

Interim report for Q1-Q3 2022

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Management's review

Highlights

Q1-Q3 2022

- Profit after tax of DKK 639m (Q1-Q3 2021: DKK 1,513m)
- EPS was DKK 7.2 (Q1-Q3 2021: DKK 17.2)
- Combined ratio: 82.1 (Q1-Q3 2021: 80.9)
- Combined ratio excluding run-off: 83.9 (Q1-Q3 2021: 83.6)
- Premiums increased by 3.7% in non-life insurance.
- After return on non-life insurance provisions, the investment return was DKK -555m (Q1-Q3 2021: DKK 362m).
- Profit from discontinued operations was DKK 103m after tax (Q1-Q3 2021: DKK 184m).
- Life insurance premiums (including investment contracts, and illness and accident) in discontinued operations increased by 6.5%.

Q3 2022

- Profit after tax of DKK 259m (Q3 2021: DKK 356m)
- EPS was DKK 2.9 (Q3 2021: DKK 4.0)
- Combined ratio: 80.1 (Q3 2021: 80.0)
- Combined ratio excluding run-off: 81.9 (Q3 2021: 83.6)
- Premiums increased by 3.3% in non-life insurance.
- After return on non-life insurance provisions, the investment return was DKK -118m (Q3 2021: DKK 22m).
- Result for discontinued operations was DKK -14m after tax (Q3 2021: DKK -16m).
- Life insurance premiums (including investment contracts, and illness and accident) in discontinued operations increased by 6.7%.

Profit forecast model for 2022

- The assumed combined ratio for 2022 is narrowed from 82-84.5 to 82-83, excluding run-off in Q4 2022.
- The profit forecast for 2022 has been lowered from DKK 2,100-2,350m to DKK 2,000-2,150m after tax, excluding run-off in Q4 but including the expected net gain of DKK 1.2bn from the divestment of Topdanmark Liv Holding A/S (closing assumed as at 31 December 2022).
- The expected premium growth in non-life is narrowed from 3-4.5% to 3.5-4%.

Assumptions for 2023

- A premium growth in non-life of 2-3.5%, and a combined ratio of 82.5-85.5, excluding run-off, are assumed for 2023 under the new IFRS 17 accounting standard.

Divestment of Topdanmark Liv Holding A/S

On 19 October 2022, we received the formal approval of the divestment from the EU Commission. We still await an approval from the Danish FSA, and we continue to expect the divestment to be completed in Q4 2022.

Conference call

A conference call will be held today at 13:00 (CEST) in which 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 76 84 90

SE dial-in-number: +46 4 0682 0620

UK dial-in-number: +44 203 769 6819

US dial-in-number: +1 646 787 0157

(Pin code for all callers: 587062)

10-15 minutes before the conference and ask the operator to connect you to the Topdanmark conference call - or listen to the [live transmission](#) of the call.

Please direct any queries to:



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Chief Executive Officer



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Chief Financial Officer



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Financial highlights

(DKKm)	Full year 2021	Q3 2021	Q3 2022	Q1-Q3 2021	Q1-Q3 2022
Premiums earned, non-life insurance	9,541	2,414	2,494	7,120	7,385
	9,541	2,414	2,494	7,120	7,385
Results:					
Non-life insurance	2,461	510	371	1,735	737
Parent company etc.	-35	-16	-16	-18	-49
Profit before tax, continuing operations	2,426	494	355	1,717	688
Tax, continuing operations	-537	-122	-82	-388	-152
Profit after tax, continuing operations	1,889	372	273	1,329	536
Profit after tax, discontinued operations	248	-16	-14	184	103
Profit	2,138	356	259	1,513	639
Run-off profits, net of reinsurance	255	88	43	195	132
Shareholders' equity of parent company at 1 January	7,185	6,659	5,137	7,185	7,705
Profit	2,138	356	259	1,513	639
Dividend paid	-1,800	0	0	-1,800	-3,105
Dividend own shares	48	0	0	48	65
Share-based payments	133	25	17	95	109
Other movements in shareholders' equity	0	0	0	-1	1
Shareholders' equity of parent company end of period	7,705	7,040	5,414	7,040	5,414
Deferred tax on security funds	-306	-306	-362	-306	-362
Shareholders' equity of Group end of period	7,399	6,734	5,052	6,734	5,052
Total assets, parent company	8,233			7,888	6,059
Total assets, Group	120,368			115,028	107,102
Provisions for insurance and investment contracts:					
Non-life insurance	17,102			17,698	13,986
Life insurance	89,593			85,748	0
Discontinued operations	0			0	80,578
Financial ratios (parent company)					
Post-tax profit as a percentage of shareholders' equity *	30.5	20.8	19.7	29.6	14.1
Post-tax EPS continuing operations (DKK)	21.5	4.2	3.1	15.2	6.1
Post-tax EPS continuing operations, diluted (DKK)	21.5	4.2	3.1	15.1	6.1
Post-tax EPS (DKK)	24.4	4.1	2.9	17.3	7.3
Post-tax EPS, diluted (DKK)	24.3	4.0	2.9	17.2	7.2
Dividend per share issued, proposed (DKK)	34.5	-	-	-	-
Net asset value per share, diluted (DKK)	87.4			80.0	61.2
Listed share price end of period	367.0			332.0	355.4
Number of shares end of period ('000)	87,978			87,710	88,211
Average number of shares ('000)	87,703	87,703	88,209	87,626	88,141
Average number of shares, diluted ('000)	87,948	87,961	88,482	87,858	88,456
Ratios non-life insurance **					
Gross claims ratio	62.9	63.9	60.5	63.9	63.6
Net reinsurance ratio	1.0	1.1	4.6	0.7	2.5
Claims ratio, net of reinsurance	63.9	65.0	65.1	64.7	66.1
Gross expense ratio	16.2	15.0	15.0	16.2	16.0
Combined ratio	80.1	80.0	80.1	80.9	82.1
Combined ratio excl. run-off profits	82.8	83.6	81.9	83.6	83.9

* Post-tax profit as a percentage of shareholders' equity has been annualised.

** Due to the divestment of Topdanmark Liv Holding, the non-life ratios have been restated to include only continuing operations.

Results for Q1-Q3 2022

Trend in profit (DKKm)	Full year 2021	Q3 2021	Q3 2022	Q1-Q3 2021	Q1-Q3 2022
Non-life insurance					
- Technical result	1,897	484	496	1,362	1,321
- Investment return after return and value adjustments of non-life insurance provisions	564	24	-115	371	-547
- Other items	1	1	-10	2	-38
Profit on non-life insurance	2,461	510	371	1,735	737
Parent company etc.	-35	-16	-16	-18	-49
Profit before tax, continuing operations	2,426	494	355	1,717	688
Tax, continuing operations	-537	-122	-82	-388	-152
Profit after tax, continuing operations	1,889	372	273	1,329	536
Profit after tax, discontinued operations	248	-16	-14	184	103
Profit	2,138	356	259	1,513	639

Topdanmark's post-tax profit for Q1-Q3 2022 was DKK 639m (Q1-Q3 2021: DKK 1,513m).

The technical result decreased by DKK 41m to DKK 1,321m. The decrease was driven by higher weather-related claims in Q1 2022 mainly caused by the storms Malik and Nora. In comparison, 2021 was positively impacted by COVID-19. The underlying technical result continued to improve as a result of the underlying growth, as well as continued progress on efficiencies, procurement and pricing initiatives.

In Q1 2022, other items included a DKK 25m provision for a potential extraordinary contribution to the Danish Guarantee Fund for Non-life Insurers related to the bankruptcy of Gefion Insurance A/S.

The investment return adjusted for return and value adjustments on non-life insurance provisions decreased by DKK 918m to DKK -547m. This development should be seen in the light of the volatility in the financial markets during Q1-Q3 2022 caused in part by the war in Ukraine and rising inflation, whereas the investment return in Q1-Q3 2021 was impacted by favourable market conditions, especially for equity investments and CLOs.

The profit from discontinued operations (encompassing the life operations held for sale) decreased by DKK 81m to DKK 103m after tax. Q1-Q3 2022 was affected by the negative development mainly deriving from investment as well as risk return on shareholders' equity. In Q1-Q3 2021, the investment return was positively impacted by valuation adjustments of the property portfolio.

Results for Q3 2022

The profit for Q3 2022 was DKK 259m (Q3 2021: DKK 356m).

The technical result increased by DKK 12m to DKK 496m. The increase was driven by higher premiums and improved underlying trends most notably within house and property insurance. These effects more than outweighed the impact of higher claims frequencies across certain business lines, following the normalisation of COVID-19 impacts since last year.

After return on non-life insurance provisions, the investment return in non-life insurance decreased by DKK 139m to DKK -115m.

The result for discontinued operations was almost unchanged at DKK -14m as a higher illness and accident result was offset by lower investment and risk returns on shareholder's equity caused by weak financial markets.

Non-life insurance in Q1-Q3 2022

Premiums earned

Financial highlights – Non-life insurance (DKKm)	Full year 2021	Q3 2021	Q3 2022	Q1-Q3 2021	Q1-Q3 2022
Gross premiums earned	9,541	2,414	2,494	7,120	7,385
Claims incurred	-6,000	-1,541	-1,509	-4,550	-4,693
Expenses	-1,545	-362	-375	-1,155	-1,183
Net reinsurance	-99	-27	-114	-53	-187
Technical result	1,897	484	496	1,362	1,321
Investment return after return and value adjustments of non-life insurance provisions	564	24	-115	371	-547
Other items	1	1	-10	2	-38
Profit on non-life insurance	2,461	510	371	1,735	737
Run-off profits, net of reinsurance	255	88	43	195	132
Gross claims ratio	62.9	63.9	60.5	63.9	63.6
Net reinsurance ratio	1.0	1.1	4.6	0.7	2.5
Claims ratio, net of reinsurance	63.9	65.0	65.1	64.7	66.1
Gross expense ratio	16.2	15.0	15.0	16.2	16.0
Combined ratio	80.1	80.0	80.1	80.9	82.1
Combined ratio excl. run-off profits	82.8	83.6	81.9	83.6	83.9

Premiums earned increased by 3.7% to DKK 7,385m. The private segment accounted for a 1.9% increase, while the SME segment accounted for a 5.5% increase.

for the outflow from the old agreement with Danske Bank in Q1-Q3 2022. We expect the trend to continue throughout 2022 and into 2023.

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

Claims ratio

Claims ratio, net of reinsurance	Full year 2021	Q3 2021	Q3 2022	Q1-Q3 2021	Q1-Q3 2022
Claims ratio, net of reinsurance	63.9	65.0	65.1	64.7	66.1
Run-off	2.7	3.6	1.7	2.7	1.8
Weather-related claims	-1.9	-3.8	-2.6	-2.1	-3.4
Large-scale claims	-1.3	-1.9	-0.6	-1.4	-1.0
Other	0.2	0.1	0.4	0.3	0.2
Claims before run-off, weather, large-scale claims and other	63.6	62.9	64.0	64.2	63.7
Discounting	0.3	0.5	3.6	0.3	1.7
COVID-19				1.0	
Underlying (undiscounted) claims ratio, net of reinsurance	63.9	63.4	67.6	65.4	65.4

The claims ratio was 66.1 in Q1-Q3 2022, up from 64.7 in Q1-Q3 2021. The more benign risk picture in Q3 2022 caused a lower gross claims ratio and a higher net reinsurance ratio.

The run-off profit, net of reinsurance, was DKK 132m (Q1-Q3 2021: DKK 195m), representing a 0.9pp negative effect on the claims ratio. Run-off was largely in line with preceding quarters following positive trends in house and property insurance since

2021. In addition, run-off profits were generated in workers' compensation.

Weather-related claims amounted to DKK 249m in Q1-Q3 2022 (Q1-Q3 2021: DKK 151m), representing a 1.3pp deterioration of the claims ratio. The level of weather-related claims was thus DKK 34m above the normalised modelled level of DKK 215m. This was in consequence of the storms Malik and Nora in Q1 2022, while weather conditions in Q2-Q3 2022 were

more benign. In comparison, H1 2021 saw no major weather-related events, while Q3 2021 saw several cloudbursts.

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) decreased by DKK 29m to DKK 73m in Q1-Q3 2022 (Q1-Q3 2021: DKK 102m). The level of large-scale claims was thus almost in line with the normalised modelled level of DKK 75m.

The claims ratio was positively impacted by the higher interest rates. The discounting effect was 1.4pp higher compared with Q1-Q3 2021.

Inflation within construction materials continued to rise during the first nine months of 2022, most notably within energy-consuming materials such as tiles, cement and insulation. 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.

We take note of the current volatility, and we continue to closely monitor the market situation. To that end, we have continued our pricing initiatives and started to implement inflation-related pricing initiatives across different product lines and customer segments with effect from 2023.

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 0.5pp to 63.7 in Q1-Q3 2022.

The underlying claims ratio, which is adjusted further for discounting and COVID-19 impact, was unchanged at 65.4. This was despite a meaningful headwind from normalised claims frequencies after COVID-19, as we stopped reporting on the estimated impact of COVID-19 as at Q3 2021.

Expense ratio

The expense ratio was 16.0, down from 16.2 in Q1-Q3 2021. The decrease in the expense ratio was driven by our continued efforts to realise our efficiency programme targets. Synergies between Non-life and Life (previously estimated to be around DKK 80-100m p.a.) affect the expense ratio positively until closing of the sale of Topdanmark Liv Holding A/S, expected in Q4 2022.

Combined ratio

The combined ratio was 82.1 in Q1-Q3 2022 (Q1-Q3 2021: 80.9). Excluding run-off, the combined ratio was 83.9 (Q1-Q3 2021: 83.6).

Non-life insurance in Q3 2022

Premiums earned in Q3 2022 increased by 3.3% to DKK 2,494m. The growth in premiums was 0.5% and 6.1% in the private segment and the SME segment, respectively. Changes to provisions for unexpired risk within house insurance, etc. affected premium growth in the private segment negatively by 0.8pp.

The claims ratio was 65.1, largely in line with the level in Q3 2021. In general, the risk picture was more benign in Q3 2022 than in Q3 2021, especially during the summer period, causing a lower gross claims ratio and a higher net reinsurance ratio.

Weather conditions were benign during the summer, but we experienced some cloudbursts at the end of August and in September. Related claims amounted to DKK 66m, DKK 27m lower than in Q3 2021 corresponding to an improvement in the claims ratio of 1.2pp. Thus, weather-related claims were somewhat below the normalised modelled level of DKK 85m.

Large-scale claims amounted to DKK 14m, significantly below the level in Q3 2021 (DKK 46m) and below the normalised modelled level of DKK 25m. Q3 2021 was predominantly affected by a few, but large fire-related claims in the SME segment.

Increasing interest rates improved the claims ratio by 3.1pp.

The run-off profit, net of reinsurance, was DKK 43m, largely in line with preceding quarters but significantly below the level in Q3 2021 (DKK 88m), representing a 1.9pp negative effect on the claims ratio. Q3 2021 saw a notable positive impact of rising inflation on run-off within workers' compensation stemming from gains on the inflation swap.

The claims ratio adjusted for run-off, weather-related claims, large-scale claims and other positions including change of risk margin increased by 1.1pp to 64.0.

The underlying claims ratio, which is adjusted further for discounting, increased by 4.2pp to 67.6. The increase was partly due to a headwind from normalised claims frequencies after COVID-19, in particular within travel insurance and personal accident. Please note that we stopped reporting on the estimated impact of COVID-19 as at Q3 2021, despite the underlying frequency clearly being impacted by COVID-19 from Q3 2021 onwards as well.

The expense ratio was 15.0 (Q3 2021: 15.0).

The combined ratio was 80.1 (Q3 2021: 80.0). Excluding run-off, the combined ratio was 81.9 (Q3 2021: 83.6).

Segment reporting

Private

Private (DKK m)	Full year 2021	Q3 2021	Q3 2022	Q1-Q3 2021	Q1-Q3 2022
Gross premiums earned	4,674	1,181	1,187	3,498	3,566
Claims incurred	-2,837	-725	-734	-2,167	-2,254
Expenses	-730	-178	-182	-553	-560
Net reinsurance	-60	-16	-15	-46	-34
Technical result	1,047	262	256	732	716
Run-off profits, net of reinsurance	123	32	12	88	64
Gross claims ratio	60.7	61.4	61.9	61.9	63.2
Net reinsurance ratio	1.3	1.3	1.2	1.3	1.0
Claims ratio, net of reinsurance	62.0	62.8	63.1	63.3	64.2
Gross expense ratio	15.6	15.1	15.3	15.8	15.7
Combined ratio	77.6	77.8	78.5	79.1	79.9
Combined ratio excl. run-off profits	80.2	80.5	79.5	81.6	81.7

The private segment offers policies to individual households in Denmark. This segment no longer includes illness and accident insurance offered through the life company which is now reported under discontinued operations.

Premiums earned increased by 1.9% to DKK 3,566m in Q1-Q3 2022. Premiums increased by 0.5% in Q3 2022, among other things, affected by the reversal of a provision for unexpired risk within house insurance in Q3 2021. Adjusted for this effect, premiums increased by 1.3% in Q3 2022.

The technical result was DKK 716m in Q1-Q3 2022, representing a decrease of DKK 16m compared with Q1-Q3 2021.

The claims ratio increased by 0.9pp to 64.2 in Q1-Q3 2022, mainly due to the two storms in Q1 2022 and cloudbursts in Q3 2022. Weather-related claims amounted to DKK 115m in Q1-Q3 2022 (Q1-Q3 2021: DKK 82m), representing a 0.9pp deterioration of the claims ratio.

Run-off of DKK 64m was DKK 24m lower than in Q1-Q3 2021 corresponding to a negative impact of 0.7pp on the claims ratio.

The underlying result improved due to activities for improvement of profitability, mainly within house and holiday home insurance. On the other hand, claim levels have normalised after COVID-19.

The expense ratio improved to 15.7 from 15.8 in Q1-Q3 2021.

The combined ratio was 79.9 in Q1-Q3 2022 (Q1-Q3 2021: 79.1).

Excluding run-off, the combined ratio was 81.7 which was largely in line with Q1-Q3 2021.

SME

SME (DKK m)	Full year 2021	Q3 2021	Q3 2022	Q1-Q3 2021	Q1-Q3 2022
Gross premiums earned	4,878	1,235	1,311	3,630	3,828
Claims incurred	-3,173	-818	-776	-2,390	-2,446
Expenses	-817	-184	-194	-603	-624
Net reinsurance	-39	-11	-100	-7	-152
Technical result	850	222	241	631	606
Run-off profits, net of reinsurance	132	56	31	107	68
Gross claims ratio	65.0	66.2	59.2	65.8	63.9
Net reinsurance ratio	0.8	0.9	7.6	0.2	4.0
Claims ratio, net of reinsurance	65.8	67.1	66.8	66.0	67.9
Gross expense ratio	16.7	14.9	14.8	16.6	16.3
Combined ratio	82.6	82.0	81.7	82.6	84.2
Combined ratio excl. run-off profits	85.3	86.6	84.0	85.6	85.9

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

Premiums earned increased by 5.5% to DKK 3,828m in Q1-Q3 2022. Premiums increased by 6.1% in Q3 2022.

The technical result in Q1-Q3 2022 decreased by DKK 25m to DKK 606m primarily due to a high level of weather-related claims in Q1 2022. Weather-related claims amounted to DKK 134m in Q1-Q3 2022 (Q1-Q3 2021: DKK 69m), representing a 1.6pp deterioration of the claims ratio.

The level of large-scale claims was low in Q3 2022 as well as year to date.

Run-off was DKK 68m in Q1-Q3 2022 (Q1-Q3 2021: DKK 107m). Run-off profits were driven mainly by workers' compensation.

The underlying result improved in Q1-Q3 2022, despite normalised claim levels after COVID-19, due to activities for improvement of profitability. Workers' compensation was positively affected by increasing interest rate levels.

The expense ratio was 16.3 in Q1-Q3 2022 which is 0.3pp below Q1-Q3 2021.

The combined ratio increased to 84.2 in Q1-Q3 2022 (Q1-Q3 2021: 82.6).

Excluding run-off, the combined ratio was 85.9 in Q1-Q3 2022 (Q1-Q3 2021: 85.6).

Discontinued operations (Topdanmark Liv Holding A/S)

Discontinued operations (DKK m)	Full year 2021	Q3 2021	Q3 2022	Q1-Q3 2021	Q1-Q3 2022
Investment return on shareholders' equity	318	68	11	241	107
Sales and administration	26	8	27	19	47
Insurance risk	4	2	9	-3	14
Risk return on shareholders' equity	155	36	-20	113	45
Profit on life insurance	502	113	27	371	213
Illness and accident	-187	-133	-27	-138	-100
Profit before tax, Topdanmark Liv Holding Group	316	-20	0	233	113
Unwinding costs	-	-	0	-	-2
Profit before tax, discontinued operations	316	-20	0	233	110
Tax	-67	4	-13	-49	-7
Profit after tax, discontinued operations	248	-16	-14	184	103

Life insurance in Q1-Q3 2022

The result from life insurance was a profit of DKK 103m (Q1-Q3 2021: DKK 184m).

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 Q1-Q3 2022

The negative development derives mainly from investment and risk returns on shareholders' equity.

The investment return on shareholders' equity was DKK 107m in Q1-Q3 2022 (Q1-Q3 2021: DKK 241m), affected by the adverse developments in the financial markets. In Q1-Q3 2021, the investment return was positively affected by valuation adjustments of the property portfolio.

The result of sales and administration increased by DKK 28m to DKK 47m, mainly as no amortisation on IT intangibles is carried out in the period between signing and closing of the divestment of Topdanmark Liv Holding A/S. This has no impact on the expected implied goodwill of the transaction as lower amortisations until closing will equally lower the gain to be realised upon closing.

The insurance risk result increased by DKK 17m to DKK 14m. The insurance risk result may fluctuate from one quarter to the next.

The risk return on shareholders' equity decreased by DKK 68m to DKK 45m as the collective bonus potentials in three interest rate groups were reduced to zero during Q3 2022 following weak financial markets.

The illness and accident result increased by DKK 38m to DKK -100m as Q3 2021 was impacted by a run-off loss and higher provisions for unexpired risk due to increasing inflation expectations. In Q1-Q3 2022, the positive impact from rising interest rates was offset by a lower investment return due to weak financial markets. In addition, a one-off adjustment to liable pension yield tax relating to 2021 was made in Q1 2022.

Finally, the tax line showed an expense of just DKK 7m due to a one-off positive adjustment of approx. DKK 50m made in Q2 2022 stemming from an increased deferred tax asset related to Topdanmark Ejendom A/S, partly offset by an adjustment for the prior year made in Q1 2022.

Trend in premiums

Life insurance premiums (including investment contracts and illness and accident) increased by 6.5% to DKK 9,049m in Q1-Q3 2022, of which life insurance premiums (including investment contracts) on unit-linked pension schemes were DKK 8,085m, representing a 7.2% increase compared with Q1-Q3 2021.

Regular premiums (including investment contracts) increased by 3.7% to DKK 2,660m in Q1-Q3 2022, and single premiums (including investment contracts) were DKK 5,854m in Q1-Q3 2022, representing a 7.0% increase.

Life insurance in Q3 2022

The result in Q3 2022 was almost unchanged at DKK -14m (Q3 2021: DKK -16m).

Weak financial markets affected the investment return negatively, and collective bonus potentials were reduced to zero in three interest rate groups, causing lower risk return on shareholders' equity. On the other hand, the illness and accident result was significantly higher as we experienced large adverse impacts from rising inflation expectations in Q3 2021.

Life insurance premiums (including investment contracts and illness and accident) increased by 6.7% to DKK 2,852m in Q3 2022 of which unit-linked pension schemes were DKK 2,560m, representing a 6.4% increase compared with Q3 2021.

Regular premiums (including investment contracts) increased by 2.8% to DKK 866m, and single premiums (including investment contracts) increased by 6.4% to DKK 1,817m.

Divestment of Topdanmark Liv Holding A/S

As stated in company announcement no. 07/2022 dated 18 March 2022, Topdanmark Forsikring A/S has signed an agreement to divest Topdanmark Liv Holding A/S and all subsidiaries thereof to Nordea Life Holding AB.

Closing of the transaction is, among other things, subject to relevant regulatory approvals. The approval process is progressing according to plan, and on 19 October 2022, we received the formal approval of the divestment from the EU Commission. We still await an approval from the Danish FSA, and we continue to expect the divestment to be completed in Q4 2022.

Investment activities

Investment return	Portfolio 30 Sep		Return Q3 2021		Return Q3 2022		Return Q1-Q3 2021		Return Q1-Q3 2022	
	2021	2022	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)	(DKKbn)
Danish equities	0.2	0.2	-2	-0.5	-16	-9.3	28	14.5	-52	-24.9
Foreign equities	0.8	0.6	6	1.2	-41	-6.2	116	14.9	-213	-25.3
Unlisted equities and hedge funds	0.4	0.3	-3	-0.8	-2	-0.4	32	9.4	4	1.1
Government and mortgage bonds	13.0	10.0	-72	-0.5	-389	-3.6	-338	-2.4	-1,228	-10.2
Index linked bonds	0.5	0.5	-8	-1.6	-27	-4.7	-14	-3.3	-24	-4.3
CLOs	0.7	0.2	33	4.9	-1	2.8	142	25.0	-113	-14.0
Properties	1.2	0.8	29	2.4	9	1.1	74	6.3	23	2.6
Expenses, money markets etc.	2.0	4.8	5	0.3	0	0.0	10	0.5	11	0.3
Subordinated loan capital	-0.9	-1.9	-9	-0.7	-9	-0.5	-29	-1.8	-23	-1.2
	18.0	15.5	-21	-0.1	-475	-3.0	23	0.1	-1,615	-9.1
Asset management (2021: 6 months)			-				4			
Investment return			-21		-475		27		-1,615	
Return and value adjustments of non-life insurance provisions			43		358		335		1,060	
Investment return after return on non-life insurance provisions			22		-118		362		-555	

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.

In total, the return on investments after return and value adjustments of non-life insurance provisions in Q1-Q3 2022 was DKK -555m. The lower return should be seen in the light of the steep rise in yield levels supplemented by increasing uncertainty, a worsened economic outlook and spread expansions on the financial markets.

Losses on equities and structured credits were the primary drivers of the investment return in Q3 2022. The Danish mortgage bond market, which is dominated by AAA bonds, was influenced by the sharp rise in yield levels and yield volatility. Due to these factors, the loss suffered on assets hedging the provisions dominated, by a modest margin, the profit from value adjustments of provisions, despite the

impact of gains from the narrowing of EUR and DKK swap spreads.

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 745m 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 by the end of Q3 2022, 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. Consequently, the return on "Government and mortgage bonds" and the return and value adjustments of non-life insurance provisions should be assessed on an aggregate level. However, as mentioned above during times of financial stress, proper interest risk management does not necessarily ensure that losses on liabilities are offset against gains on assets and vice versa.

The property portfolio only 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.

"Expenses, money markets etc." comprise 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 47bp at the beginning of the year and 49bp at the end of the third quarter.

Parent company etc.

The parent company, Topdanmark A/S, does not perform any independent activities. The profit of the parent company etc. includes the profits of subsidiaries not within the insurance business (primarily Topdanmark Asset Management up to and including Q2 2021), finance costs and other expenses.

The result for the parent company decreased by DKK 31m to DKK -49m in Q1-Q3 2022.

Taxation

The tax charge on continuing operations was DKK 152m of the pre-tax profit of DKK 688m, corresponding to an effective tax rate of 22.1% (Q1-Q3 2021: 22.6%).

Solvency calculation and capital requirements

Solvency cover (DKKm)	30 Sep 2021	31 Dec 2021	30 Jun 2022	30 Sep 2022
Shareholders' equity	6,734	7,399	4,775	5,052
Proposed dividend	0	-3,105	0	0
Deferred tax on security funds	306	306	362	362
Profit margin	2,504	2,761	2,356	2,189
Intangible assets	-1,592	-1,641	-1,788	-1,833
Other	-178	-189	-143	-120
Tax effects	-258	-302	-191	-149
Subordinated loan tier 1	400	400	400	0
Subordinated loans tier 2	500	1,500	1,408	1,185
Own funds	8,415	7,129	7,179	6,685
Solvency requirement	3,469	3,495	2,816	2,370
Solvency cover (%)	243	204	255	282

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 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.

The solvency cover for the Group increased to 282% end Q3 2022 from 255% at the end of Q2 2022, mainly due to a lower solvency requirement caused by significantly lower stress on equity exposure and rising interest rates. In addition, Topdanmark Forsikring A/S has continued to lower its exposure to CLOs in Q3 2022 and continues to expect this exposure to be completely removed before year-end.

On 26 August 2022, Topdanmark A/S announced the decision to redeem the outstanding subordinated tier 1 loan (restricted tier 1 capital notes) early at the first call date, 23 November 2022. As a result, the notes have been deducted from own funds as at Q3 2022. In continuation of the expected sale of Topdanmark Liv Holding A/S before the end of 2022, Topdanmark A/S will perform an overall assessment and optimisation of the Company's capital position, including the potential of issuing new subordinated loan capital (tier 1 capital).

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.

Efficiency programme

The main focus areas of the efficiency programme are:

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

The annual gross efficiency gains are targeted to be DKK 500m in 2025 of which DKK 260m in 2022. Please refer to the Annual Report 2021 for the full details of the programme.

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

New IT systems

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

Please refer to the Annual Report 2021 for the full details of the implementation plan.

Profit forecast model for 2022

Current profit forecast model 2022 (DKKm)	Results 2021	Forecast 2022 30 June 2022			Forecast 2022 30 September 2022		
Non-life insurance							
- Technical result	1,897	1,525	-	1,750	1,675	-	1,775
- Investment return after return and value adjustments of non-life insurance provisions	564	-405	-	-390	-565	-	-550
- Other items	1	-25	-	-25	-40	-	-40
Profit on non-life insurance	2,461	1,095	-	1,335	1,070	-	1,185
Parent company etc.	-35	-65	-	-55	-65	-	-60
Profit before tax, continuing operations	2,426	1,030	-	1,280	1,005	-	1,125
Tax, continuing operations	-537	-230	-	-280	-230	-	-250
Profit after tax, continuing operations	1,889	800	-	1,000	775	-	875
Profit after tax, discontinued operations	248	1,300	-	1,350	1,225	-	1,275
Profit	2,138	2,100	-	2,350	2,000	-	2,150

Traditionally, Topdanmark does not publish actual profit forecasts, but instead, the expected level of results provided that a number of assumptions about the return in the financial markets are met. The return on financial assets changes on a daily basis, and consequently Topdanmark's profit forecast model will already deviate from actual expectations by the time it is published. Therefore, as 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 interim report for H1 2022, we assumed premium growth of 3-4.5% and a combined ratio of 82-84.5 for 2022. The underlying assumptions can be found in the interim report for H1 2022. Since this report, the following major changes to assumptions have occurred:

- In Q3 2022, run-off profits amounted to DKK 43m, corresponding to a 0.4pp improvement of the combined ratio for 2022.
- Weather-related claims amounted to DKK 66m in Q3 2022, which is DKK 19m lower than assumed, corresponding to an improvement of the assumed combined ratio for 2022 of 0.2pp.
- Large-scale claims amounted to DKK 14m in Q3 2022, which is DKK 11m lower than assumed, corresponding to an improvement of the assumed combined ratio for 2022 of 0.1pp.
- Discounting increased during Q3 2022.

- Higher claims frequency in some product lines after COVID-19, most notably within travel insurance.
- The investment return in Q3 2022 was affected by volatility in the financial markets and is thus approx. DKK 130m lower than assumed.

As a result, the assumed combined ratio is narrowed to 82-83. This includes an expense ratio at approx. the same level as in 2021. Synergies between Non-life and Life (previously estimated at around DKK 80-100m p.a.) are included in the forecast until closing, which is assumed as at 31 December 2022.

The assumed premium growth is narrowed to 3.5-4% as the underlying business momentum remained solid in Q3 2022 while the macroeconomic uncertainty remains at a historically high level.

The overall assumed pre-tax result for non-life insurance is DKK 1,070-1,185m excluding run-off in Q4.

Parent company

The profit forecast model for the parent company plus subsidiaries outside of the insurance group assumes a pre-tax loss of DKK 60-65m.

Taxation

Given a corporation tax rate of 22%, the tax charge on continuing operations is expected to be DKK 230-250m.

Discontinued operations

In the interim report for H1 2022, Topdanmark assumed a profit after tax on discontinued operations of DKK 1,300-1,350m in 2022. The underlying assumptions can be found in the interim report for H1 2022.

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

Since the announcement of the interim report for H1 2022, the risk return was impacted by lower collective bonus potentials in Q3 2022, which will likely also affect Q4 2022 depending on financial market conditions. In addition, lower AUM caused by volatile financial markets negatively affects the outlook for life insurance income, while increasing inflation expectations affect the outlook for illness and accident insurance negatively.

As a result, the assumed profit after tax on discontinued operations is lowered to DKK 1,225-1,275m. This expectation is still based on an assumed closing of the divestment of Topdanmark Liv Holding A/S as at 31 December 2022.

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

Total Group profit

Topdanmark's overall post-tax profit according to the profit forecast model for 2022 is DKK 2,000-2,150m representing an EPS of DKK 22.7-24.4. The assumed profit is exclusive of run-off in Q4 2022.

The profit forecast model assumes an annual 7.0% return on equities, and unchanged foreign exchange rates from the level as at 30 September 2022.

Furthermore, it is assumed that the return on interest-bearing assets that hedge the discounted provisions exactly suffices to cover discounting and value adjustments of the provisions, while the return on the remaining interest-bearing assets is assumed to be 2.44% (risk-free interest rate plus 1.0pp).

Assumptions for the profit forecast model for 2023

Non-life insurance

For 2023, the assumed premium growth in non-life will be 2-3.5%, and the assumed combined ratio will be 82.5-85.5, excluding run-off. These ranges are based on the new IFRS 17 accounting standard, which will enter into force on 1 January 2023 and replace the old regime governed by IFRS 4. The primary effects on the income statement of implementing IFRS 17 relate to:

- Bonuses and premium rebates: Currently offset within premium income. Under IFRS 17, these are instead added to insurance service expenses, thus affecting the combined ratio negatively.
- Interest on unearned premiums: Currently added to premium income and counterbalanced under investment return. Under IFRS 17, unearned premiums are not discounted, and no interest is calculated, thus affecting the combined ratio negatively.
- Wage inflation and inflation swaps within workers' compensation: Adjustments to wage inflation expectations currently affect the claims ratio. Similarly, inflation swaps act as a hedge against changing wage inflation expectations and thus currently also affect the claims ratio. Under IFRS 17, both effects are instead part of the investment result. In the profit forecast model, these two effects are assumed to offset each other.
- Education and development costs: Currently negatively affecting the expense ratio. Under IFRS 17, these are instead placed under "other expenses" outside the technical result, thus affecting the combined ratio positively. In the profit forecast model for 2023, these are assumed to amount to around DKK 70m.

Compared with IFRS 4, the net impact on the profit forecast model for 2023 of IFRS 17 is neutral on premium growth and combined ratio, while the expense ratio is lower.

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 in 2023, excluding any additional or extraordinary price increases, will be 3.1% in the private segment, and 2.3% in the SME segment. 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. 1.9%.

- Automatic premium indexing of workers' compensation insurance at a significantly lower level than last year.
- Implementation of the new IT system in non-life is expected to somewhat lower new sales capacity as significant effort will be used to handle the change of system and system migration.
- Continued positive underlying improvements, including effects from our inflation-related pricing initiatives.
- Weather related claims of DKK 285m.
- Large-scale claims (large-scale claims of a gross value exceeding DKK 5m) of DKK 100m.
- An expense ratio of around 16.5. The forecasted expense ratio is negatively impacted by more than 1pp from the divestment of Topdanmark Liv Holding A/S. In the short term, we are not able to offset the dis-synergies from the divestment. Furthermore, our detailed analysis indicates that the assumed synergies of DKK 80-100m understates the level of actual synergies, following the 50-year long ownership of the life company. In addition, the forecasted expense ratio is negatively impacted by costs related to changing and migrating core IT systems as outlined in the implementation plan.
- A level of interest rates corresponding to the interest rate curve on 30 September 2022.
- Continued good traction on our efficiency programme, including a larger positive net impact compared with 2022.

Financial calendar

Announcement of 2022 Annual Results	24 Jan 2023
Deadline for submitting items for the AGM agenda	8 Feb 2023
2022 Annual Report	23 Feb 2023
AGM	23 Mar 2023
Q1 2023 Interim Report	25 Apr 2023
2023 Half-year Report	14 July 2023
Q1-Q3 2023 Interim Report	24 Oct 2023

Disclaimer

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

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

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

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

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

Financial statements for Q1-Q3 2022 - Group

Income statement • Group

(DKK)m	Note	Full year 2021	Q3 2021	Q3 2022	Q1-Q3 2021	Q1-Q3 2022
NON-LIFE INSURANCE						
Gross premiums written		9,620	1,845	1,820	7,936	8,087
Ceded reinsurance premiums		-601	-166	-186	-556	-604
Change in the provisions for unearned premiums		128	462	511	-979	-1,072
Change in profit margin and risk margin		-130	128	182	227	445
Change in the reinsurers' share of the provisions for unearned premiums		4	0	1	107	116
Premiums earned, net of reinsurance		9,021	2,269	2,328	6,734	6,972
Claims paid		-5,629	-1,279	-1,432	-4,166	-4,441
Reinsurance cover received		268	84	90	202	260
Change in the provisions for claims		-378	-262	-83	-399	-257
Change in risk margin		17	2	10	23	11
Change in the reinsurers' share of the provisions for claims		150	32	-40	135	-19
Claims incurred, net of reinsurance	1	-5,573	-1,423	-1,456	-4,205	-4,445
Bonuses and rebates		-78	-21	-19	-64	-75
Acquisition costs		-985	-220	-244	-748	-766
Administrative expenses		-541	-136	-126	-389	-402
Reinsurance commission and share of profits		81	23	20	60	60
Insurance operating expenses, net of reinsurance		-1,444	-333	-350	-1,077	-1,108
TECHNICAL RESULT FROM NON-LIFE INSURANCE		1,926	492	504	1,388	1,343
Income from associates and joint ventures		4	2	-4	4	-3
Income from investment properties		16	5	1	13	2
Interest income and dividends etc.		368	90	75	298	254
Value adjustments		-113	-102	-534	-237	-1,824
Interest charges		-48	-12	-9	-39	-28
Expenses on investment activities		-49	-13	-13	-36	-38
Total investment return		178	-30	-484	3	-1,637
Return and value adjustments of non-life insurance provisions		346	43	358	335	1,060
Other income		108	11	26	78	66
Other expenses		-132	-23	-49	-87	-143
PROFIT BEFORE TAX, CONTINUING OPERATIONS		2,426	494	355	1,717	688
Tax, continuing operations		-537	-122	-82	-388	-152
PROFIT AFTER TAX, CONTINUING OPERATIONS		1,889	372	273	1,329	536
Profit after tax, discontinued operations	4	248	-16	-14	184	103
PROFIT		2,138	356	259	1,513	639
EPS continuing operations (DKK)		21.5	4.2	3.1	15.2	6.1
EPS continuing operations, diluted (DKK)		21.5	4.2	3.1	15.1	6.1
EPS (DKK)		24.4	4.1	2.9	17.3	7.3
EPS, diluted (DKK)		24.3	4.0	2.9	17.2	7.2

Statement of comprehensive income • Group

Profit	2,138	356	259	1,513	639
Items which cannot subsequently be reclassified as profit or loss:					
Deferred tax on security fund (change in the tax percentage)	0	0	0	0	-56
Revaluation / Reversed revaluation owner-occupied properties	0	0	0	-2	1
Taxation	0	0	0	0	0
Other comprehensive income	0	0	0	-1	-55
TOTAL COMPREHENSIVE INCOME	2,138	356	260	1,512	584

Assets • Group

(DKK m)	Note	31 Dec 2021	30 Sep 2021	30 Sep 2022
INTANGIBLE ASSETS		1,641	1,592	1,234
Operating equipment		91	97	61
Owner-occupied properties		810	805	810
TOTAL TANGIBLE ASSETS		902	902	871
Investment properties		2,927	3,788	0
Equity investments in associates and joint ventures		2,324	2,123	53
Total investments in associates and joint ventures		2,324	2,123	53
Equity investments		5,085	4,769	860
Unit trusts		16	1	0
Bonds		32,995	38,898	11,347
Loans guaranteed by mortgages		5	5	5
Deposits with credit institutions		2,620	2,260	452
Derivatives		127	229	13
Total other financial investment assets		40,848	46,162	12,677
TOTAL INVESTMENT ASSETS		46,099	52,073	12,731
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS		68,149	57,684	0
Reinsurers' share of the provisions for unearned premiums		99	191	204
Reinsurers' share of the life insurance provisions		2	3	0
Reinsurers' share of the provisions for claims		576	570	504
Total reinsurers' share of provisions		677	764	708
Receivables from policyholders		313	328	195
Receivables from insurance companies		105	85	184
Receivables from associates and joint ventures		227	243	0
Other receivables		311	354	236
TOTAL RECEIVABLES		1,633	1,773	1,323
Deferred tax assets		86	64	75
Assets held for sale	4	-	-	90,408
Liquid funds		1,136	228	57
Other		79	67	130
TOTAL OTHER ASSETS		1,302	360	90,670
Accrued interest and rent		423	403	61
Other prepayments and accrued income		218	240	212
TOTAL PREPAYMENTS AND ACCRUED INCOME		641	643	272
TOTAL ASSETS		120,368	115,028	107,102

Shareholders' equity and liabilities • Group

(DKK)m	Note	31 Dec 2021	30 Sep 2021	30 Sep 2022
Share capital		90	90	90
Revaluation reserve		2	0	2
Security fund		1,146	1,146	1,090
Other reserves		83	83	80
Total reserves		1,229	1,229	1,170
Profit carried forward		2,973	5,415	3,790
Proposed dividend		3,105	0	0
TOTAL SHAREHOLDERS' EQUITY		7,399	6,734	5,052
OTHER SUBORDINATED LOAN CAPITAL		1,900	899	1,900
Provisions for unearned premiums		1,446	2,597	2,241
Profit margin, non-life insurance contracts		1,316	950	985
With-profit products		22,319	22,311	0
Unit-linked products		65,749	61,844	0
Total life insurance provisions		88,068	84,156	0
Profit margin, life insurance and investment contracts		1,525	1,592	0
Provisions for claims		13,994	13,814	10,460
Risk margin, non-life insurance contracts		189	190	134
Provisions for bonuses and rebates		157	147	167
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		106,695	103,446	13,986
Pensions and similar commitments		28	28	21
Deferred tax liabilities		94	93	2
Deferred tax on security funds		306	306	362
Other liabilities		0	0	25
TOTAL PROVISIONS		428	427	410
DEPOSITS RECEIVED FROM REINSURERS		11	21	0
Debt relating to direct insurance operations		180	113	16
Debt relating to reinsurance operations		42	74	115
Amounts due to credit institutions		451	383	727
Current tax liabilities		84	404	16
Liabilities relating to assets held for sale	4	-	-	84,006
Derivatives		605	597	338
Other debt		2,468	1,853	529
TOTAL DEBT		3,829	3,423	85,746
ACCRUALS AND DEFERRED INCOME		108	78	7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		120,368	115,028	107,102
Financial assets and liabilities	2			
Contingent liabilities	3			
Discontinued operations	4			
Related parties	5			
Accounting policies	6			

Cash flow statement • Group

(DKKkm)	Full year 2021	Q1-Q3 2021	Q1-Q3 2022
Cash flow from operations			
Gross premiums	9,561	7,818	8,095
Claims	-5,593	-4,139	-4,547
Expenses	-1,440	-1,074	-1,245
Reinsurance ceded	-261	-229	-143
Cash flow from non-life insurance	2,266	2,376	2,160
Interest income etc.	298	282	210
Dividends	78	74	43
Interest charges etc.	-98	-98	-67
Corporation tax	-529	-46	-281
Other items	231	241	-133
Cash flow from operations, continuing operations	2,247	2,829	1,932
Cash flow from operations, discontinued operations	2,206	1,110	1,752
Cash flow from operations	4,453	3,939	3,683
Cash flow from investments			
Intangible assets, operating equipment	-255	-74	-240
Properties	16	2	438
Dividends from associates and joint ventures	0	0	19
Equity investments	174	172	117
Bonds	517	-745	438
Derivatives	14	-220	-102
Cash flow from investments, continuing operations	467	-865	670
Cash flow from investments, discontinued operations	-4,577	-2,919	-4,125
Cash flow from investments	-4,110	-3,784	-3,456
Cash flow from financing			
Dividend paid	-1,752	-3,040	-3,040
Exercise of share options	50	43	45
Redemption of subordinated loan capital	-850	0	0
Issue of subordinated loan capital	1,000	0	0
Amounts due to credit institutions	-58	-300	456
Cash flow from financing, continuing operations	-1,609	-3,297	-2,539
Cash flow from financing, discontinued operations	-842	-236	1,340
Cash flow from financing	-2,451	-3,533	-1,198
Change in cash and cash equivalents, continuing operations	1,105	-1,333	63
Change in cash and cash equivalents, discontinued operations	-3,213	-2,046	-1,033
Cash and cash equivalents at 1 January	5,835	5,835	3,756
Value adjustment of cash and cash equivalents	29	31	-5
Cash and cash equivalents, discontinued operations	-	-1,697	-2,272
Cash and cash equivalents end of period	3,756	790	509
Cash and cash equivalents comprise:			
Liquid funds	1,136	38	57
Deposits with credit institutions	2,620	752	452
	3,756	790	509

Statement of changes in equity • Group

(DKK m)

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Total
2021							
Shareholders' equity at 31 December previous year	90	1	1,146	79	3,763	1,800	6,879
Profit				4	-971	3,105	2,138
Other comprehensive income		0					0
Total comprehensive income		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
Q1-Q3 2021							
Shareholders' equity at 31 December prior year	90	1	1,146	79	3,763	1,800	6,879
Profit				4	1,509		1,513
Other comprehensive income		-1					-1
Total comprehensive income		-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
Transactions with owners					143	-1,800	-1,657
Shareholders' equity at 30 September 2021	90	0	1,146	83	5,415	0	6,734
Q1-Q3 2022							
Shareholders' equity at 31 December previous year	90	2	1,146	83	2,973	3,105	7,399
Profit				-3	643		639
Other comprehensive income		1	-56				-55
Total comprehensive income		1	-56	-3	643		584
Dividend paid						-3,105	-3,105
Dividend, own shares					65		65
Share-based payments					60		60
Exercise of share options					45		45
Taxation					4		4
Transactions with owners					174	-3,105	-2,931
Shareholders' equity at 30 September 2022	90	2	1,090	80	3,790	0	5,052

Segment information • Group

Income statement

(DKK m)	Private	SME	Elimin- ated	Non-life	Parent etc.	Elimin- ated	Group
Q1-Q3 2021							
Non-life insurance							
Gross premiums earned	3,498	3,630	-8	7,120			7,120
Claims incurred	-2,167	-2,390	6	-4,550		8	-4,542
Expenses	-553	-603	1	-1,155		17	-1,137
Net reinsurance	-46	-7	0	-53			-53
Technical result from non-life insurance	732	631	0	1,362		26	1,388
Total investment return				36	-7	-26	3
Return and value adjustments of non-life insurance provisions				335			335
Other items				2	-11		-9
Profit before tax, continuing operations				1,735	-18	0	1,717
Tax, continuing operations							-388
Profit after tax, continuing operations							1,329
Profit after tax, discontinued operations							184
Profit							1,513
Q1-Q3 2022							
Non-life insurance							
Gross premiums earned	3,566	3,828	-9	7,385			7,385
Claims incurred	-2,254	-2,446	7	-4,693		7	-4,686
Expenses	-560	-624	1	-1,183		15	-1,169
Net reinsurance	-34	-152	0	-187			-187
Technical result from non-life insurance	716	606	0	1,321		22	1,343
Total investment return				-1,607	-9	-22	-1,637
Return and value adjustments of non-life insurance provisions				1,060			1,060
Other items				-38	-40		-77
Profit before tax, continuing operations				737	-49	0	688
Tax, continuing operations							-152
Profit after tax, continuing operations							536
Profit after tax, discontinued operations							103
Profit							639

Notes to the financial statements • Group

(DKKm)	Full year 2021	Q1-Q3 2021	Q1-Q3 2022
Note 1. Claims incurred, net of reinsurance - Non-life insurance			
Run-off result:			
Gross business	269	203	157
Reinsurance ceded	-14	-8	-25
Run-off result, net of reinsurance (profit)	255	195	132

Note 2. 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.

	31 Dec 2021	30 Sep 2021	30 Sep 2022
Financial assets recorded at fair value based on non-observable input (level 3):			
1 January	7,278	7,278	80
Transferred to assets held for sale	-	-	-45
Purchases	664	664	0
Value adjustments on assets transferred to level 2	270	270	0
Transferred to level 2	-7,463	-7,463	0
Repayments	-689	-522	0
Value adjustments	21	19	5
	80	244	41

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.

Note 3. Contingent liabilities

Other liabilities	1	1	0
Capital commitments made to loan funds and private equity funds etc.	112	111	111

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.

Notes to the financial statements • Group

(DKK m)	Full year 2021	Q1-Q3 2021	Q1-Q3 2022
Note 4. Discontinued operations			
LIFE INSURANCE			
Premiums, net of reinsurance	10,359	7,615	7,485
Allocated investment return, net of reinsurance	10,791	6,893	-14,035
Pension return tax	-1,521	-997	692
Claims and benefits paid, net of reinsurance	-8,951	-6,716	-6,226
Change in the life insurance provisions, net of reinsurance	-9,114	-5,260	12,128
Change in profit margin	-1,158	-1,225	269
Insurance operating expenses, net of reinsurance	-585	-443	-385
TECHNICAL RESULT FROM LIFE INSURANCE	-178	-132	-73
NON-LIFE INSURANCE			
Premiums earned, net of reinsurance	626	466	539
Claims incurred, net of reinsurance	-808	-592	-578
Bonuses and rebates	-8	-7	-8
Insurance operating expenses, net of reinsurance	-48	-39	-64
TECHNICAL RESULT FROM NON-LIFE INSURANCE	-238	-172	-111
Total investment return	11,177	7,085	-14,266
Return and value adjustments of non-life insurance provisions	157	157	533
Investment return transferred to life insurance	-10,791	-6,893	14,035
Other income	189	188	2
Other expenses	0	0	-8
PROFIT BEFORE TAX TOPDANMARK LIV HOLDING GROUP	316	233	113
Unwinding costs	-	-	-2
Tax	-67	-49	-7
PROFIT AFTER TAX, DISCONTINUED OPERATIONS	248	184	103

Topdanmark Forsikring A/S has signed an agreement to divest of Topdanmark Liv Holding A/S and all subsidiaries hereof to Nordea Life Holding AB for a purchase price corresponding to a goodwill of DKK 1.5bn.

Consequently, according to IFRS 5, the result from the life insurance group has been presented as discontinued operations in the income statement. Comparatives have been restated.

	31 Dec 2021	30 Sep 2021	30 Sep 2022
ASSETS HELD FOR SALE			
Intangible assets	588	601	599
Tangible assets	17	18	15
Investment assets	30,517	35,443	27,593
Investment assets related to unit-linked products	68,149	57,684	60,061
Receivables	443	545	525
Other assets	1,006	267	1,178
Prepayments and accrued income	409	393	437
TOTAL ASSETS	101,129	94,951	90,408
LIABILITIES RELATING TO ASSETS HELD FOR SALE			
Shareholders' equity	1,588	2,521	1,700
Other subordinated loan capital	300	300	300
Provisions for insurance and investment contracts	92,717	88,808	80,578
Other provisions	59	58	428
Deposits received from reinsurers	11	21	3
Debt	6,411	3,176	7,339
Accruals and deferred income	44	67	60
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	101,129	94,951	90,408
TOTAL LIABILITIES EXCL. GROUP INTERNAL ELIMINATIONS	95,284	90,875	84,006

Notes to the financial statements • Group

(DKK m)	Full year 2021	Q1-Q3 2021	Q1-Q3 2022
Note 4. Discontinued operations - continued			
Gross premium income			
Regular premiums	3,450	2,548	2,652
Single premiums	6,910	5,068	4,834
Gross premiums, insurance contracts	10,360	7,616	7,486
Investment contracts:			
Regular premiums	27	16	8
Single premiums	610	406	1,020
Gross premiums, investment contracts	636	422	1,029
Gross premiums, insurance and investment contracts, Life and pension	10,996	8,038	8,514
Gross premium income, illness and accident	621	461	535
Gross premium income, discontinued operations	11,618	8,499	9,049

	30 Sep 2022
Financial assets and liabilities	
Fair value measurement for financial assets and liabilities is described in note 2, financial assets.	
Financial assets recorded at fair value based on non-observable input (level 3):	
Transferred from continuing operations	45
Repayments	-5
Value adjustments	7
	47

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.

	31 Dec 2021	30 Sep 2021	30 Sep 2022
Contingent liabilities			
Contract liabilities	222	347	11
Adjustments to VAT liabilities	121	118	102
Capital commitments made to loan funds and private equity funds etc.	301	339	261

Notes to the financial statements • Group

Note 5. Related parties

In 2022, Q1, Topdanmark A/S paid dividend of DKK 1,501m (Q1 2021: DKK 840m) to Sampo plc. and received dividend of DKK 3,100m (Q1 2021: DKK 1,800m) from Topdanmark Forsikring A/S.

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. Accounting policies

The announcement of the Q3 2022 results has been prepared in accordance with IAS 34 on interim reports for listed companies and additional Danish disclosure requirements on interim report 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 2022. None of these has affected recognition or measurement.

Topdanmark Forsikring A/S has signed an agreement to divest of Topdanmark Liv Holding A/S and all subsidiaries thereof.

Consequently, Topdanmark Liv Holding Group has been classified as discontinued operation with the effect, that profit from the life insurance group is presented in Topdanmark Group's income statement in one line as Profit after tax, discontinued operations. Comparatives are restated.

Discontinued operations also include unwinding costs.

Assets and liabilities relating to the life insurance group are presented separately in the balance sheet of the Topdanmark Group as Assets held for sale, and Liabilities relating to assets held for sale, with no restatement of comparatives.

Investment assets are measured at fair value, while intangible and tangible assets are measured at the lowest carrying amount and fair value when classified as held for sale. Provisions for insurance and investment contracts are measured at fair value.

Segmentation

Due to the divestment of the life insurance group, the segmentation going forward consists of the two non-life segments, Private and SME, as well as the Parent company. The Private segment includes non-life insurance policies offered by Topdanmark Forsikring A/S to individual households in Denmark, whereas the result from Illness and Accident insurance policies sold through the life company has been included in discontinued operations. Comparatives are restated.

Apart from this, the accounting policies, including policies for calculation of financial ratios, remain unchanged compared with 2021. Please refer to the Annual Report 2021 for the full accounting policies of the Group.

This announcement has not been audited nor subjected to review.

New accounting policies as of 2023

From 1 January 2023, Topdanmark will apply IFRS 17 and IFRS 9, including any consequential amendments to other standards.

These standards bring changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, Topdanmark will restate comparative figures and will present the effect of the standards in the opening equity in the statement of financial position as at 1 January 2022.

Topdanmark is currently performing an analysis of the financial effect from the initial application of the standards.

The continuing operations in Topdanmark Forsikring A/S consist of non-life insurance contracts. These contracts consist in all material aspects of short-term contracts eligible for the premium allocation approach (PAA) under IFRS 17. The simplification is broadly similar to current accounting.

Consequently, IFRS 17 is not expected to have a significant financial effect on the continuing operations in Topdanmark Forsikring.

We expect:

- Minor negative impact on shareholders' equity, mainly related to measurement of risk adjustment
- Result to be largely unchanged.

Presentation of income statement and balance sheet will change following IFRS 17. As a consequence, the key ratios will change. We expect to disclose the effects in Q4 2022.

The discontinued operations in Topdanmark Livsforsikring A/S consist of the Group's life and savings contracts which by nature are long-term contracts, and a portfolio of short-term illness and accident contracts. Under IFRS 17, these contracts will be measured applying the general measurement model and variable fee approach as well as the simplifications from PAA.

For the discontinued operations the analysis is ongoing. We do not expect the shareholders' equity as at 31 December 2022 to change due to the implementation of IFRS 17. The reason being that the divestment of the life operation is based on DK GAAP, and we expect the closing date of the transaction to be before 31 December 2022. Any changes to shareholders' equity as at 1 January 2022 following the implementation of IFRS 17 and IFRS 9 will be offset in the gain from divestment of the life operation in 2022.

Financial statements for Q1-Q3 2022 - Parent company

Income statement • Parent company

(DKKm)	Full year 2021	Q3 2021	Q3 2022	Q1-Q3 2021	Q1-Q3 2022
Income from subsidiaries	2,197	371	273	1,555	679
Value adjustments	-7	0	0	-3	-1
Interest charges	-11	-3	-3	-8	-9
Total investment return	2,179	368	270	1,543	670
Other expenses	-52	-13	-13	-38	-40
PROFIT BEFORE TAX	2,127	355	257	1,505	631
Tax	11	1	3	8	9
PROFIT	2,138	356	259	1,513	639

Statement of comprehensive income • Parent company

Profit	2,138	356	259	1,513	639
Other comprehensive income from subsidiaries	0	0	0	-1	-55
Other comprehensive income	0	0	0	-1	-55
TOTAL COMPREHENSIVE INCOME	2,138	356	260	1,512	584

Balance sheet • Parent company

(DKKm)	31 Dec 2021	30 Sep 2021	30 Sep 2022
Assets			
Operating equipment	3	3	3
TOTAL TANGIBLE ASSETS	3	3	3
Equity investments in subsidiaries	7,169	6,502	4,805
Total investment in subsidiaries	7,169	6,502	4,805
Equity investments	1	1	1
Total other financial investment assets	1	1	1
TOTAL INVESTMENT ASSETS	7,170	6,503	4,805
Receivables from subsidiaries	998	1,352	1,250
Other receivables	62	30	0
TOTAL RECEIVABLES	1,059	1,382	1,250
Liquid funds	1	1	1
TOTAL OTHER ASSETS	1	1	1
TOTAL ASSETS	8,233	7,888	6,059

Shareholders' equity and liabilities

Share capital	90	90	90
Other reserves	3,440	2,774	1,076
Total reserves	3,440	2,774	1,076
Profit carried forward	1,069	4,176	4,248
Proposed dividend	3,105	0	0
TOTAL SHAREHOLDERS' EQUITY	7,705	7,040	5,414
OTHER SUBORDINATED LOAN CAPITAL	400	399	400
Amounts due to subsidiaries	35	35	213
Current tax liabilities	83	404	16
Other debt	11	10	16
TOTAL DEBT	129	449	246
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	8,233	7,888	6,059

Statement by Management

The Board of Directors and the Executive Board have today considered and adopted the interim report for Q1-Q3 2022 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 2022 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 2022.

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 2022 until the presentation of the consolidated financial statements which could change the assessment of the interim report for Q1-Q3 2022.

Ballerup, 25 October 2022

Executive Board:

Peter Hermann
(CEO)

Lars Kufall Beck
(CFO)

Board of Directors:

Ricard Wennerklint
(Chairman)

Jens Aaløse
(Deputy Chairman)

Elise Bundgaard

Maria Hjorth

Mette Jensen

Cristina Lage

Petri Niemisvirta

Michael Noer

Morten Thorsrud

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Topdanmark 