

Annual Results 2021

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Topdanmark 

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Management's review

Record-strong financial result and solid traction in our strategic agenda

A letter to our shareholders from the Chairman of the Board and the Group CEO

2021 was a very satisfactory year for Topdanmark. We delivered record-strong financial results with a reported net profit of DKK 2,138m or DKK 1,978m before run-off, significantly higher than our original expectation at the beginning of 2021 of DKK 1,000-1,100m before run-off. As a result, the Board of Directors has proposed a record-high total dividend payment of DKK 34.5 per share for 2021. The combined ratio came in at 85.7 before run-off, which outperformed our original expectation of 89-90 before run-off by a clear margin, helped by a good business momentum with a solid premium growth of 4.3% in non-life.

At Topdanmark, we firmly believe that long-term shareholder value is created through engaged and motivated employees, who ensure first-class customer experiences, which in turn create satisfaction and loyalty to the benefit of our shareholders. To that end, we are very pleased to report a historically high employee satisfaction of 80 compared to 78 in 2020. Likewise, we continue to see a stable, high transactional net promoter score (tNPS) in non-life, and an increasing tNPS as well as a top EPSI ranking in life.

A year ago, Topdanmark launched "Sundhedshjælp" (Digital Healthcare) - a free service for customers having two or more products with us. The service gives more than half a million Danes online access to medical consultations every day of the week

from morning till night. The results speak for themselves. 97% of those using the app are more than satisfied, and the loyalty to Topdanmark has been strengthened. At the same time, as a company, we have contributed to solving the well-known social problem that fewer men than women consult their GP. Through Sundhedshjælp, the number of men consulting a GP is the same as the number of women. During 2022, our ambition is to double the number of users who have downloaded the app and registered to use it.

We have rolled out an offer of free health screenings of employees to approx. 55,000 agricultural and commercial life and non-life customers, and the results are good. It is a valued service which has differentiated Topdanmark positively in a competitive market, and data shows that this service has the desired effect in terms of preventing serious illness for the benefit of the individual, the businesses, society, and us as a company.

In 2021, Formåls pension (Purpose pension) reached a portfolio amount of DKK 3.6bn. Demand is so high that Formåls pension has become the standard recommendation to our new customers. This year, half of the new customers have chosen the purpose "Green transformation", and exactly this investment profile has yielded some of the absolute best returns in the industry throughout the year.

The past year, we have made good progress in our strategic agenda by preparing our new core IT system, Guidewire, and launching the first customer segment on the platform (private agriculture clients). The first results are very promising, and we plan to roll out the new platform to the entire agriculture segment and to start the transition for the private segment during 2022. Using state-of-the-art IT systems, we aim to increase our agility and innovative power to deliver new and improved products and services faster.

We have also seen solid traction in our efficiency programme, which aims to improve our profitability by leveraging automation and digitalisation across the value chain, a best-in-class procurement setup, and stringent focus on risk and pricing. In 2021, we have delivered gross savings of DKK 150m and are thus well

on track to deliver DKK 500m of gross savings by 2025 as targeted.

As a final remark, the Board of Directors and the Group Executive Management would like to thank all employees for their remarkable efforts and the strong results obtained throughout the year. Considering the continued uncertainty brought by the COVID-19 pandemic, we are very proud to see the hard work and dedication put into helping our customers navigate through these challenging times.



Ricard Wennerklint
Chairman of the Board



Peter Hermann
Group CEO

Highlights

2021

- Post-tax profit of DKK 2,138m (2020: DKK 1,124m)
- EPS was DKK 24.3 (2020: DKK 12.9)
- Combined ratio: 83.7 (2020: 86.5)
- Combined ratio excluding run-off: 85.7 (2020: 88.2)
- Premiums increased by 4.3% in non-life insurance and decreased by 5.7% in life insurance.
- Profit on life insurance was DKK 503m (2020: DKK 117m).
- After return on non-life insurance provisions, the investment return was DKK 604m (2020: DKK 89m).

Q4 2021

- Post-tax profit of DKK 625m (Q4 2020: DKK 571m)
- EPS was DKK 7.1 (Q4 2020: DKK 6.5)
- Combined ratio: 81.8 (Q4 2020: 85.1)
- Combined ratio excluding run-off profits: 83.6 (Q4 2020: 87.1)
- Premiums increased by 3.7% in non-life insurance and increased by 6.6% in life insurance.
- Profit on life insurance was DKK 132m (Q4 2020: DKK 74m).
- After return on non-life insurance provisions, the investment return was DKK 209m (Q4 2020: DKK 303m).

Dividend distribution for 2021

- The Board of Directors will recommend to the AGM that distribution of a total dividend of DKK 3,105m takes place, representing DKK 34.5 per share, a pay-out ratio of 145.2 and a dividend yield of 9.4. The total dividend is made up of an ordinary dividend of DKK 2,115m from this year's profit of DKK 2,138m, representing DKK 23.5 per share and a pay-out ratio of 98.9, as well as an extra dividend of DKK 990m, representing DKK 11.0 per share.
- Subject to the approval from the AGM, the distribution of dividend will take place immediately after the AGM on 24 March 2022.

Profit forecast model for 2022

- Compared with the profit forecast model for 2022 in the Q1-Q3 Report, the assumed combined ratio for 2022 is lowered to 85.5-88 excluding run-off.
- The expected premium growth in non-life is unchanged at 4-5.5%.
- The post-tax profit forecast model for 2022 amounts to DKK 1,200-1,450m, excluding run-off.

Efficiency programme

- In 2021, Topdanmark has made solid progress in its efforts to become more efficient.
- As expected, Topdanmark has realised net efficiency gains of DKK 70m, corresponding to gross efficiency gains of DKK 150m and investments of DKK 80m.
- In 2022, the gross efficiency gains from the programme are expected to amount to DKK 260m.
- The efficiency programme is still expected to deliver gross efficiency gains of DKK 500m in 2025.

Annual General Meeting

The Annual General Meeting will be held on 24 March 2022 at 15:00 (CET) as a fully virtual AGM.

Conference call

A conference call will be held today at 16:00 (CET) where Peter Hermann, CEO, and Lars Kufall Beck, CFO will be available for questions based on the annual results and the webcast. The call will be conducted in English.

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

DK dial-in-number: +45 78 72 32 52

SE dial-in-number: +46 8 505 583 55

UK dial-in-number: +44 333 300 9031

US dial-in-number: +1 646 722 4902

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



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Financial highlights

(DKKm)	2017	2018	2019	2020	2021	Q4 2020	Q4 2021
Premiums earned:							
Non-life insurance	8,985	9,135	9,397	9,732	10,154	2,487	2,579
Life insurance	8,525	10,111	11,106	10,981	10,360	2,575	2,744
	17,510	19,247	20,502	20,713	20,514	5,062	5,323
Results:							
Non-life insurance	1,909	1,420	1,601	1,302	2,274	648	677
Life insurance	249	228	327	117	503	74	132
Parent company etc.	77	54	60	34	(35)	9	(17)
Pre-tax profit	2,235	1,702	1,987	1,453	2,742	731	792
Tax	(502)	(371)	(441)	(329)	(604)	(159)	(167)
Profit	1,733	1,331	1,547	1,124	2,138	571	625
Run-off profits, net of reinsurance	344	353	433	164	205	50	45
Shareholders' equity of parent company at 1 January	5,009	6,497	6,322	6,703	7,185	6,598	7,040
Profit	1,733	1,331	1,547	1,124	2,138	571	625
Dividend paid	0	(1,710)	(1,350)	(765)	(1,800)	0	0
Dividend own shares	0	73	50	24	48	0	0
Share buy-back	(410)	0	0	0	0	0	0
Share-based payments	166	131	148	98	133	16	39
Other movements in shareholders' equity	0	1	(14)	1	0	0	2
Shareholders' equity of parent company end of period	6,497	6,322	6,703	7,185	7,705	7,185	7,705
Deferred tax on security funds	(306)	(306)	(306)	(306)	(306)	(306)	(306)
Shareholders' equity of Group end of period	6,191	6,016	6,397	6,879	7,399	6,879	7,399
Total assets, parent company	7,114	6,873	7,274	7,785	8,233		
Total assets, Group	80,958	83,224	98,442	109,288	120,368		
Provisions for insurance and investment contracts:							
Non-life insurance	16,091	16,056	16,175	16,462	17,102		
Life insurance	54,198	56,519	70,603	79,335	89,593		
Financial ratios (parent company)							
Post-tax profit as a percentage of shareholders' equity	30.5	21.8	24.8	16.6	30.5	8.3	8.5
Post-tax EPS (DKK)	20.2	15.4	17.8	12.9	24.4	6.5	7.1
Post-tax EPS, diluted (DKK)	20.2	15.4	17.7	12.9	24.3	6.5	7.1
Share buy-back per share, diluted (DKK)	4.8						
Dividend per share issued, proposed (DKK)	19.0	15.0	17.0	20.0	34.5		
Net asset value per share, diluted (DKK)	75.6	72.9	76.7	82.0	87.4		
Listed share price end of period	268.1	303.0	328.4	264.2	367.0		
Number of shares end of period ('000)	85,876	86,432	87,067	87,491	87,978		
Average number of shares ('000)	85,700	86,242	86,824	87,266	87,703	87,453	87,933
Average number of shares, diluted ('000)	85,873	86,637	87,229	87,475	87,948	87,634	88,212
Ratios non-life insurance							
Gross claims ratio	61.5	66.2	65.1	67.5	67.1	64.8	64.6
Net reinsurance ratio	4.3	1.2	2.5	2.6	0.9	3.5	1.7
Claims ratio, net of reinsurance	65.8	67.5	67.6	70.1	68.0	68.3	66.3
Gross expense ratio	16.1	16.1	16.0	16.3	15.7	16.7	15.5
Combined ratio	82.0	83.6	83.7	86.5	83.7	85.1	81.8
Combined ratio excl. run-off profits	85.8	87.5	88.3	88.2	85.7	87.1	83.6

From this announcement and going forward, "Gross loss ratio" will be named "Gross claims ratio", and "Claims trend" will be named "Claims ratio, net of reinsurance" with no changes to the calculation of the ratios.

In the announcement, "Claims ratio" refers to "Claims ratio, net of reinsurance."

Results for 2021

Results and profit forecast model (DKKm)	Results		Results		Forecast 2021	
	Q4 2020	Q4 2021	2020	2021	as in Q1-Q3 2021 interim report	
Non-life insurance						
- Technical result	371	469	1,316	1,659	1,470	- 1,500
- Investment return after return and revaluations of non-life insurance provisions etc.	277	209	(15)	615	400	- 420
Profit on non-life insurance	648	677	1,302	2,274	1,870	- 1,920
Life insurance	74	132	117	503	400	- 425
Parent company etc.	9	(17)	34	(35)	(30)	- (25)
Pre-tax profit	731	792	1,453	2,742	2,240	- 2,320
Taxation	(159)	(167)	(329)	(604)	(490)	- (520)
Profit for the year	571	625	1,124	2,138	1,750	- 1,800

Topdanmark's post-tax profit for 2021 was DKK 2,138m (2020: DKK 1,124m).

The technical result increased by DKK 343m to DKK 1,659m. The improvement was driven mainly by improving trends in house insurance and the absence of major weather-related events throughout the year apart from the heavy rainfall during Q3 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 630m to DKK 615m. The improvement should be seen in the light of the challenging market conditions especially in Q1 2020, whereas the investment return throughout 2021 was impacted by more favourable market conditions, especially for equity investments and CLOs.

The profit on life insurance increased by DKK 386m to DKK 503m affected by a higher investment return and a positive development in the sales and administration result. Since Q3 2021, Topdanmark Kapitalforvaltning (Topdanmark Asset Management) has been included in the life result.

As also stated in the company announcement no. 02/2022 dated 14 January 2022, the profit of DKK 2,138m is better than assumed in the latest model profit forecast in the Q1-Q3 Report, showing a post-tax profit of DKK 1,750-1,800m. The profit improvement is due mainly to a higher investment return, a higher life insurance result, run-off profits and the absence of large weather-related events in Q4 2021, as well as an improving underlying claims ratio mainly within house insurance.

Results for Q4 2021

The profit for Q4 2021 was DKK 625m (Q4 2020: DKK 571m).

The technical result increased by DKK 98m to DKK 469m mainly due to the benign weather conditions in Q4 2021 and that the improving underlying claims ratio in relation to house insurance continued.

After return on non-life insurance provisions, the investment return in non-life insurance decreased by DKK 68m to DKK 209m. Q4 2020 was driven by solid gains on listed equities. The investment return in Q4 2021 was mainly driven by gains on listed equities and properties.

The profit on life insurance increased by DKK 58m to DKK 132m primarily due to an improved investment return on shareholders' equity as well as an improved result for sales and administration.

Non-life insurance in 2021

Financial highlights – Non-life insurance (DKK m)	Q4	Q4		
	2020	2021	2020	2021
Gross premiums earned	2,487	2,579	9,732	10,154
Claims incurred	(1,612)	(1,666)	(6,568)	(6,812)
Expenses	(416)	(400)	(1,591)	(1,594)
Net reinsurance	(87)	(44)	(257)	(90)
Technical result	371	469	1,316	1,659
Investment return after return and revaluations of non-life insurance provisions	277	210	(12)	615
Other items	0	(2)	(2)	0
Profit on non-life insurance	648	677	1,302	2,274
Run-off profits, net of reinsurance	50	45	164	205
Gross claims ratio	64.8	64.6	67.5	67.1
Net reinsurance ratio	3.5	1.7	2.6	0.9
Claims ratio, net of reinsurance	68.3	66.3	70.1	68.0
Gross expense ratio	16.7	15.5	16.3	15.7
Combined ratio	85.1	81.8	86.5	83.7
Combined ratio excl. run-off profits	87.1	83.6	88.2	85.7

Premiums earned

Premiums earned increased by 4.3% to DKK 10,154m. The private segment accounted for a 2.2% increase, and the SME segment accounted for a 6.7% increase.

The growth was impacted by a change in provisions for unexpired risk in house insurance caused by the strengthening of provisions in Q3 2020 and the subsequent partial release in Q3 2021. By contrast, provisions related to illness and accident insurance were released in Q4 2020 but increased again in Q3 2021. In total, this resulted in an approx. 0.1pp uplift to the reported Group premium growth in 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 2021. We expect the trend to continue in 2022.

Claims ratio

Claims ratio, net of reinsurance	Q4	Q4		
	2020	2021	2020	2021
Claims ratio, net of reinsurance	68.3	66.3	70.1	68.0
Run-off excl. COVID-19	1.9	1.8	1.9	2.0
Weather-related claims	(1.1)	(1.2)	(2.4)	(1.8)
Large-scale claims	(0.6)	(0.7)	(0.9)	(1.2)
Other	0.1	(0.3)	0.3	0.1
Claims before run-off, weather, large-scale claims and other	68.6	65.9	69.0	67.1
Discounting	0.1	0.9	0.4	0.6
COVID-19	2.5		1.2	
Underlying (undiscounted) claims ratio, net of reinsurance	71.2	66.8	70.7	67.7

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 ratio, net of reinsurance, improved to 68.0 in 2021 from 70.1 in 2020.

The run-off profit, net of reinsurance, was DKK 205m (2020: DKK 186m excluding COVID-19), representing a

0.1pp positive effect on the claims ratio. Run-off profits were primarily generated in house, in property and in workers' compensation, 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 so far we have raised prices by 9% on average for around 130,000 customers. In addition, we see good results of our procurement efforts within building materials and claims handling. As a result, the claims ratio in house insurance improved by approx. 13pp.

We have changed the definition for weather-related claims to include all weather-related events regardless of size. Previously, only weather-related events resulting in more than DKK 4.5m in claims over a 72-hour period were included. With the new definition, the normalised annual level of weather-related claims is DKK 285m, split between DKK 85m in Q1, DKK 45m in Q2, DKK 85m in Q3 and DKK 70m in Q4. As a result, the line "rain/frost" has been removed from the claims ratio table. This line included above-normal claims relating to heavy rainfall and severe frost, while the new definition of weather-related claims includes all rain- and frost-related claims.

Using the new definition, weather-related claims amounted to DKK 182m in 2021 (2020: DKK 238m), representing a 0.6pp improvement of the claims ratio. This was a result of the absence of major weather-related events throughout the year apart from the heavy rainfall during Q3 2021. In addition, the very low temperatures in Q1 2021 caused many water pipes to freeze and burst.

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) increased by DKK 34m to DKK 120m in 2021, representing a 0.3pp deterioration in the claims ratio. This was primarily driven by a few large fire-related events.

The claims ratio 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 ratio of 0.2pp compared with 2020.

Inflation within construction materials has been significant during 2021, most notably regarding 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 ratio adjusted for run-off, weather-related claims, large-scale claims and other positions, including change of risk margin, improved by 1.9pp to 67.1.

The underlying claims ratio, which is adjusted for discounting and COVID-19 impact, improved by 3.0pp to 67.7. As mentioned in the H1 Report, from Q3 2021 we have stopped reporting on the estimated impact of COVID-19 due to the high uncertainty related to the assessment. However, certain lines, such as travel insurance, are still impacted by the COVID-19 situation.

Expense ratio

The expense ratio was 15.7, down from 16.3 in 2020. The decrease in the expense ratio is driven by our efficiency programme.

Combined ratio

The combined ratio was 83.7 (2020: 86.5). Excluding run-off, the combined ratio was 85.7 (2020: 88.2).

The combined ratio of Topdanmark Forsikring (excluding illness and accident insurance underwritten by the life company) was 80.1, including cost synergies from having life and non-life in the group.

Non-life insurance in Q4 2021

Premiums earned in Q4 2021 increased by 3.7% to DKK 2,579m. The growth in premiums was 2.5% and 5.3% in the private segment and the SME segment, respectively.

Premium growth in Q4 2021 was negatively affected by 0.6pp as a result of the release of provisions for unexpired risk within illness and accident insurance in Q4 2020.

The claims ratio was 66.3, down from 68.3 in Q4 2020.

The run-off profit, net of reinsurance, was DKK 45m, almost unchanged from the level in Q4 2020 (DKK 48m excluding COVID-19). Run-off was largely in line with preceding quarters following positive trends in house insurance throughout 2021. In addition, run-off profits were generated in workers' compensation.

Using the above new definition, weather-related claims amounted to DKK 31m in Q4 2021, largely in line with the level in Q4 2020 (DKK 27m). The level of weather-related claims was DKK 39m below the assumed normal level of DKK 70m according to the new definition.

Large-scale claims amounted to DKK 18m, almost unchanged from the level in Q4 2020 (DKK 16m).

The claims ratio 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 ratio of 0.8pp compared with Q4 2020.

The claims ratio adjusted for run-off, weather-related claims, large-scale claims and other positions, including change of risk margin improved by 2.7pp to 65.9 in Q4 2021.

The underlying claims ratio, which is adjusted for discounting and the impact of COVID-19, improved by 4.4pp to 66.8. The improvement is driven by the private segment. Note that we have stopped reporting on the estimated impact of COVID-19 as of Q3 2021.

The expense ratio was 15.5 (Q4 2020: 16.7), contributing positively to the improvement in combined ratio.

The combined ratio was 81.8 (Q4 2020: 85.1). Excluding run-off, the combined ratio was 83.6 (Q4 2020: 87.1).

Segment reporting

Private

Private (DKKm)	Q4		Q4	
	2020	2021	2020	2021
Gross premiums earned	1,304	1,337	5,179	5,296
Claims incurred	(956)	(888)	(3,787)	(3,656)
Expenses	(217)	(186)	(824)	(779)
Net reinsurance	(2)	(12)	(41)	(51)
Technical result	129	250	527	810
Run-off profits, net of reinsurance	24	20	116	73
Gross claims ratio	73.3	66.4	73.1	69.0
Net reinsurance ratio	0.2	0.9	0.8	1.0
Claims ratio, net of reinsurance	73.5	67.4	73.9	70.0
Gross expense ratio	16.7	13.9	15.9	14.7
Combined ratio	90.1	81.3	89.8	84.7
Combined ratio excl. run-off profits	92.0	82.8	92.1	86.1

The private segment offers policies to individual households in Denmark. This segment also includes illness and accident insurance offered through the life company.

Premiums earned increased by 2.2% to DKK 5,296m.

Adjusted for changes in provisions for unexpired risk in house as well as in illness and accident in the life company, the underlying premiums increased by 2.0% in 2021 and by 3.7% in Q4 2021.

The technical result was DKK 810m in 2021, representing an increase of DKK 283m compared with 2020.

The claims ratio improved by 3.9pp to 70.0.

Activities for improvement of profitability within house insurance were initiated and had a positive impact on the claims ratio. Partly offsetting this positive development, the illness and accident insurance, underwritten by the life company, experienced a worsening in 2021, as a result of the rising inflation.

The level of weather-related claims was below the level of 2020, even with extraordinary rain claims and many frozen and burst water pipes earlier this year.

Run-off of DKK 73m was DKK 43m lower than in 2020. The lower run-off result is due to a negative development in illness and accident insurance underwritten by the life company driven by rising inflation. Excluding illness and accident, run-off improved by DKK 176m related mainly to the turnaround within house insurance.

The expense ratio improved to 14.7 from 15.9 in 2020 further contributing positively to the improvement in combined ratio.

The combined ratio was 84.7 in 2021 (2020: 89.8). Excluding run-off, the combined ratio was 86.1 (2020: 92.1).

Excluding illness and accident insurance underwritten by the life company, the combined ratio was 77.6, including cost synergies from having life and non-life in the group.

SME

SME (DKKm)	Q4		Q4	
	2020	2021	2020	2021
Gross premiums earned	1,186	1,248	4,571	4,878
Claims incurred	(659)	(783)	(2,799)	(3,173)
Expenses	(199)	(214)	(767)	(817)
Net reinsurance	(85)	(32)	(216)	(39)
Technical result	242	220	789	850
Run-off profits, net of reinsurance	25	26	47	132
Gross claims ratio	55.6	62.7	61.2	65.0
Net reinsurance ratio	7.2	2.5	4.7	0.8
Claims ratio, net of reinsurance	62.8	65.3	66.0	65.8
Gross expense ratio	16.8	17.2	16.8	16.7
Combined ratio	79.6	82.4	82.7	82.6
Combined ratio excl. run-off profits	81.7	84.5	83.8	85.3

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

Premiums earned increased by 6.7% to DKK 4,878m, and by 5.3% in Q4 2021.

The technical result increased by DKK 61m to DKK 850m in 2021. Run-off increased to DKK 132m in 2021 (2020: DKK 47m). Run-off profits in 2021 were driven mainly by workers' compensation and property.

The claims ratio improved by 0.2pp to 65.8, due to the higher run-off level. By contrast, there were more large fire claims, and even though workers' compensation was positively affected by increasing interest rates it was counteracted by rising wages. The claims ratio in agriculture was normalised compared with 2020 when it was at a low level.

The expense ratio was 16.7 in 2021 which is 0.1pp below 2020.

The combined ratio improved to 82.6 in 2021 (2020: 82.7).

Excluding run-off, the combined ratio was 85.3 in 2021 (2020: 83.8) with the negative development being driven by large and exceptional fire claims.

Life insurance 2021

Result of life insurance (DKK m)	Q4	Q4	2020	2021
	2020	2021		
Investment return on shareholders' equity	59	76	19	318
Sales and administration	(12)	7	(43)	26
Insurance risk	(10)	7	(10)	4
Risk return on shareholders' equity	37	42	152	155
Profit on life insurance	74	132	117	503

The result from life insurance was a profit of DKK 503m (2020: DKK 117m).

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](#).

Developments in 2021

The positive development primarily derives from investment return on shareholders' equity, and sales and administration result. Since Q3 2021, Topdanmark Kapitalforvaltning (Topdanmark Asset Management) has been included in the life result whose result also contributes positively in 2021.

The investment return on shareholders' equity was DKK 318m (2020: DKK 19m) affected by a return higher than assumed, primarily due to property revaluation.

The result of sales and administration increased by DKK 69m to DKK 26m (2020: DKK 43m (loss)), primarily as higher assets under management gave increased fees/commissions from Topdanmark Asset Management.

The insurance risk result increased by DKK 14m to DKK 4m. The insurance risk result is quite volatile.

Trend in premiums

Gross premiums decreased by 5.7% to DKK 10,360m in 2021, of which premiums on unit-linked pension schemes were DKK 9,691m, representing a 5.1% decrease compared with 2020.

Regular premiums increased by 1.7% to DKK 3,450m in 2021. Single premiums decreased by 8.9% to DKK 6,910m in 2021.

Life insurance in Q4 2021

The result in Q4 2021 increased from DKK 74m to DKK 132m, primarily due to an improved investment return on shareholders' equity, as well as improved result for sales and administration.

The insurance risk result has increased by DKK 17m to DKK 7m. The insurance risk result is quite volatile.

Gross premiums increased by 6.6% to DKK 2,744m in Q4 2021 of which premiums on unit-linked pension schemes were DKK 2,573m, a 7.2% increase compared with Q4 2020.

Regular premiums increased by 2.2% to DKK 902m in Q4 2021 whereas single premiums increased by 8.8% to DKK 1,843m.

Investment activities

Topdanmark Group excl. life insurance

Investment return	Portfolio 31 Dec											
	2020		2021		Return Q4 2020		Return Q4 2021		Return 2020		Return 2021	
	(DKKbn)		(DKKbn)		%		%		(DKKbn)		(DKKbn)	
Danish equities	0.2	0.2	47	17.8	14	7.1	78	30.6	42	22.7		
Foreign equities	0.9	0.8	100	13.2	63	7.9	81	10.4	180	24.0		
Unlisted equities and hedge funds	0.4	0.4	46	14.6	4	1.0	26	7.8	36	10.5		
Government and mortgage bonds	15.6	14.6	71	0.4	53	0.3	191	1.1	(436)	(2.6)		
Index linked bonds	0.3	0.6	3	0.9	5	1.3	10	3.3	(9)	(2.0)		
CLOs	0.6	0.7	59	11.5	21	3.0	(10)	(1.7)	163	28.7		
Properties	1.2	1.2	22	1.7	36	2.9	62	5.0	110	9.4		
Expenses, money markets etc.	2.9	5.0	(6)	(0.3)	7	0.2	(22)	(1.2)	18	0.7		
Subordinated loan capital	(1.7)	(1.9)	(11)	(0.6)	(5)	(0.4)	(46)	(2.6)	(34)	(2.1)		
	20.2	21.6	331	1.6	198	1.0	370	1.8	70	0.3		
Asset management (2021: 6 months)			29		-		94		31			
Investment return			359		198		464		100			
Return and revaluations of non-life insurance provisions			(56)		11		(374)		503			
Investment return after return on non-life insurance provisions			303		209		89		604			

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 DKK 100m in 2021 (2020: DKK 464m). Return and revaluation of non-life insurance provisions were DKK 503m in 2021 (2020: loss of DKK 374m).

The return on investments after return and revaluation of non-life insurance provisions in 2021 was DKK 604m and thus DKK 499m 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, which seems to be contained by vaccines. Pandemic lockdowns have been replaced by widespread economic expansion. This has been favourable for equities and has led to improved market conditions and spread contractions on credit exposures.

In Q4 2021, the Danish mortgage bond market which is dominated by AAA bonds gained from spread tightening to DKK swaps. The gains on assets hedging the provisions were supplemented by profits from revaluations of provisions in Q4 2021 - the gains were supported by spread contraction between EUR and DKK swap yield curves. In 2021, gains on return and revaluation of provisions dominates the losses from assets hedging the interest sensitivity - by a comfortable margin.

Topdanmark's policy is to accept a certain level of financial risk, given its strong liquidity and stable, high

earnings from insurance operations.

The equity exposure was DKK 847m 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 at year end 2021, and the foreign portfolios are based on MSCI World DC in local currency for foreign equities.

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 property portfolio mainly comprises owner-occupied property (DKK 810m). 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 in addition to money market deposits and currency positions, other returns and expenses not included in specified classes.

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 47bp at the end of 2021.

Solvency calculation and capital requirements

Solvency cover (DKKm)	2017	2018	2019	2020	2021
Shareholders' equity	6,191	6,016	6,397	6,879	7,399
Proposed dividend	(1,710)	(1,350)	(1,530)	(1,800)	(3,105)
Deferred tax on security funds	306	306	306	306	306
Profit margin	925	1,005	1,138	1,442	2,761
Intangible assets	(922)	(1,091)	(1,291)	(1,529)	(1,641)
Other	(93)	(69)	(64)	(169)	(189)
Tax effects	(77)	(63)	(49)	(41)	(302)
Subordinated loan tier 1	400	400	400	400	400
Subordinated loans tier 2, usable share	1,349	1,355	1,353	1,350	1,500
Own funds	6,370	6,509	6,660	6,839	7,129
Solvency requirement	3,116	3,322	3,773	4,016	3,495
Solvency cover (%)	204	196	177	170	204

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 partially internal model developed in-house to calculate the non-life risk.

This model, approved by the Danish FSA, provides the basis for including non-life risks in our solvency calculations while we use the standard model for life products.

As mentioned in the Q1-Q3 Report, Topdanmark Forsikring A/S has redeemed subordinated notes of DKK 850m as at 11 September 2021. As part of our ongoing capital optimisation efforts, the subordinated notes were replaced by a new subordinated loan of DKK 1,000m with provisions in accordance with the requirements of Solvency II as at 16 December 2021. The issue was a private placement subscribed by If Forsikring.

The solvency cover for the Group decreased to 204% end Q4 2021 from 243% end Q3 2021 due to the above as well as the deduction of the proposed dividend payment for 2021. Excluding the proposed dividend payment for 2021 of DKK 3,105m, the solvency cover was 293%.

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 us to redeem the loan as at 23 November 2022.

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

- DKK 500m, first call date in 2025, maturity in 2030.
- DKK 1,000m, first call date in 2026, maturity in 2031.

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), financial costs and other expenses.

The profit of the parent company decreased by DKK 69m to DKK 35m (loss) in 2021.

Taxation

The tax charge was DKK 604m of the pre-tax profit of DKK 2,742m, corresponding to an effective tax rate of 22.0% (2020: 22.6%).

Efficiency programme

The main focus areas of the efficiency programme are:

- Automation, digitalisation and fraud
- Risk and pricing
- Procurement and cost efficiency

We made substantial headway with the programme during 2021, and our efforts to become more efficient are progressing according to plan.

Within automation, digitalisation and fraud, we delivered solid progress. Our fraud detection capabilities increased substantially, for instance by way of leveraging machine learning to pinpoint actionable leads. As a result, nominal value of withheld claims increased 46% compared with 2020. Optimisation and automation of claims processes resulted in a 36% increase in automated claims handling compared with 2020.

Within risk and pricing, we improved our products to the benefit of our customers e.g. within content and motor insurance, allowing us to make small price adjustments. Furthermore, we made risk-based price increases on house insurance by 9% on average for approx. 130,000 customers. Likewise, we have increased prices on income protection insurance and illness and accident insurance underwritten by the life company.

Within procurement and cost efficiency, our progress was strong. We have established a professional and fully digital procurement department, and during 2021 we launched more than 50 different sourcing projects within claims, IT and indirect spend, of which more than 60% is already finalised. Further, costs were reduced through focused efforts to reduce consultancy spend as well as organisational adjustments. Cost efficiencies mainly stem from IT, staff, and back-office functions.

As a result of the above, we delivered the expected DKK 70m net efficiency gains in 2021, corresponding to gross efficiency gains of DKK 150m and investments of DKK 80m.

In 2022, we will continue our efforts to become more efficient, and gross efficiency gains are expected to reach DKK 260m.

We continue to expect the efficiency programme to deliver gross efficiency gains of DKK 500m in 2025.

New IT systems

The process of implementing the new IT system in non-life made significant progress during 2021, and we saw strong results from the first milestones of phase 1 of the implementation plan. As a result, the implementation plan was accelerated, and implementation is progressing accordingly.

In 2021, the first segment was launched on the new platform (private agricultural customers), and during 2022 we expect new sales for the entire agriculture segment to be launched on the new platform. In addition, we will also launch a pilot for the private segment during 2022.

As a result of the accelerated implementation plan, depreciation on the non-life core system will peak already in 2023/2024 (previously: 2026) at the originally guided level of approx. DKK 230m p.a.

Profit forecast model for 2022

Profit forecast 2022 (DKKm)	Results		Forecast 2022	
	2021		30 December 2021	
Non-life insurance				
- Technical result	1,659		1,300	- 1,550
- Investment return after return and revaluations of non-life insurance provisions etc.	615		50	- 75
Profit on non-life insurance	2,274		1,350	- 1,625
Life insurance	503		250	- 300
Parent company etc.	(35)		(65)	- (55)
Pre-tax profit	2,742		1,535	- 1,870
Taxation	(604)		(335)	- (420)
Profit for the year	2,138		1,200	- 1,450

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

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

Non-life insurance

In the Q1-Q3 Report, we assumed premium growth of 4-5.5% and a combined ratio of 86-89 for 2022. The underlying assumptions can be found in the Q1-Q3 Report. Since this report, the following major change to assumptions have occurred:

- The underlying claims ratio improved, most notably within house insurance.

As a result, the assumed premium growth is unchanged at 4-5.5%, and the assumed combined ratio is lowered to 85.5-88. This includes an expense ratio at around the same level as in 2021.

The overall assumed pre-tax result for non-life insurance is DKK 1,350-1,625m excluding run-off.

Life insurance

Topdanmark assumes an increase in regular premiums of 0-5% in 2022. Assumptions about the level of single premiums are not disclosed.

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

- Full recognition as income of risk return for shareholders' equity from all interest rate groups.

The assumed pre-tax profit for the life division is DKK 250-300m.

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

Parent company

The profit forecast model for the parent company plus subsidiaries outside of the insurance group assumes a pre-tax profit of DKK 55-65m (loss).

Taxation

Given a corporation tax rate of 22%, the tax charge is expected to be DKK 335-420m.

Total Group profit

Topdanmark's overall post-tax profit according to the profit forecast model for 2022 is DKK 1,200-1,450m, representing an EPS of DKK 13.6-16.5. The assumed profit is exclusive of run-off.

The profit forecast model assumes an annual 7.0% return on equities, and unchanged foreign exchange rates from the level as at 30 December 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 0.72% (risk-free interest rate plus 1.0pp).

Distribution of dividend for 2021

Given Topdanmark's solid own funds, the Board of Directors will recommend to the AGM that distribution of a total dividend of DKK 3,105m takes place, representing DKK 34.5 per share, a pay-out ratio of 145.2 and a dividend yield of 9.4. The total dividend is made up of an ordinary dividend of DKK 2,115m from this year's profit of DKK 2,138m, representing DKK 23.5 per share and a pay-out ratio of 98.9, as well as an extra dividend of DKK 990m, representing DKK 11.0 per share.

Subject to the approval from the AGM, the distribution of dividend will take place immediately after the AGM on 24 March 2022.

Annual General Meeting

The Annual General Meeting will be held on 24 March 2022 at 15:00 (CET) as a fully virtual AGM.

The agenda for the Annual General Meeting will be published in the period from 16 February to 2 March 2022.

Financial calendar

Deadline for submitting items for the 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

Disclaimer

This interim report includes statements relating to the future. Such statements are uncertain and involve both general and specific risks.

Many factors may cause significant deviation from the forecasts and assumptions set out in the interim report.

Such factors could be, for example, cyclical movements, changes in the financial markets, the financial effect of unexpected events such as acts of terror or exceptional weather conditions, changes in Danish and EU rules, competitive factors in the insurance industry, and trends in the reinsurance market. See also: www.topdanmark.com → Investor → [Risk management](#).

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

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

Financial statements for Q1-Q4 2021 - Group

Income statement • Group

(DKKm)	Note	Q4 2020	Q4 2021	2020	2021
NON-LIFE INSURANCE					
Gross premiums written		1,717	1,801	9,803	10,282
Ceded reinsurance premiums		(54)	(45)	(592)	(604)
Change in the provisions for unearned premiums		1,190	1,150	282	89
Change in profit margin and risk margin		(421)	(358)	(323)	(131)
Change in the reinsurers' share of the provisions for unearned premiums		(102)	(103)	3	4
Premiums earned, net of reinsurance		2,331	2,446	9,174	9,640
Claims paid		(1,648)	(1,598)	(6,500)	(6,156)
Reinsurance cover received		61	76	292	288
Change in the provisions for claims		38	(60)	(87)	(659)
Change in risk margin		1	(7)	30	13
Change in the reinsurers' share of the provisions for claims		(12)	7	(41)	141
Claims incurred, net of reinsurance	1	(1,560)	(1,582)	(6,305)	(6,373)
Bonuses and rebates		0	(15)	(31)	(86)
Acquisition costs		(268)	(251)	(1,015)	(1,013)
Administrative expenses		(143)	(147)	(550)	(561)
Reinsurance commission and share of profits		20	21	81	82
Insurance operating expenses, net of reinsurance		(391)	(376)	(1,484)	(1,492)
TECHNICAL RESULT FROM NON-LIFE INSURANCE		380	472	1,354	1,688
LIFE INSURANCE					
Gross premiums written	2	2,575	2,744	10,981	10,360
Ceded reinsurance premiums		(0)	(0)	(1)	(1)
Premiums, net of reinsurance		2,575	2,744	10,980	10,359
Allocated investment return, net of reinsurance		5,353	3,898	5,291	10,791
Pension return tax		(621)	(524)	(617)	(1,521)
Claims and benefits paid		(1,751)	(2,237)	(6,393)	(8,955)
Reinsurance cover received		2	2	6	5
Claims and benefits paid, net of reinsurance		(1,749)	(2,235)	(6,387)	(8,951)
Change in the life insurance provisions		(5,429)	(3,853)	(8,839)	(9,111)
Change in the reinsurers' share		(2)	(2)	(7)	(3)
Change in the life insurance provisions, net of reinsurance		(5,431)	(3,854)	(8,847)	(9,114)
Change in profit margin		(38)	67	(38)	(1,158)
Acquisition costs		(61)	(51)	(224)	(234)
Administrative expenses		(92)	(91)	(335)	(348)
Insurance operating expenses, net of reinsurance		(153)	(142)	(559)	(581)
TECHNICAL RESULT FROM LIFE INSURANCE		(64)	(46)	(176)	(175)

Income statement • Group

(DKKm)	Q4 2020	Q4 2021	2020	2021
NON-TECHNICAL ACTIVITIES				
Technical result from non-life insurance	380	472	1,354	1,688
Technical result from life insurance	(64)	(46)	(176)	(175)
Income from associates and joint ventures	80	203	92	588
Income from investment properties	46	51	191	206
Interest income and dividends etc.	539	495	1,909	2,373
Revaluations	5,219	3,564	3,981	8,588
Interest charges	(23)	(18)	(102)	(83)
Expenses on investment activities	(24)	(28)	(86)	(106)
Total investment return	5,837	4,267	5,986	11,565
Return and revaluations of non-life insurance provisions	(56)	11	(374)	503
Investment return transferred to life insurance	(5,353)	(3,898)	(5,291)	(10,791)
Other income	5	2	14	10
Other expenses	(18)	(17)	(59)	(59)
PRE-TAX PROFIT	731	792	1,453	2,742
Taxation	(159)	(167)	(329)	(604)
PROFIT FOR THE YEAR	571	625	1,124	2,138
EPS (DKK)	6.5	7.1	12.9	24.4
EPS, diluted (DKK)	6.5	7.1	12.9	24.3

Statement of comprehensive income • Group

Profit for the year	571	625	1,124	2,138
Items which cannot subsequently be reclassified as profit or loss:				
Revaluation / Reversed revaluation on non-occupied properties	0	2	1	0
Taxation	0	0	(0)	(0)
Other comprehensive income	0	2	1	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	571	626	1,125	2,138

Assets • Group

(DKKm)	2020	2021
INTANGIBLE ASSETS	1,486	1,641
Operating equipment	108	91
Owner-occupied properties	837	810
TOTAL TANGIBLE ASSETS	946	902
Investment properties	3,934	2,927
Equity investments in associates and joint ventures	1,741	2,324
Total investments in associates and joint ventures	1,741	2,324
Equity investments	4,751	5,085
Unit trusts	2	16
Bonds	41,776	32,995
Loans guaranteed by mortgages	6	5
Deposits with credit institutions	4,989	2,620
Derivatives	1,405	127
Total other financial investment assets	52,928	40,848
TOTAL INVESTMENT ASSETS	58,603	46,099
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	44,997	68,149
Reinsurers' share of the provisions for unearned premiums	96	99
Reinsurers' share of the life insurance provisions	5	2
Reinsurers' share of the provisions for claims	440	576
Total reinsurers' share of provisions	541	677
Receivables from policyholders	283	313
Receivables from insurance companies	71	105
Receivables from associates and joint ventures	252	227
Other receivables	584	311
TOTAL RECEIVABLES	1,731	1,633
Deferred tax assets	33	86
Liquid funds	846	1,136
Other	20	79
TOTAL OTHER ASSETS	899	1,302
Accrued interest and rent	415	423
Other prepayments and accrued income	210	218
TOTAL PREPAYMENTS AND ACCRUED INCOME	626	641
TOTAL ASSETS	109,288	120,368

Shareholders' equity and liabilities • Group

(DKKm)	Note	2020	2021
Share capital		90	90
Revaluation reserve		1	2
Security fund		1,146	1,146
Other reserves		79	83
Total reserves		1,225	1,229
Profit carried forward		3,763	2,973
Proposed dividend		1,800	3,105
TOTAL SHAREHOLDERS' EQUITY		6,879	7,399
OTHER SUBORDINATED LOAN CAPITAL		1,749	1,900
Provisions for unearned premiums		1,590	1,446
Profit margin, non-life insurance contracts		1,150	1,316
With-profit products		23,178	22,319
Unit-linked products		55,790	65,749
Total life insurance provisions		78,968	88,068
Profit margin, life insurance and investment contracts		367	1,525
Provisions for claims		13,364	13,994
Risk margin, non-life insurance contracts		226	189
Provisions for bonuses and rebates		130	157
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		95,797	106,695
Pensions and similar commitments		31	28
Deferred tax liabilities		83	94
Deferred tax on security funds		306	306
TOTAL PROVISIONS		420	428
DEPOSITS RECEIVED FROM REINSURERS		33	11
Debt relating to direct insurance operations		165	180
Debt relating to reinsurance operations		23	42
Amounts due to credit institutions		1,350	451
Current tax liabilities		60	84
Derivatives		983	605
Other debt		1,727	2,468
TOTAL DEBT		4,308	3,829
ACCRUALS AND DEFERRED INCOME		103	108
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		109,288	120,368
Financial assets and liabilities	3		
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Related parties	5		
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Accounting policies	7		

Cash flow statement • Group

(DKKm)	2020	2021
Cash flow from operations		
Gross premiums	9,741	10,210
Claims	(6,488)	(6,122)
Expenses	(1,437)	(1,488)
Reinsurance ceded	(166)	(243)
Cash flow from non-life insurance	1,651	2,357
Gross premiums	10,984	10,358
Claims and benefits	(6,660)	(9,011)
Pension return tax	(823)	(737)
Expenses	(483)	(488)
Reinsurance ceded	(19)	(20)
Cash flow from life insurance	2,999	102
Cash flow from insurance activities	4,650	2,459
Payments on investment contracts	145	11
Interest income etc.	1,483	1,820
Dividends	526	757
Interest charges etc.	(184)	(184)
Corporation tax	(313)	(616)
Other items	(332)	206
Cash flow from operations	5,975	4,453
Cash flow from investments		
Intangible assets, operating equipment	(205)	(279)
Properties	(191)	(256)
Equity investments in subsidiaries	(81)	-
Equity investments in associates and joint ventures	(8)	(16)
Dividends from associates and joint ventures	27	21
Equity investments	400	525
Unit trusts	12	(12)
Bonds	1,587	8,078
Derivatives	(250)	431
Investment assets related to unit-linked products	(5,157)	(12,627)
Balances with associates and joint ventures	34	24
Cash flow from investments	(3,831)	(4,110)
Cash flow from financing		
Dividend paid	(741)	(1,752)
Exercise of share options	33	50
Redemption of subordinated loan capital	(500)	(850)
Issue of subordinated loan capital	500	1,000
Amounts due to credit institutions	1,195	(899)
Cash flow from financing	486	(2,451)
Change in cash and cash equivalents	2,631	(2,108)
Cash and cash equivalents at 1 January	3,294	5,835
Revaluation of cash and cash equivalents	(90)	29
Cash and cash equivalents end of period	5,835	3,756
Cash and cash equivalents comprise:		
Liquid funds	846	1,136
Deposits with credit institutions	4,989	2,620
	5,835	3,756

Statement of changes in equity • Group

(DKKm)

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Total
2020							
Shareholders' equity at 31 December previous year	90	0	1,146	72	3,559	1,530	6,397
Reduction of proposed dividend previous year					765	(765)	0
Profit for the year				7	(683)	1,800	1,124
Other comprehensive income		1					1
Total comprehensive income for the year		1		7	(683)	1,800	1,125
Dividend paid						(765)	(765)
Dividend, own shares					24		24
Share-based payments					70		70
Exercise of share options					33		33
Taxation					(5)		(5)
Transactions with owners					122	(765)	(643)
Shareholders' equity at 31 December 2020	90	1	1,146	79	3,763	1,800	6,879
2021							
Shareholders' equity at 31 December previous year	90	1	1,146	79	3,763	1,800	6,879
Profit for the year				4	(971)	3,105	2,138
Other comprehensive income		0					0
Total comprehensive income for the year		0		4	(971)	3,105	2,138
Dividend paid						(1,800)	(1,800)
Dividend, own shares					48		48
Share-based payments					76		76
Exercise of share options					50		50
Taxation					7		7
Transactions with owners					181	(1,800)	(1,619)
Shareholders' equity at 31 December 2021	90	2	1,146	83	2,973	3,105	7,399

Segment information • Group

Income statement

(DKKm)	Private	SME	Elimin- ated	Non-life	Life	Parent etc.	Elimin- ated	Group
2020								
Non-life insurance								
Gross premiums earned	5,179	4,571	(18)	9,732				9,732
Claims incurred	(3,787)	(2,799)	17	(6,568)			12	(6,556)
Expenses	(824)	(767)	1	(1,591)			25	(1,565)
Net reinsurance	(41)	(216)	0	(257)				(257)
Technical result from non-life insurance	527	789	(0)	1,316			38	1,354
Life insurance								
Gross premiums written					10,981			10,981
Allocated investment return					5,291			5,291
Pension return tax					(617)			(617)
Benefits and change in provisions					(15,270)			(15,270)
Expenses					(563)		4	(559)
Net reinsurance					(2)			(2)
Technical result from life insurance					(180)		4	(176)
Total investment return				383	5,294	79	229	5,986
Pension return tax non-life insurance				(21)	21			0
Return and revaluations of non-life insurance provisions				(374)				(374)
Transferred to technical result					(5,291)			(5,291)
Other items				(2)	274	(46)	(271)	(45)
Pre-tax profit				1,302	117	34	0	1,453
Taxation								(329)
Profit								1,124
2021								
Non-life insurance								
Gross premiums earned	5,296	4,878	(19)	10,154				10,154
Claims incurred	(3,656)	(3,173)	17	(6,812)			10	(6,802)
Expenses	(779)	(817)	2	(1,594)			20	(1,575)
Net reinsurance	(51)	(39)	0	(90)				(90)
Technical result from non-life insurance	810	850	(0)	1,659			29	1,688
Life insurance								
Gross premiums written					10,360			10,360
Allocated investment return					10,791			10,791
Pension return tax					(1,521)			(1,521)
Benefits and change in provisions					(19,224)			(19,224)
Expenses					(585)		3	(582)
Net reinsurance					1			1
Technical result from life insurance					(178)		3	(175)
Total investment return				83	11,312	17	154	11,565
Pension return tax non-life insurance				29	(29)			0
Return and revaluations of non-life insurance provisions				503				503
Transferred to technical result					(10,791)			(10,791)
Other items					189	(52)	(186)	(49)
Pre-tax profit				2,274	503	(35)	0	2,742
Taxation								(604)
Profit								2,138

Notes to the financial statements • Group

(DKKm) 2020 2021

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

Run-off result:		
Gross business	201	211
Reinsurance ceded	(38)	(6)
Run-off result, net of reinsurance (profit)	164	205

Note 2. Gross premiums written - Life insurance

Individual policies	266	289
Policies which are part of a tenure	2,860	2,899
Group life	268	262
Regular premiums	3,394	3,450
Individual policies	4,226	3,539
Policies which are part of a tenure	3,361	3,371
Single premiums	7,587	6,910
Gross premiums	10,981	10,360

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.

Financial assets recorded at fair value based on non-observable input (level 3):	2020	2021
1 January	371	7,278
Purchases	583	664
Revaluations on assets transferred to level 2	0	270
Transferred from level 2	6,628	0
Transferred to level 2	0	(7,463)
Repayments	(327)	(689)
Revaluations (unrealised)	22	15
Revaluations (realised)	1	5
	7,278	80

The portfolio consists of bonds 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 approx. 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)	2020	2021
Note 4. Contingent liabilities		
Contract liabilities	501	222
Adjustments to VAT liabilities	136	121
Other liabilities	1	1
Capital commitments made to loan funds and private equity funds etc.	356	413

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 Q4 2020, Topdanmark Forsikring A/S issued subordinated notes of DKK 500m subscribed by If P&C Insurance Ltd.

In Q3 2021, Topdanmark Forsikring A/S redeemed subordinated notes of DKK 850m, of which DKK 270m was held by Sampo plc.

In Q4 2021, Topdanmark Forsikring A/S issued subordinated notes of DKK 1.000m 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 Q4 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 allocation of costs between acquisition costs and administrative expenses in life insurance has been reviewed with the effect that app. DKK 50m has been reallocated from administrative expenses to acquisition costs. Comparatives have been restated.

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.

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.

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-Q4 2021 - Parent company

Income statement • Parent company

(DKKm)	Q4 2020	Q4 2021	2020	2021
Income from subsidiaries	584	642	1,168	2,197
Revaluations	0	(3)	0	(7)
Interest charges	(3)	(3)	(11)	(11)
Total investment return	581	636	1,157	2,179
Other expenses	(14)	(14)	(46)	(52)
PRE-TAX PROFIT	567	622	1,112	2,127
Taxation	4	3	12	11
PROFIT FOR THE YEAR	571	625	1,124	2,138

Statement of comprehensive income • Parent company

Profit for the year	571	625	1,124	2,138
Other comprehensive income from subsidiaries	0	2	1	0
Other comprehensive income	0	2	1	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	571	626	1,125	2,138

Balance sheet • Parent company

(DKK m)	2020	2021
Assets		
Operating equipment	3	3
TOTAL TANGIBLE ASSETS	3	3
Equity investments in subsidiaries	6,816	7,169
Total investment in subsidiaries	6,816	7,169
Equity investments	4	1
Total other financial investment assets	4	1
TOTAL INVESTMENT ASSETS	6,820	7,170
Receivables from subsidiaries	913	998
Other receivables	48	62
TOTAL RECEIVABLES	961	1,059
Liquid funds	1	1
TOTAL OTHER ASSETS	2	1
TOTAL ASSETS	7,785	8,233

Shareholders' equity and liabilities

Share capital	90	90
Other reserves	3,067	3,440
Total reserves	3,067	3,440
Profit carried forward	2,228	1,069
Proposed dividend	1,800	3,105
TOTAL SHAREHOLDERS' EQUITY	7,185	7,705
OTHER SUBORDINATED LOAN CAPITAL	399	400
Amounts due to subsidiaries	133	35
Current tax liabilities	60	83
Other debt	8	11
TOTAL DEBT	201	129
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	7,785	8,233

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