	1,124	357	356	553	1,513
Dividend paid	(765)	0	0	(765)	(1,800)
Dividend own shares	24	0	0	24	48
Share-based payments	98	22	25	82	95
Other movements in shareholders' equity	1	0	0	1	(1)
<b>Shareholders' equity of parent company end of period</b>	<b>7,185</b>	<b>6,598</b>	<b>7,040</b>	<b>6,598</b>	<b>7,040</b>
Deferred tax on security funds	(306)	(306)	(306)	(306)	(306)
<b>Shareholders' equity of Group end of period</b>	<b>6,879</b>	<b>6,292</b>	<b>6,734</b>	<b>6,292</b>	<b>6,734</b>
Total assets, parent company	7,785			7,194	7,888
Total assets, Group	109,288			102,508	115,028
Provisions for insurance and investment contracts:					
Non-life insurance	16,462			17,215	17,698
Life insurance	79,335			73,867	85,748
<b>Financial ratios (parent company)</b>					
Post-tax profit as a percentage of shareholders' equity	16.6	5.6	5.2	8.4	22.2
Post-tax EPS (DKK)	12.9	4.1	4.1	6.3	17.3
Post-tax EPS, diluted (DKK)	12.9	4.1	4.0	6.3	17.2
Dividend per share issued, proposed (DKK)	20.0	-	-	-	-
Net asset value per share, diluted (DKK)	82.0			75.4	80.0
Listed share price end of period	264.2			307.0	332.0
Number of shares end of period ('000)	87,491			87,262	87,710
Average number of shares ('000)	87,266	87,257	87,703	87,203	87,626
Average number of shares, diluted ('000)	87,475	87,453	87,961	87,423	87,858
<b>Ratios non-life insurance</b>					
Gross loss ratio	67.5	72.2	70.0	68.4	67.9
Net reinsurance ratio	2.6	2.6	1.0	2.3	0.6
Claims trend	70.1	74.8	71.0	70.8	68.5
Gross expense ratio	16.3	15.0	14.8	16.2	15.8
Combined ratio	86.5	89.8	85.7	87.0	84.3
Combined ratio excl. run-off profits	88.2	91.2	87.6	88.5	86.4

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-Q3 2021

Trend in profit (DKKm)	Full year 2020	Q3 2020	Q3 2021	Q1-Q3 2020	Q1-Q3 2021
Non-life insurance					
- Technical result	1,316	248	361	945	1,190
- Investment return after return and revaluations of non-life insurance provisions etc.	(15)	136	15	(292)	406
Profit on non-life insurance	1,302	383	376	653	1,597
Life insurance	117	69	113	44	371
Parent company etc.	34	8	(16)	25	(18)
Pre-tax profit	1,453	460	474	722	1,950
Tax	(329)	(103)	(118)	(169)	(437)
<b>Profit</b>	<b>1,124</b>	<b>357</b>	<b>356</b>	<b>553</b>	<b>1,513</b>

Topdanmark's post-tax profit for Q1-Q3 2021 was DKK 1,513m (Q1-Q3 2020: DKK 553m).

The technical result increased by DKK 245m to DKK 1,190m. The improvement was driven mainly by improving trends in house insurance and the absence of major weather-related claims in the first half of 2021. Conversely, the very low temperatures in Q1 2021 caused many water pipes to freeze and burst, while Q2 and Q3 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 698m to DKK 406m. The improvement should be seen in the light of the challenging market conditions especially in Q1 2020, whereas the investment return in Q1-Q3 2021 was impacted by more favourable market conditions, especially for equity investments and CLOs.

The profit on life insurance increased by DKK 327m to DKK 371m affected by a higher investment return and a positive development in the sales and administration result.

## Results for Q3 2021

The profit for Q3 2021 was DKK 356m (Q3 2020: DKK 357m).

The technical result increased by DKK 113m to DKK 361m with stronger performance in house and motor insurance, including positive run-off.

After return on non-life insurance provisions, the investment return in non-life insurance decreased by DKK 121m to DKK 15m. The development should be seen in the light of the strong rebound in financial markets during Q3 2020.

The profit on life insurance increased by DKK 44m to DKK 113m driven by property revaluation as well as the inclusion of Topdanmark Kapitalforvaltning (Topdanmark Asset Management) in the life result from Q3 2021.

## Non-life insurance in Q1-Q3 2021

Financial highlights – Non-life insurance (DKKm)	Full year 2020	Q3 2020	Q3 2021	Q1-Q3 2020	Q1-Q3 2021
Gross premiums earned	9,732	2,428	2,571	7,245	7,612
Claims incurred	(6,568)	(1,753)	(1,773)	(4,957)	(5,146)
Expenses	(1,591)	(365)	(374)	(1,174)	(1,194)
Net reinsurance	(257)	(63)	(25)	(170)	(46)
Technical result	1,316	248	398	945	1,227
Investment return after return and revaluations of non-life insurance provisions	(12)	135	14	(289)	405
Other items	(2)	0	1	(2)	2
<b>Profit on non-life insurance</b>	<b>1,302</b>	<b>383</b>	<b>413</b>	<b>653</b>	<b>1,634</b>
Run-off profits, net of reinsurance	164	33	46	114	160
Gross loss ratio	67.5	72.2	69.0	68.4	67.6
Net reinsurance ratio	2.6	2.6	1.0	2.3	0.6
Claims trend	70.1	74.8	69.9	70.8	68.2
Gross expense ratio	16.3	15.0	14.6	16.2	15.7
Combined ratio	86.5	89.8	84.5	87.0	83.9
Combined ratio excl. run-off profits	88.2	91.2	86.3	88.5	86.0

### Premiums earned

Premiums earned increased by 4.6% to DKK 7,575m. The private segment accounted for a 2.2% increase, while the SME segment accounted for a 7.2% increase.

In Q3 2020, provisions for unexpired risk increased significantly following the underperformance in house insurance. As the house insurance product has seen stronger performance since then, part of the provisions has been released in Q3 2021.

In addition, provisions for unexpired risk within illness and accident insurance increased in Q3 2021 due to rising inflation. In total, this resulted in an approx. 0.5pp uplift to reported Group premium growth in Q1-Q3 2021.

The distribution agreement with Nordea continues to have good traction and more than compensated for the outflow from the old agreement with Danske Bank in Q1-Q3 2021. We expect the trend to continue throughout 2021.

### Claims trend

Claims trend	Full year 2020	Q3 2020	Q3 2021	Q1-Q3 2020	Q1-Q3 2021
Claims trend	70.1	74.8	71.0	70.8	68.5
Run-off excl. COVID-19	1.9	1.3	1.8	1.9	2.1
Weather-related claims	(1.0)	(1.4)	(2.2)	(1.4)	(0.7)
Large-scale claims	(0.9)	(1.3)	(1.8)	(1.0)	(1.3)
Other	0.3	0.0	0.0	0.4	0.3
<b>Claims before run-off, weather, large-scale claims and other</b>	<b>70.4</b>	<b>73.4</b>	<b>68.8</b>	<b>70.7</b>	<b>68.8</b>
Rain/frost	(0.5)	(1.1)	(0.9)	(0.7)	(0.9)
Discounting	0.4	0.2	0.8	0.5	0.5
COVID-19	1.2	1.9		0.8	
<b>Underlying claims trend</b>	<b>71.6</b>	<b>74.3</b>	<b>68.7</b>	<b>71.3</b>	<b>68.4</b>

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 improved to 68.5 in Q1-Q3 2021 from 70.8 in Q1-Q3 2020.

The run-off profit, net of reinsurance, was DKK 160m (Q1-Q3 2020: DKK 138m, excluding COVID-19),

representing a 0.2pp positive effect on the claims trend. Run-off profits were primarily generated in house, in property and in workers' compensation insurance, while run-off losses were primarily related to illness and accident insurance.



We saw good traction on the profitability-enhancing measures initiated within house insurance. We have sharpened our focus on acceptance criteria as well as claims prevention and handling, and we have raised prices by 9% on average for around 115,000 customers so far. In addition, we see good results of our procurement efforts within building materials and claims handling. As a result, the claims trend in house insurance improved by approx. 5pp.

Weather-related claims (claims exceeding DKK 4.5m in total over a 72-hour period) amounted to DKK 55m (Q1-Q3 2020: DKK 101m), representing a 0.7pp improvement of the claims trend. This was a result of no weather-related events being big enough to define the resulting claims as weather-related claims in the first two quarters of 2021, whereas Q3 saw a significant number of cloudbursts.

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) increased by DKK 32m to DKK 102m, representing a 0.3pp deterioration of the claims trend. This was primarily driven by a few large fire-related events.

Inflation within construction materials has been significant in the first nine months of 2021, 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, and our efforts within this area continue as part of the efficiency programme.

In general, and over time, we see around 2-4% overall inflation in claim expenses, varying between different business lines. Over time, it is our target to maintain our profitability by pricing at least in line with inflation.

The claims trend adjusted for run-off, weather-related claims, large-scale claims and other positions including change of risk margin improved by 1.9pp to 68.8.

The underlying claims trend, which is adjusted for the large rain claims in Q1-Q3 2020 as well as in Q1-Q3 2021, severe frost in Q1 2021, discounting and COVID-19 impact, improved by 2.9pp to 68.4. As mentioned in the H1 2021 Report, from Q3 2021 we have stopped reporting on the estimated impact of COVID-19 due to the high uncertainty related to the assessment.

### **Expense ratio**

The expense ratio was 15.8, down from 16.2 in Q1-Q3 2020. The decrease in the expense ratio is driven by

our efficiency programme and is achieved despite higher sales.

### **Combined ratio**

The combined ratio was 84.3 (Q1-Q3 2020: 87.0). Excluding run-off, the combined ratio was 86.4 (Q1-Q3 2020: 88.5).

## **Non-life insurance in Q3 2021**

Premiums earned in Q3 2021 increased by 4.4% to DKK 2,534m. The growth in premiums was 4.2% and 4.5% in the private segment and the SME segment, respectively. In Q3 2021, provisions for unexpired risk within illness and accident increased by DKK 40m due to rising inflation. Offset by the changes to unexpired risk within house, this resulted in an approx. 0.2pp uplift to reported Group premium growth in Q3 2021.

The claims trend was 71.0, down from 74.8 in Q3 2020.

The run-off profit, net of reinsurance, was DKK 46m (Q3 2020: DKK 32m, excluding COVID-19), representing a 0.5pp improvement of the claims trend. Run-off was largely in line with preceding quarters following positive trends in house insurance in the first nine months of 2021. Inflation has had a marked impact on run-off within illness and accident, and workers' compensation in Q3 2021, but the net impact for the Group is roughly neutral.

Large-scale claims amounted to DKK 46m (Q3 2020: DKK 32m), representing a 0.5pp deterioration of the claims trend. The SME area was hit by a few, but large fire claims.

Weather-related claims were DKK 55m (Q3 2020: DKK 34m) as especially July and August brought many cloudbursts. This represented a deterioration of the claims trend of 0.8pp compared with the level in Q3 2020.

The claims trend was positively impacted by the higher level of interest rates. The discounting effect (movements in the yield curve used for discounting the provisions) had a positive impact on the claims trend of 0.6pp compared with Q3 2020.

The claims trend adjusted for run-off, weather-related claims, large-scale claims and other positions including change of risk margin improved by 4.6pp to 68.8 in Q3 2021.

The underlying claims trend, which is adjusted for the extraordinary rain claims, discounting and COVID-19 impact, improved by 5.6pp to 68.7. The improvement is driven by the Private segment.

The expense ratio was 14.8 (Q3 2020: 15.0), contributing positively to the improvement in combined ratio.

The combined ratio was 85.7 in Q3 2021 (Q3 2020: 89.8). Excluding run-off, the combined ratio was 87.6 (Q3 2020: 91.2).

## Segment reporting

### Private

Private (DKK m)	Full year 2020	Q3 2020	Q3 2021	Q1-Q3 2020	Q1-Q3 2021
Gross premiums earned	5,179	1,250	1,303	3,876	3,959
Claims incurred	(3,787)	(998)	(959)	(2,831)	(2,768)
Expenses	(824)	(200)	(191)	(607)	(593)
Net reinsurance	(41)	(13)	(14)	(39)	(39)
<b>Technical result</b>	<b>527</b>	<b>40</b>	<b>139</b>	<b>398</b>	<b>560</b>
Run-off profits, net of reinsurance	116	(6)	(10)	92	53
Gross loss ratio	73.1	79.8	73.6	73.1	69.9
Net reinsurance ratio	0.8	1.0	1.1	1.0	1.0
Claims trend	73.9	80.8	74.7	74.1	70.9
Gross expense ratio	15.9	16.0	14.6	15.7	15.0
Combined ratio	89.8	96.8	89.3	89.7	85.9
Combined ratio excl. run-off profits	92.1	96.3	88.6	92.1	87.2

The private segment offers policies to individual households in Denmark.

Premiums earned increased by 2.2% to DKK 3,959m, and the distribution agreement with Nordea now more than compensates for the terminated distribution agreement with Danske Bank.

The underlying premiums (adjusted for increase in provisions for unexpired risk in house in Q3 2020 as well as an increase in provisions for unexpired risk in illness and accident in Q3 2021) increased by 1.5% in Q1-Q3 2021 and by 2.8% in Q3 2021.

The technical result was DKK 560m in Q1-Q3 2021, representing an increase of DKK 162m compared with Q1-Q3 2020.

The claims trend improved by 3.2pp to 70.9.

Compared with Q1-Q3 2020, the claims trend was positively impacted by a lower claims trend on travel insurance and improved claims trend on motor throughout the year. Despite the reopening of society the claims trend on motor has continued to improve year-on-year in Q3 2021.

Activities for improvement of profitability in house have been initiated and are starting to have a positive impact on the claims trend.

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

Run-off of DKK 53m was DKK 39m lower than in Q1-Q3 2020. The lower run-off result is mainly due to illness and accident, whereas there were run-off profits in most other private products.

The expense ratio improved to 15.0 from 15.7 in Q1-Q3 2020, further contributing positively to the improvement in combined ratio.

The combined ratio was 85.9 in Q1-Q3 2021 (Q1-Q3 2020: 89.7). Excluding run-off, the combined ratio was 87.2 (Q1-Q3 2020: 92.1).

## SME

SME (DKKm)	Full year 2020	Q3 2020	Q3 2021	Q1-Q3 2020	Q1-Q3 2021
Gross premiums earned	4,571	1,183	1,235	3,385	3,630
Claims incurred	(2,799)	(760)	(818)	(2,139)	(2,390)
Expenses	(767)	(165)	(184)	(568)	(603)
Net reinsurance	(216)	(50)	(11)	(131)	(7)
<b>Technical result</b>	<b>789</b>	<b>208</b>	<b>222</b>	<b>547</b>	<b>631</b>
Run-off profits, net of reinsurance	47	39	56	22	107
Gross loss ratio	61.2	64.2	66.2	63.2	65.8
Net reinsurance ratio	4.7	4.2	0.9	3.9	0.2
Claims trend	66.0	68.5	67.1	67.1	66.0
Gross expense ratio	16.8	14.0	14.9	16.8	16.6
Combined ratio	82.7	82.4	82.0	83.8	82.6
Combined ratio excl. run-off profits	83.8	85.7	86.6	84.5	85.6

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

Premiums earned increased by 7.2% to DKK 3,630m, and by 4.5% in Q3 2021.

The underlying premiums adjusted for extraordinary items increased by 6.4% in Q1-Q3, and by 4.6% in Q3 2021.

The technical result increased by DKK 84m to DKK 631m in Q1-Q3 2021. Run-off increased to DKK 107m in Q1-Q3 2021 (Q1-Q3 2020: DKK 22m), driven mainly by liability insurance and building insurance.

The claims trend improved by 1.1pp to 66.0, as the higher run-off level was partly offset by a few large fire claims, which for the most part was covered by reinsurance.

The expense ratio was 16.6 in Q1-Q3 2021 which is 0.2pp below Q1-Q3 2020.

The combined ratio improved to 82.6 in Q1-Q3 2021 (Q1-Q3 2020: 83.8).

Excluding run-off, the combined ratio was 85.6 in Q1-Q3 2021 (Q1-Q3 2020: 84.5), with the negative development being driven by a few large and exceptional fire claims.

## Life insurance in Q1-Q3 2021

Result of life insurance (DKKm)	Full year 2020	Q3 2020	Q3 2021	Q1-Q3 2020	Q1-Q3 2021
Investment return on shareholders' equity	19	23	68	(40)	241
Sales and administration	(43)	9	8	(31)	19
Insurance risk	(10)	(1)	2	0	(3)
Risk return on shareholders' equity	152	38	36	115	113
<b>Profit on life insurance</b>	<b>117</b>	<b>69</b>	<b>113</b>	<b>44</b>	<b>371</b>

The result from life insurance was a profit of DKK 371m (Q1-Q3 2020: DKK 44m).

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](http://www.topdanmark.com) → About Topdanmark → Business → Life insurance → [Policy for the calculation of profit in life insurance.](#)

### Developments in Q1-Q3 2021

The positive development primarily derives from investment return on shareholders' equity, and sales and administration result. The investment return on shareholders' equity was DKK 241m in Q1-Q3 2021 (Q1-Q3 2020: DKK 40m (loss)) affected by a return higher than assumed, primarily due to property revaluation.

The result of sales and administration increased by DKK 50m to DKK 19m primarily as higher assets under management gave increased fees/commissions from

Topdanmark Asset Management. The insurance risk result has decreased from DKK 0m to DKK 3m (loss). The insurance risk result may fluctuate from one quarter to the next.

### Trend in premiums

Gross premiums decreased by 9.4% to DKK 7,616m in Q1-Q3 2021, of which premiums on unit-linked pension schemes were DKK 7,118m, representing an 8.9% decrease compared with Q1-Q3 2020.

Regular premiums increased by 1.5% to DKK 2,548m in Q1-Q3 2021. Single premiums were DKK 5,068m in Q1-Q3 2021, representing a 14.0% decrease.

## Life insurance in Q3 2021

The result in Q3 2021 was a profit of DKK 113m (Q3 2020: DKK 69m).

The profit on life insurance increased by DKK 44m due to a higher investment return on shareholders' equity. This derives from property revaluation in Q3 2021 as well as Topdanmark Livsforsikring acquiring Topdanmark Kapitalforvaltning (Topdanmark Asset Management) whose result also contributes positively in Q3 2021.

Gross premiums decreased by 0.7% to DKK 2,393m in Q3 2021, of which premiums on unit-linked pension schemes were DKK 2,250m, a 0.3% decrease compared with Q3 2020.

Regular premiums increased by 2.7% to DKK 837m in Q3 2021 whereas single premiums decreased by 2.5% to DKK 1,557m.

## Investment activities

### Topdanmark Group excl. life insurance

Investment return	Portfolio 30 Sep		Return Q3 2020		Return Q3 2021		Return Q1-Q3 2020		Return Q1-Q3 2021	
	2020	2021	(DKKk)	%	(DKKk)	%	(DKKk)	%	(DKKk)	%
Danish equities	0.3	0.2	34	12.1	(2)	(0.5)	31	10.9	28	14.5
Foreign equities	0.8	0.8	40	5.5	6	1.2	(19)	(2.5)	116	14.9
Unlisted equities and hedge funds	0.3	0.4	25	7.2	(3)	(0.8)	(21)	(5.9)	32	9.4
Government and mortgage bonds	16.9	16.0	89	0.5	(105)	(0.6)	120	0.7	(489)	(2.9)
Index linked bonds	0.3	0.5	(5)	(1.7)	(8)	(1.6)	7	2.4	(14)	(3.3)
CLOs	0.5	0.7	31	6.4	33	4.9	(69)	(11.9)	142	25.0
Properties	1.3	1.2	14	1.1	29	2.4	40	3.2	74	6.3
Expenses, money markets etc.	1.8	2.0	(6)	(0.3)	5	0.3	(15)	(0.9)	10	0.5
Subordinated loan capital	(1.7)	(0.9)	(12)	(0.7)	(9)	(0.7)	(35)	(2.0)	(29)	(1.8)
	20.4	21.0	209	1.0	(54)	(0.3)	39	0.2	(128)	(0.6)
Asset management (2021: 6 months)			22		-		65		31	
Investment return			231		(54)		104		(97)	
Return and revaluations of non-life insurance provisions			(73)		62		(318)		492	
Investment return after return on non-life insurance provisions			158		8		(214)		395	

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 investment return of the Topdanmark Group excluding life insurance was a loss of DKK 97m in Q1-Q3 2021 (Q1-Q3 2020: DKK 104m). Return and revaluation of non-life insurance provisions were DKK 492m in Q1-Q3 2021 (Q1-Q3 2020: DKK 318m (loss)).

The return on investments after return and revaluation of non-life insurance provisions in Q1-Q3 2021 was DKK 395m and thus DKK 303m 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 financial rebound after the COVID-19 pandemic

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seems to be contained by vaccines.

In Q3 2021, the Danish mortgage bond market which is dominated by AAA bonds was characterised by some 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 Q3 2021. Q1-Q3 2021 gains on return and revaluation of provisions still dominates the losses from assets hedging the interest sensitivity - however, with a narrower margin than after H1.

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 equity exposure was DKK 898m pre-tax and excluding associated companies but including the impact of derivatives. The equity portfolios are well diversified with no large individual positions.

The composition of the portfolios is based on OMXCCAP for Danish equities, representing approx. 20% of the portfolio as at 30 September 2021, and the foreign portfolios are based on MSCI World DC in local currency for foreign equities.

The class "Unlisted equities and hedge funds" includes private equity positions (DKK 26m) and positions in hedge funds where the investment mandates aim at positioning in the credit market (DKK 223m).

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

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

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

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

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

The property portfolio mainly comprises owner-occupied property (DKK 805m). 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. The property portfolio is currently fully let when adjusting for properties under construction or being converted for other purposes.

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

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

We use the Solvency II discounting curve with volatility adjustment (VA) for assessing insurance provisions. The VA component comprises a corrective element for the development in pricing of Danish mortgage bonds, as well as a corrective element for the development in pricing of European business credits. The VA component was 22bp at the beginning of the year and 55bp at the end of Q3 2021.

## Solvency calculation and capital requirements

Solvency cover (DKK m)	31 Dec 2020	30 Sep 2020	30 Sep 2021
Shareholders' equity	6,879	6,292	6,734
Proposed dividend	(1,800)	0	0
Deferred tax on security funds	306	306	306
Profit margin	1,442	1,025	2,504
Intangible assets	(1,529)	(1,452)	(1,592)
Other	(169)	(181)	(178)
Tax effects	(41)	37	(258)
Subordinated loan tier 1	400	400	400
Subordinated loans tier 2, usable share	1,350	1,362	500
Own funds	6,839	7,788	8,415
Solvency requirement	4,016	3,888	3,469
<b>Solvency cover (%)</b>	<b>170</b>	<b>200</b>	<b>243</b>

Potential dividend for the interim periods was not deducted.

Solvency II provides insurance companies with the opportunity to develop their own full or partial internal risk model for solvency calculation. We use 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 our solvency calculations while we use the standard model for life products.

The SCR in Topdanmark Livsforsikring increased from DKK 1,395m end Q2 2021 to DKK 1,527m end Q3 2021 as the impact from the solvency stress scenario on profit margin increased.

As a result, Topdanmark Livsforsikring's solvency cover decreased to 328% end Q3 2021 from 361% end Q2 2021.

The solvency cover for the Group decreased to 243% end Q3 2021 from 246% end Q2 2021 as the quarterly result was more than offset by the increase in solvency requirement.

We have an outstanding subordinated tier 1 loan (restricted tier 1 capital notes) of DKK 400m. This loan is perpetual, but includes an option enabling us to redeem the loan as at 23 November 2022. Topdanmark Forsikring also has an outstanding subordinated tier 2 loan of DKK 500m with first call date in 2025 and maturity in 2030.

Further, we have redeemed DKK 850m of outstanding Tier 2 debt as at 11 September 2021, which was already deducted from own funds by the end of Q2 2021.

We still have ample capacity to potentially issue new Tier 2 debt.

## Parent company etc.

The parent company, Topdanmark, does not perform any independent activities. The profit of the parent company etc. includes the profits from 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 43m to DKK 18m (loss) in Q1-Q3 2021.

## Taxation

The tax charge was DKK 437m of the pre-tax profit of DKK 1,950m, corresponding to an effective tax rate of 22.4% (Q1-Q3 2020: 23.4%).

## Efficiency programme

As announced in the Q3 2020 Report, we are upscaling 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 continue to expect a net impact of the efficiency programme of around DKK 70m in 2021. So far, our efforts to become more efficient are progressing according to plan.

## New IT systems

We have 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.

# Profit forecast model

Profit forecast 2021 (DKKm)	Results		Forecast 2021		Forecast 2021	
	2020		30 June 2021		30 September 2021	
Non-life insurance						
- Technical result	1,316	1,450	-	1,500	1,470	- 1,500
- Investment return after return and revaluations of non-life insurance provisions etc.	(15)	380	-	430	400	- 420
Profit on non-life insurance	1,302	1,830	-	1,930	1,870	- 1,920
Life insurance	117	320	-	370	400	- 425
Parent company etc.	34	(30)	-	(20)	(30)	- (25)
Pre-tax profit	1,453	2,120	-	2,280	2,240	- 2,320
Taxation	(329)	(470)	-	(530)	(490)	- (520)
<b>Profit for the year</b>	<b>1,124</b>	<b>1,650</b>	<b>-</b>	<b>1,750</b>	<b>1,750</b>	<b>- 1,800</b>

Traditionally, we do 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 our profit forecast model will already deviate from actual expectations by the time it is published.

Therefore, set out at [www.topdanmark.com](http://www.topdanmark.com) → Investors → [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 H1 2021 Report, it was stated that our post-tax model profit forecast for 2021 was DKK 1,650-1,750m exclusive run-off in H2 2021.

## Non-life insurance

For non-life insurance, we assumed a pre-tax profit of DKK 1,830-1,930m for 2021 in the H1 2021 Report. The assumptions behind this model profit forecast can be found in the H1 2021 Report. Since this report, the following major changes to assumptions have occurred:

- In Q3 2021, there were run-off profits of DKK 46m, corresponding to a 0.5pp improvement of the combined ratio for 2021.
- Weather-related claims amounted to DKK 55m in Q3, which is DKK 10m higher than assumed, corresponding to a deterioration of the assumed combined ratio for 2021 by 0.1pp.

- Large-scale claims amounted to DKK 46m in Q3, which is DKK 21m higher than assumed, corresponding to a deterioration of the assumed combined ratio for 2021 by 0.2pp.
- Provisions for unexpired risk within illness and accident increased by DKK 40m in Q3 as a result of rising inflation, corresponding to a 0.3pp deterioration of the combined ratio for 2021.
- Improving underlying trends mainly within house insurance as a result of our profitability-enhancing measures, corresponding to a 0.4pp improvement of the combined ratio for 2021.

The assumed combined ratio for 2021 is narrowed from about 85-86 to 85-85.5 excluding run-off in Q4 2021.

The underlying business momentum remained solid, but due to the provisions for unexpired risk the assumed premium growth in non-life is narrowed from 4-5% to 4-4.5%.

The overall assumed pre-tax result for non-life insurance is DKK 1,870-1,920m excluding run-off in Q4 2021.

## Life insurance

In the H1 2021 Report, we assumed a pre-tax profit on life insurance of DKK 320-370m for 2021. The assumptions behind this forecast can be found in the H1 2021 Report. Since this report, the following major changes to assumptions have occurred:

- The investment return in Q3 2021 was DKK 35m higher than forecasted.
- Sales and administration and the risk result in Q3 2021 were DKK 15m higher than forecasted.

Note that the sales and administration result can fluctuate between quarters.

The assumed pre-tax result on life insurance is adjusted to DKK 400-425m.

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 an almost unchanged pre-tax profit of DKK 25-30m (loss) compared with the H1 2021 Report.

## Taxation

Given a corporation tax rate of 22%, the tax charge is expected to be DKK 490-520m.

## Total Group profit

Topdanmark's overall post-tax forecast for 2021 is upgraded to DKK 1,750-1,800m, representing an EPS of DKK 20.0-20.5. The assumed profit is exclusive of run-off in Q4 2021.

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

## Assumptions for the profit forecast model for 2022

### Non-life insurance

For 2022, the assumed premium growth in non-life will be 4-5.5% and the assumed combined ratio will be 86-89, excluding run-off.

The profit forecast model is based upon the following assumptions among others:

- Continued positive net impact on premiums from the switch of distribution partner from Danske Bank to Nordea

- The automatic premium indexing, excluding any additional or extraordinary price increases, in the private segment will be 2.5% in 2022. Approx. 70% of our premiums earned are subject to automatic premium indexing. Thus, the premium effect of the automatic premium indexing on non-life insurance is approx. 1.8%.
- Automatic premium indexing of workers' compensation insurance
- Continued positive effects from our pricing initiative on house insurance
- The positive COVID-19 effects are expected to significantly decrease in 2022 as claims frequencies across all products except travel have normalised. This is expected to increase the combined ratio by 0.9pp compared with 2021.
- Weather related claims of DKK 170m
- Large-scale claims (large-scale claims of a gross value exceeding DKK 5m) of DKK 100m
- An expense ratio of 15-16
- A level of interest rates corresponding to the interest rate curve on 30 September 2021
- Continued good traction on our efficiency programme, including a larger positive net impact compared with 2021.

## Financial calendar

Announcement of 2021 Annual Results	21 Jan 2022
Deadline for submitting items for AGM agenda	9 Feb 2022
2021 Annual Report	24 Feb 2022
AGM	24 Mar 2022
Q1 2022 Interim Report	26 Apr 2022
2022 Half-year Report	15 July 2022
Q1-Q3 2022 Interim Report	21 Oct 2022



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## 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](http://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-Q3 2021 - Group**

## Income statement • Group

(DKK)m	Note	Full year 2020	Q3 2020	Q3 2021	Q1-Q3 2020	Q1-Q3 2021
<b>NON-LIFE INSURANCE</b>						
Gross premiums written		9,803	1,853	1,983	8,086	8,481
Ceded reinsurance premiums		(592)	(144)	(167)	(538)	(559)
Change in the provisions for unearned premiums		282	485	446	(908)	(1,062)
Change in profit margin and risk margin		(323)	106	128	98	227
Change in the reinsurers' share of the provisions for unearned premiums		3	(2)	0	105	107
<b>Premiums earned, net of reinsurance</b>		<b>9,174</b>	<b>2,297</b>	<b>2,390</b>	<b>6,843</b>	<b>7,194</b>
Claims paid		(6,500)	(1,559)	(1,403)	(4,851)	(4,558)
Reinsurance cover received		292	93	86	231	212
Change in the provisions for claims		(87)	(190)	(366)	(125)	(599)
Change in risk margin		30	(1)	(1)	29	20
Change in the reinsurers' share of the provisions for claims		(41)	(32)	32	(28)	134
<b>Claims incurred, net of reinsurance</b>	1	<b>(6,305)</b>	<b>(1,688)</b>	<b>(1,653)</b>	<b>(4,745)</b>	<b>(4,792)</b>
<b>Bonuses and rebates</b>		<b>(31)</b>	<b>(16)</b>	<b>(23)</b>	<b>(31)</b>	<b>(71)</b>
Acquisition costs		(1,015)	(224)	(224)	(747)	(762)
Administrative expenses		(550)	(133)	(145)	(408)	(415)
Reinsurance commission and share of profits		81	22	24	61	61
<b>Insurance operating expenses, net of reinsurance</b>		<b>(1,484)</b>	<b>(335)</b>	<b>(345)</b>	<b>(1,094)</b>	<b>(1,116)</b>
<b>TECHNICAL RESULT FROM NON-LIFE INSURANCE</b>		<b>1,354</b>	<b>258</b>	<b>370</b>	<b>974</b>	<b>1,216</b>
<b>LIFE INSURANCE</b>						
Gross premiums written	2	10,981	2,411	2,393	8,406	7,616
Ceded reinsurance premiums		(1)	(0)	(0)	(1)	(1)
<b>Premiums, net of reinsurance</b>		<b>10,980</b>	<b>2,411</b>	<b>2,393</b>	<b>8,405</b>	<b>7,615</b>
<b>Allocated investment return, net of reinsurance</b>		<b>5,291</b>	<b>2,356</b>	<b>482</b>	<b>(62)</b>	<b>6,893</b>
<b>Pension return tax</b>		<b>(617)</b>	<b>(81)</b>	<b>(71)</b>	<b>4</b>	<b>(997)</b>
Claims and benefits paid		(6,393)	(1,660)	(2,050)	(4,642)	(6,718)
Reinsurance cover received		6	1	0	5	3
<b>Claims and benefits paid, net of reinsurance</b>		<b>(6,387)</b>	<b>(1,660)</b>	<b>(2,050)</b>	<b>(4,637)</b>	<b>(6,716)</b>
Change in the life insurance provisions		(8,839)	(2,923)	(673)	(3,410)	(5,258)
Change in the reinsurers' share		(7)	(1)	(0)	(5)	(1)
<b>Change in the life insurance provisions, net of reinsurance</b>		<b>(8,847)</b>	<b>(2,923)</b>	<b>(673)</b>	<b>(3,415)</b>	<b>(5,260)</b>
<b>Change in profit margin</b>		<b>(38)</b>	<b>(5)</b>	<b>24</b>	<b>(0)</b>	<b>(1,225)</b>
Acquisition costs		(184)	(38)	(47)	(133)	(141)
Administrative expenses		(375)	(90)	(98)	(274)	(299)
<b>Insurance operating expenses, net of reinsurance</b>		<b>(559)</b>	<b>(128)</b>	<b>(145)</b>	<b>(407)</b>	<b>(440)</b>
<b>TECHNICAL RESULT FROM LIFE INSURANCE</b>		<b>(176)</b>	<b>(30)</b>	<b>(40)</b>	<b>(112)</b>	<b>(129)</b>

## Income statement • Group

(DKK m)	Full year 2020	Q3 2020	Q3 2021	Q1-Q3 2020	Q1-Q3 2021
<b>NON-TECHNICAL ACTIVITIES</b>					
Technical result from non-life insurance	1,354	258	370	974	1,216
Technical result from life insurance	(176)	(30)	(40)	(112)	(129)
Income from associates	92	4	101	13	384
Income from investment properties	191	56	53	145	155
Interest income and dividends etc.	1,909	394	599	1,370	1,878
Revaluations	3,981	2,261	(128)	(1,238)	5,024
Interest charges	(102)	(24)	(21)	(79)	(65)
Expenses on investment activities	(86)	(20)	(28)	(62)	(78)
<b>Total investment return</b>	<b>5,986</b>	<b>2,671</b>	<b>575</b>	<b>149</b>	<b>7,298</b>
Return and revaluations of non-life insurance provisions	(374)	(73)	62	(318)	492
Investment return transferred to life insurance business	(5,291)	(2,356)	(482)	62	(6,893)
Other income	14	3	(5)	9	8
Other expenses	(59)	(13)	(6)	(41)	(42)
<b>PRE-TAX PROFIT</b>	<b>1,453</b>	<b>460</b>	<b>474</b>	<b>722</b>	<b>1,950</b>
Taxation	(329)	(103)	(118)	(169)	(437)
<b>PROFIT FOR THE PERIOD</b>	<b>1,124</b>	<b>357</b>	<b>356</b>	<b>553</b>	<b>1,513</b>
EPS (DKK)	12.9	4.1	4.1	6.3	17.3
EPS, diluted (DKK)	12.9	4.1	4.0	6.3	17.2

## Statement of comprehensive income • Group

Profit for the period	1,124	357	356	553	1,513
Items which cannot subsequently be reclassified as profit or loss:					
Revaluation / Reversed revaluation owner-occupied properties	1	0	0	1	(2)
Taxation	(0)	0	0	(0)	0
Other comprehensive income	1	0	0	1	(1)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,125</b>	<b>357</b>	<b>356</b>	<b>554</b>	<b>1,512</b>

## Assets • Group

(DKKkm)	31 Dec 2020	30 Sep 2020	30 Sep 2021
<b>INTANGIBLE ASSETS</b>	1,486	1,452	1,592
Operating equipment	108	112	97
Owner-occupied properties	837	837	805
<b>TOTAL TANGIBLE ASSETS</b>	946	949	902
Investment properties	3,934	4,005	3,788
Equity investments in associates	1,741	1,662	2,123
Total investments in associates	1,741	1,662	2,123
Equity investments	4,751	4,445	4,769
Unit trusts	2	1	1
Bonds	41,776	43,573	38,898
Loans guaranteed by mortgages	6	6	5
Deposits with credit institutions	4,989	3,067	2,260
Derivatives	1,405	762	229
Total other financial investment assets	52,928	51,853	46,162
<b>TOTAL INVESTMENT ASSETS</b>	58,603	57,520	52,073
<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS</b>	44,997	39,658	57,684
Reinsurers' share of the provisions for unearned premiums	96	187	191
Reinsurers' share of the life insurance provisions	5	7	3
Reinsurers' share of the provisions for claims	440	452	570
Total reinsurers' share of provisions	541	646	764
Receivables from policyholders	283	318	328
Receivables from insurance companies	71	92	85
Receivables from associates	252	261	243
Other receivables	584	510	354
<b>TOTAL RECEIVABLES</b>	1,731	1,827	1,773
Deferred tax assets	33	32	64
Liquid funds	846	422	228
Other	20	61	67
<b>TOTAL OTHER ASSETS</b>	899	515	360
Accrued interest and rent	415	347	403
Other prepayments and accrued income	210	240	240
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	626	587	643
<b>TOTAL ASSETS</b>	109,288	102,508	115,028

## Shareholders' equity and liabilities • Group

(DKKkm)	Note	31 Dec 2020	30 Sep 2020	30 Sep 2021
Share capital		90	90	90
Revaluation reserve		1	1	0
Security fund		1,146	1,146	1,146
Other reserves		79	77	83
<b>Total reserves</b>		<b>1,225</b>	<b>1,223</b>	<b>1,229</b>
Profit carried forward		3,763	4,978	5,415
Proposed dividend		1,800	0	0
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>6,879</b>	<b>6,292</b>	<b>6,734</b>
<b>OTHER SUBORDINATED LOAN CAPITAL</b>		<b>1,749</b>	<b>1,749</b>	<b>899</b>
Provisions for unearned premiums		1,590	2,776	2,597
Profit margin, non-life insurance contracts		1,150	735	950
With-profit products		23,178	22,933	22,311
Unit-linked products		55,790	50,605	61,844
<b>Total life insurance provisions</b>		<b>78,968</b>	<b>73,538</b>	<b>84,156</b>
Profit margin, life insurance and investment contracts		367	329	1,592
Provisions for claims		13,364	13,351	13,814
Risk margin, non-life insurance contracts		226	226	190
Provisions for bonuses and rebates		130	127	147
<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>		<b>95,797</b>	<b>91,082</b>	<b>103,446</b>
Pensions and similar commitments		31	31	28
Deferred tax liabilities		83	83	93
Deferred tax on security funds		306	306	306
<b>TOTAL PROVISIONS</b>		<b>420</b>	<b>420</b>	<b>427</b>
<b>DEPOSITS RECEIVED FROM REINSURERS</b>		<b>33</b>	<b>38</b>	<b>21</b>
Debt relating to direct insurance operations		165	179	113
Debt relating to reinsurance operations		23	18	74
Amounts due to credit institutions		1,350	876	383
Current tax liabilities		60	122	404
Derivatives		983	702	597
Other debt		1,727	974	1,853
<b>TOTAL DEBT</b>		<b>4,308</b>	<b>2,870</b>	<b>3,423</b>
<b>ACCRUALS AND DEFERRED INCOME</b>		<b>103</b>	<b>58</b>	<b>78</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>109,288</b>	<b>102,508</b>	<b>115,028</b>
Financial assets and liabilities	3			
Contingent liabilities	4			
Related parties	5			
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Accounting policies	7			

## Cash flow statement • Group

(DKKm)	Full year 2020	Q1-Q3 2020	Q1-Q3 2021
<b>Cash flow from operations</b>			
Gross premiums	9,741	7,972	8,350
Claims	(6,488)	(4,844)	(4,534)
Expenses	(1,437)	(1,089)	(1,112)
Reinsurance ceded	(166)	(206)	(230)
Cash flow from non-life insurance	1,651	1,833	2,474
Gross premiums	10,984	8,305	7,475
Claims and benefits	(6,660)	(4,943)	(6,896)
Pension return tax	(823)	(822)	(735)
Expenses	(483)	(344)	(362)
Reinsurance ceded	(19)	(15)	(10)
Cash flow from life insurance	2,999	2,181	(528)
Cash flow from insurance activities	4,650	4,015	1,946
Payments on investment contracts	145	146	71
Interest income etc.	1,483	1,056	1,392
Dividends	526	416	593
Interest charges etc.	(184)	(130)	(141)
Corporation tax	(313)	(89)	(111)
Other items	(332)	(280)	190
<b>Cash flow from operations</b>	5,975	5,134	3,939
<b>Cash flow from investments</b>			
Intangible assets, operating equipment	(205)	(146)	(205)
Properties	(191)	(178)	(160)
Equity investments in affiliates	(81)	(81)	-
Equity investments in associates	(8)	(8)	(17)
Dividends from associates	27	27	20
Equity investments	400	135	800
Unit trusts	12	8	13
Bonds	1,587	(325)	1,969
Derivatives	(250)	(153)	768
Investment assets related to unit-linked products	(5,157)	(4,223)	(6,982)
Balances with associates	34	25	9
<b>Cash flow from investments</b>	(3,831)	(4,918)	(3,784)
<b>Cash flow from financing</b>			
Dividend paid	(741)	(741)	(1,752)
Exercise of share options	33	33	36
Redemption of subordinated loan capital	(500)	0	(850)
Issue of subordinated loan capital	500	0	0
Amounts due to credit institutions	1,195	721	(967)
<b>Cash flow from financing</b>	486	12	(3,533)
Change in cash and cash equivalents	2,631	229	(3,378)
Cash and cash equivalents at 1 January	3,294	3,294	5,835
Revaluation of cash and cash equivalents	(90)	(33)	31
Cash and cash equivalents end of period	5,835	3,490	2,488
Cash and cash equivalents comprise:			
Liquid funds	846	422	228
Deposits with credit institutions	4,989	3,067	2,260
	5,835	3,490	2,488

## Statement of changes in equity • Group

(DKK m)

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Total
<b>2020</b>							
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)
<b>Shareholders' equity at 31 December 2020</b>	<b>90</b>	<b>1</b>	<b>1,146</b>	<b>79</b>	<b>3,763</b>	<b>1,800</b>	<b>6,879</b>
<b>Q1-Q3 2020</b>							
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				5	548		553
Other comprehensive income		1					1
Total comprehensive income for the period		1		5	548		554
Dividend paid						(765)	(765)
Dividend, own shares					24		24
Share-based payments					52		52
Exercise of share options					33		33
Taxation					(4)		(4)
Other transactions					106	(765)	(659)
<b>Shareholders' equity at 30 September 2020</b>	<b>90</b>	<b>1</b>	<b>1,146</b>	<b>77</b>	<b>4,978</b>	<b>0</b>	<b>6,292</b>
<b>Q1-Q3 2021</b>							
Shareholders' equity at 31 December previous year	90	1	1,146	79	3,763	1,800	6,879
Profit for the period				4	1,509		1,513
Other comprehensive income		(1)					(1)
Total comprehensive income for the period		(1)		4	1,509		1,512
Dividend paid						(1,800)	(1,800)
Dividend, own shares					48		48
Share-based payments					55		55
Exercise of share options					36		36
Taxation					3		3
Other transactions					143	(1,800)	(1,657)
<b>Shareholders' equity at 30 September 2021</b>	<b>90</b>	<b>0</b>	<b>1,146</b>	<b>83</b>	<b>5,415</b>	<b>0</b>	<b>6,734</b>



## Segment information • Group

### Income statement

(DKKm)	Private	SME	Elimin- ated	Non-life	Life	Parent etc.	Elimin- ated	Group
<b>Q1-Q3 2020</b>								
<b>Non-life insurance</b>								
Gross premiums earned	3,876	3,385	(15)	7,245				7,245
Claims incurred	(2,831)	(2,139)	14	(4,957)			10	(4,947)
Expenses	(607)	(568)	1	(1,174)			19	(1,155)
Net reinsurance	(39)	(131)	0	(170)				(170)
Technical result from non-life insurance	398	547	(0)	945			29	974
<b>Life insurance</b>								
Gross premiums written					8,406			8,406
Allocated investment return					(62)			(62)
Pension return tax					4			4
Benefits and change in provisions					(8,052)			(8,052)
Expenses					(410)		3	(407)
Net reinsurance					(1)			(1)
Technical result from life insurance					(115)		3	(112)
Total investment return				46	(117)	57	163	149
Pension return tax non-life insurance				(18)	18			0
Return and revaluations of non-life insurance provisions				(318)				(318)
Transferred to technical result					62			62
Other items				(2)	197	(32)	(195)	(32)
<b>Pre-tax profit</b>				653	44	25	0	722
Taxation								(169)
<b>Profit</b>								553

### Q1-Q3 2021

<b>Non-life insurance</b>								
Gross premiums earned	3,959	3,630	(13)	7,575				7,575
Claims incurred	(2,768)	(2,390)	12	(5,146)			8	(5,137)
Expenses	(593)	(603)	2	(1,194)			17	(1,177)
Net reinsurance	(39)	(7)	0	(46)				(46)
Technical result from non-life insurance	560	631	0	1,190			25	1,216
<b>Life insurance</b>								
Gross premiums written					7,616			7,616
Allocated investment return					6,893			6,893
Pension return tax					(997)			(997)
Benefits and change in provisions					(13,201)			(13,201)
Expenses					(442)		3	(440)
Net reinsurance					1			1
Technical result from life insurance					(131)		3	(129)
Total investment return				(116)	7,142	20	251	7,298
Pension return tax non-life insurance				28	(28)			0
Return and revaluations of non-life insurance provisions				492				492
Transferred to technical result					(6,893)			(6,893)
Other items				2	282	(38)	(280)	(34)
<b>Pre-tax profit</b>				1,597	371	(18)	0	1,950
Taxation								(437)
<b>Profit</b>								1,513

## Notes to the financial statements • Group

(DKK m)	Full year 2020	Q1-Q3 2020	Q1-Q3 2021
<b>Note 1. Claims incurred, net of reinsurance - Non-life insurance</b>			
Run-off result:			
Gross business	201	116	161
Reinsurance ceded	(38)	(2)	(1)
Run-off result, net of reinsurance (profit)	164	114	160

### Note 2. Gross premiums written - Life insurance

Individual policies	266	165	186
Policies which are part of a tenure	2,860	2,130	2,152
Group life	268	216	210
<b>Regular premiums</b>	<b>3,394</b>	<b>2,512</b>	<b>2,548</b>
Individual policies	4,226	3,329	2,693
Policies which are part of a tenure	3,361	2,566	2,375
<b>Single premiums</b>	<b>7,587</b>	<b>5,894</b>	<b>5,068</b>
<b>Gross premiums</b>	<b>10,981</b>	<b>8,406</b>	<b>7,616</b>

### 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 assessed that, in general, the markets for structured credit products (CLOs) could be defined as active again in accordance with the definition in IFRS 13. Therefore, according to the applied accounting policies, these assets were transferred back from level 3 to level 2.

	31 Dec 2020	30 Sep 2020	30 Sep 2021
Financial assets recorded at fair value based on non-observable input (level 3):			
1 January	371	371	7,278
Purchases	583	254	664
Transferred from level 2	6,628	6,628	0
Transferred to level 2	0	0	(7,463)
Repayments	(327)	(285)	(522)
Revaluations	23	(87)	289
	<b>7,278</b>	<b>6,880</b>	<b>244</b>

The portfolio consists of construction financing of property projects (DKK 166m) and bonds (DKK 78m), 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 Dec 2020	30 Sep 2020	30 Sep 2021
<b>Note 4. Contingent liabilities</b>			
Contract liabilities	501	241	347
Adjustments to VAT liabilities	136	133	118
Other liabilities	1	2	1
Capital commitments made to loan funds and private equity funds etc.	356	387	450

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 Q1-Q3 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.

This announcement has not been audited nor subjected to review.

# **Financial statements for Q1-Q3 2021 - Parent company**

## Income statement • Parent company

(DKKm)	Full year 2020	Q3 2020	Q3 2021	Q1-Q3 2020	Q1-Q3 2021
Income from affiliates	1,168	368	371	584	1,555
Revaluations	0	0	0	0	(3)
Interest charges	(11)	(3)	(3)	(8)	(8)
<b>Total investment return</b>	<b>1,157</b>	<b>365</b>	<b>368</b>	<b>576</b>	<b>1,543</b>
Other expenses	(46)	(11)	(13)	(32)	(38)
<b>PRE-TAX PROFIT</b>	<b>1,112</b>	<b>354</b>	<b>355</b>	<b>544</b>	<b>1,505</b>
Taxation	12	3	1	9	8
<b>PROFIT FOR THE PERIOD</b>	<b>1,124</b>	<b>357</b>	<b>356</b>	<b>553</b>	<b>1,513</b>

## Statement of comprehensive income • Parent company

Profit for the period	1,124	357	356	553	1,513
Other comprehensive income from affiliates	1	0	0	1	(1)
Other comprehensive income	1	0	0	1	(1)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,125</b>	<b>357</b>	<b>356</b>	<b>554</b>	<b>1,512</b>

## Balance sheet • Parent company

(DKK m)	31 Dec 2020	30 Sep 2020	30 Sep 2021
<b>Assets</b>			
Operating equipment	3	3	3
<b>TOTAL TANGIBLE ASSETS</b>	<b>3</b>	<b>3</b>	<b>3</b>
Equity investments in affiliates	6,816	6,217	6,502
Total investment in affiliates	6,816	6,217	6,502
Equity investments	4	4	1
Total other financial investment assets	4	4	1
<b>TOTAL INVESTMENT ASSETS</b>	<b>6,820</b>	<b>6,221</b>	<b>6,503</b>
Receivables from affiliates	913	964	1,352
Other receivables	48	4	30
<b>TOTAL RECEIVABLES</b>	<b>961</b>	<b>969</b>	<b>1,382</b>
Liquid funds	1	1	1
<b>TOTAL OTHER ASSETS</b>	<b>2</b>	<b>1</b>	<b>1</b>
<b>TOTAL ASSETS</b>	<b>7,785</b>	<b>7,194</b>	<b>7,888</b>
<b>Shareholders' equity and liabilities</b>			
Share capital	90	90	90
Other reserves	3,067	2,468	2,774
Total reserves	3,067	2,468	2,774
Profit carried forward	2,228	4,040	4,176
Proposed dividend	1,800	0	0
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>7,185</b>	<b>6,598</b>	<b>7,040</b>
<b>OTHER SUBORDINATED LOAN CAPITAL</b>	<b>399</b>	<b>399</b>	<b>399</b>
Amounts due to affiliates	133	68	35
Current tax liabilities	60	121	404
Other debt	8	8	10
<b>TOTAL DEBT</b>	<b>201</b>	<b>197</b>	<b>449</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>7,785</b>	<b>7,194</b>	<b>7,888</b>

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# Statement by Management

The Board of Directors and the Executive Board have today considered and adopted the interim report for Q1-Q3 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 September 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 September 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 September 2021 until the presentation of the consolidated financial statements which could change the assessment of the interim report for Q1-Q3 2021.

Ballerup, 21 October 2021

## Executive Board:

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Peter Hermann  
(CEO)

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Lars Kufall Beck

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Brian Rothemejer Jacobsen

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Thomas Erichsen

## Board of Directors:

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Ricard Wennerklint  
(Chairman)

---

Jens Aaløse  
(Deputy Chairman)

---

Elise Bundgaard

---

Anne Louise Eberhard

---

Mette Jensen

---

Cristina Lage

---

Ole Lomholt Mortensen

---

Petri Niemisvirta

---

Morten Thorsrud