

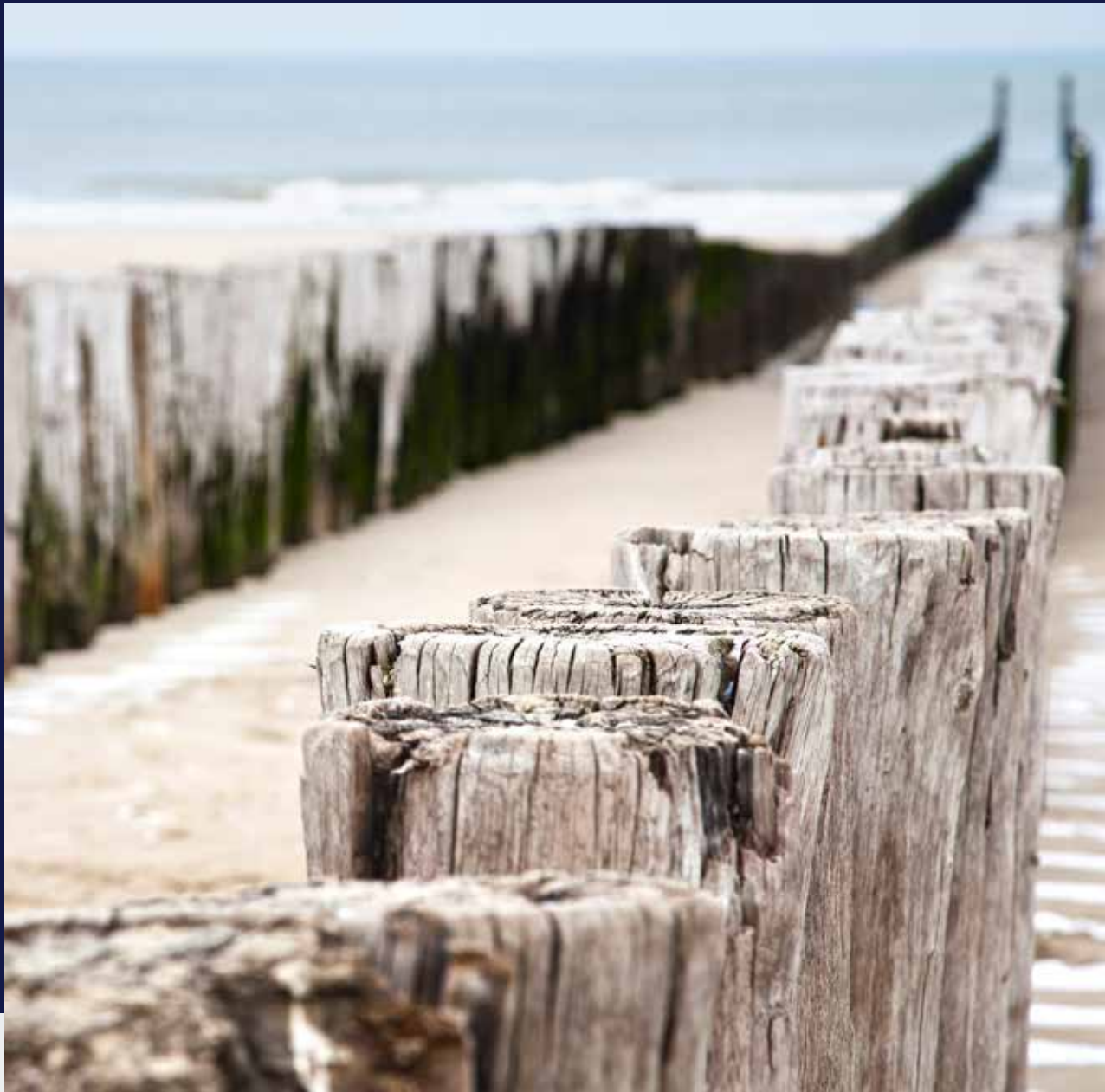
# Annual Report 2022

## Topdanmark A/S

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Topdanmark 



# Topdanmark's equity story

## Profitable growth - in that order

### Focused strategy

- The Topdanmark share is a value case with ambitions to grow profitably
- Danish player
- Focused non-life insurance company
- Stable insurance risks
- Limited financial risk
- Efficient capital management
- High return on equity
- No protection against takeover in the Articles of Association

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See the presentation of Topdanmark's equity story on [www.topdanmark.com](http://www.topdanmark.com) → Investors → [Share profile](#)  
Read about value creation in Topdanmark on [www.topdanmark.com](http://www.topdanmark.com) → Investors → Investment case → [Value creation](#)

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# Management's review



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# Creating a focused non-life company while delivering strong results

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

2022 was an eventful year for Topdanmark. In March, we announced the sale of our life insurance company to Nordea, and on 1 December 2022 we formally completed the sale. In addition to being a good opportunity for the life insurance company to grow further, we firmly believe that this is a positive development for Topdanmark and our shareholders, as we are now focusing our operations entirely on non-life insurance and on creating efficient and highly profitable operations with very low volatility and low capital requirement. As such, this only further strengthens the capital repatriation case that Topdanmark has embodied for decades.

At the same time, 2022 was a very turbulent year. The Russian invasion of Ukraine brought hardship to millions of innocent people, who all have our deepest sympathy. In addition, rising inflation, weak financial markets, and sharply increasing interest rates affected individuals and companies alike all over the world.

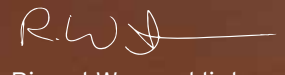
Seen in the light of these severe events, we are very pleased with the financial developments of Topdanmark. Including the DKK 957m net gain from the sale of the life insurance company, we reported a net profit of DKK 2,049m or DKK 1,930m before run-off, significantly higher than our original expectation at the beginning of 2022 of DKK 1,200-1,450m before run-off and before the announced sale of the life insurance company. As a result, the Board of Directors will propose a record-high total dividend payment of DKK 53.5 per share for 2022. The combined ratio was 83.3 before run-off, which outperformed our original expectation of 85.5-88 before run-off by a clear margin, helped along by the sale of the life activities as well as strong

business momentum with underlying profitability improvements, strong results from our efficiency programme, and premium growth.

At Topdanmark, we continue to firmly believe that long-term shareholder value is created through committed 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 that we once again can report a historically high employee satisfaction level of 81 compared with 80 in 2021. Likewise, we continue to see a stable, high transactional net promoter score (tNPS) in non-life. In addition, we continued to further reshape and improve our products and services throughout 2022 to adapt to changing customer demands, e.g. our updated cyber insurance product for small- and medium-sized companies.

In response to the macroeconomic uncertainty, we have proactively reached out to thousands of customers to learn how, as an insurance company, we can help them in the best possible way. Among other things, Topdanmark has carried out service checks for our commercial and agricultural customers to ensure correct coverage, including mitigating the risk of under-insurance given the high inflation, as well as offered them the possibility of monthly payments to support liquidity. We have also contacted private customers to offer them an insurance check, and eight out of ten customers accepted the offer. The private customers also get the possibility of dividing payments into smaller monthly amounts, which about half have opted to do.

  
Peter Hermann  
Group CEO

  
Ricard Wennerklint  
Chairman of the Board



Climate change and increasingly extreme weather affect our private, agricultural and commercial customers. In 2022, we helped an extraordinary number of customers - almost 20,000 - who were impacted by damage caused by storm or cloudbursts. We have received positive feedback on several preventive measures which we continue to develop and launch to the benefit of the customers, society and us as a company. For example, we have developed customised SMS text warnings with local weather forecasts and good advice to prevent storm damage. These warnings were sent out to more than 80,000 customers who were affected by the severe storms Malik and Nora at the beginning of the year, giving them the opportunity to prepare for the events.

In the past year, we have continued to make good progress on our strategic agenda by preparing our new core IT system, Guidewire, and finetuning our CRM system, Salesforce. In Guidewire, the first implementation wave - agricultural customers - has almost been finalised, and the results are promising. We are now launching the second implementation wave encompassing all private customers. 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 and digitally.

Our overarching ambition is to solve 80% of all customer inquiries within 20 seconds.

We have also seen solid traction on 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 a stringent focus on risk and pricing. In 2022, we have delivered gross savings of DKK 325m, which is somewhat more than our original expectations of DKK 260m. Due to the strong delivery on the programme so far, and the inclusion of further cost efficiency measures, we increase our ambitions and now expect the programme to deliver DKK 650m of gross savings by 2025.

As a final remark, the Board of Directors and the Group Executive Management would like to thank all employees for their remarkable efforts during the year. Considering the intensely increased macroeconomic uncertainty, we are very proud to see the hard work and dedication put into helping our customers navigate through these challenging times. In addition, we acknowledge the extraordinary strain put on the organisation by the sale of the life insurance company. We are equally very grateful for your tireless efforts in this process.



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# Highlights

## 2022

- Profit after tax of DKK 2,049m (2021: DKK 2,138m)
- EPS was DKK 23.2 (2021: DKK 24.3)
- Combined ratio: 81.8 (2021: 80.1)
- Combined ratio excl. run-off: 83.3 (2021: 82.8)
- Premiums increased by 3.8% in non-life insurance.
- After return on non-life insurance provisions, the investment return was DKK -477m (2021: DKK 554m).
- Profit from discontinued operations was DKK 1,089m after tax (2021: DKK 248m).

## Q4 2022

- Profit after tax of DKK 1,410m (Q4 2021: DKK 625m)
- EPS was DKK 15.9 (Q4 2021: DKK 7.1)
- Combined ratio: 80.9 (Q4 2021: 77.9)
- Combined ratio excl. run-off profits: 81.7 (Q4 2021: 80.4)
- Premiums increased by 4.0% in non-life insurance.
- After return on non-life insurance provisions, the investment return was DKK 78m (Q4 2021: DKK 193m).
- Profit from discontinued operations was DKK 983m after tax (Q4 2021: DKK 64m).

## Dividend distribution for 2022

- The Board of Directors will recommend to the AGM that distribution of a total dividend of DKK 4,815m takes place, representing DKK 53.5 per share, a pay-out ratio of 235 and a dividend yield of 14.6. The total dividend is made up of an ordinary dividend of DKK 990m from this year's profit from continuing operations of DKK 960m, representing DKK 11.0 per share and a pay-out ratio of 103.1, as well as an extra dividend based on the sale of Topdanmark Liv Holding A/S of DKK 3,825m, representing DKK 42.5 per share.
- Subject to the approval from the AGM, the distribution of dividend will take place immediately after the AGM on 26 April 2023.

## Profit forecast model for 2023

- The post-tax profit forecast model for 2023 amounts to DKK 1,050-1,310m, excl. run-off.
- The assumed combined ratio for 2023 is adjusted to 83-86 excl. run-off due to decreasing long interest rates, removal of the VA component, and higher expected reinsurance prices. These three effects impacted the assumed combined ratio by well above 0.5pp.
- The expected premium growth in non-life is unchanged at 2-3.5%.

## Divestment of Topdanmark Liv Holding A/S

On 1 December 2022, the divestment of Topdanmark Liv Holding A/S to Nordea was completed.



## Efficiency programme

- In 2022, Topdanmark has made solid progress in its efforts to become more efficient.
- Topdanmark has realised gross efficiency gains of DKK 325m, ahead of original expectations of DKK 260m.
- Due to the strong delivery on the programme so far and the inclusion of further cost efficiency measures, the efficiency programme is now targeted to deliver gross efficiency gains of DKK 650m in 2025.
- In 2023, the gross efficiency gains from the programme are expected to amount to DKK 435m.

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## Annual General Meeting

The Annual General Meeting will be held on 26 April 2023 at 15:00 (CET) as a fully virtual AGM.

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## Please direct any queries to:



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Chief Executive Officer



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# Financial highlights

(DKKm)	2018	2019	2020	2021	2022	Q4 2021	Q4 2022
Premiums earned, non-life insurance	8,609	8,896	9,125	9,541	9,903	2,421	2,518
	8,609	8,896	9,125	9,541	9,903	2,421	2,518
<b>Results:</b>							
Non-life insurance	1,378	1,845	1,347	2,461	1,299	726	565
Parent company etc.	54	60	34	-35	-59	-17	-10
Profit before tax, continuing operations	1,432	1,905	1,381	2,426	1,240	709	554
Tax, continuing operations	-312	-422	-311	-537	-280	-149	-127
Profit after tax, continuing operations	1,120	1,483	1,070	1,889	960	561	427
Profit after tax, discontinued operations	210	64	54	248	1,089	64	983
<b>Profit</b>	<b>1,331</b>	<b>1,547</b>	<b>1,124</b>	<b>2,138</b>	<b>2,049</b>	<b>625</b>	<b>1,410</b>
Run-off profits, net of reinsurance	201	377	-5	255	152	60	20
Shareholders' equity of parent company at 1 January	6,497	6,322	6,703	7,185	7,705	7,040	5,414
Profit	1,331	1,547	1,124	2,138	2,049	625	1,410
Dividend paid	-1,710	-1,350	-765	-1,800	-3,105	0	0
Dividend own shares	73	50	24	48	65	0	0
Share-based payments	131	148	98	133	147	39	37
Other movements in shareholders' equity	1	-14	1	0	0	2	-1
<b>Shareholders' equity of parent company end of period</b>	<b>6,322</b>	<b>6,703</b>	<b>7,185</b>	<b>7,705</b>	<b>6,860</b>	<b>7,705</b>	<b>6,860</b>
Deferred tax on security funds	-306	-306	-306	-306	-362	-306	-362
<b>Shareholders' equity of Group end of period</b>	<b>6,016</b>	<b>6,397</b>	<b>6,879</b>	<b>7,399</b>	<b>6,498</b>	<b>7,399</b>	<b>6,498</b>
Total assets, parent company	6,873	7,274	7,785	8,233	7,095		
Total assets, Group	83,224	98,442	109,288	120,368	23,024		
Provisions for insurance and investment contracts:							
Non-life insurance	16,056	16,175	16,462	17,102	13,279		
Life insurance	56,519	70,603	79,335	89,593	0		
<b>Financial ratios (parent company)</b>							
Post-tax profit as a percentage of shareholders' equity *	21.8	24.8	16.6	30.5	31.4		
Post-tax EPS continuing operations (DKK)	13.0	17.1	12.3	21.5	10.9	6.4	4.8
Post-tax EPS continuing operations, diluted (DKK)	12.9	17.0	12.2	21.5	10.8	6.4	4.8
Post-tax EPS (DKK)	15.4	17.8	12.9	24.4	23.2	7.1	15.9
Post-tax EPS, diluted (DKK)	15.4	17.7	12.9	24.3	23.2	7.1	15.9
Dividend per share issued, proposed (DKK)	15.0	17.0	20.0	34.5	53.5		
Net asset value per share, diluted (DKK)	72.9	76.7	82.0	87.4	77.1		
Listed share price end of period	303.0	328.4	264.2	367.0	365.4		
Number of shares end of period ('000)	86,432	87,067	87,491	87,978	88,518		
Average number of shares ('000)	86,242	86,824	87,266	87,703	88,206	87,933	88,401
Average number of shares, diluted ('000)	86,637	87,229	87,475	87,948	88,505	88,212	88,648
<b>Ratios non-life insurance</b>							
Gross claims ratio	65.1	62.1	66.1	62.9	62.6	59.9	59.7
Net reinsurance ratio	1.3	2.5	3.0	1.0	2.8	1.9	3.6
Claims ratio, net of reinsurance	66.4	64.6	69.0	63.9	65.4	61.8	63.3
Gross expense ratio	16.6	16.5	16.9	16.2	16.4	16.1	17.7
Combined ratio	83.0	81.1	85.9	80.1	81.8	77.9	80.9
Combined ratio excl. run-off profits	85.4	85.4	85.9	82.8	83.3	80.4	81.7

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

Due to the divestment of Topdanmark Liv Holding and according to requirements comparatives have been restated.

# Results for 2022

Results and profit forecast model (DKKm)	Results		Results		Forecast 2022 company announcement no. 19/2022		
	Q4 2021	Q4 2022	2021	2022			
Non-life insurance							
- Technical result	534	480	1,897	1,802	1,675	–	1,775
- Investment return after return and value adjustments of non-life insurance provisions	193	81	564	-468	-565	–	-550
- Other items	-1	3	1	-35	-40	–	-40
Profit on non-life insurance	726	565	2,461	1,299	1,070	–	1,185
Parent company etc.	-17	-10	-35	-59	-65	–	-60
Profit before tax, continuing operations	709	554	2,426	1,240	1,005	–	1,125
Tax, continuing operations	-149	-127	-537	-280	-230	–	-250
Profit after tax, continuing operations	561	427	1,889	960	775	–	875
Profit after tax, discontinued operations	64	983	248	1,089	1,025	–	1,075
<b>Profit</b>	<b>625</b>	<b>1,410</b>	<b>2,138</b>	<b>2,049</b>	<b>1,800</b>	<b>–</b>	<b>1,950</b>

Topdanmark's post-tax profit for 2022 was DKK 2,049m (2021: DKK 2,138m).

The technical result decreased by DKK 95m to DKK 1,802m. The decrease was driven by lower run-off and higher weather-related claims in Q1 2022, mainly caused by the storms Malik and Nora. In addition, 2021 was positively impacted by COVID-19. The technical result benefitted from growth and rising interest rates as well as continued progress in our efficiency programme.

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 1,032m to DKK -468m. This development should be seen in the light of the volatility in the financial markets during 2022 caused in part by the war in Ukraine and rising inflation, whereas the investment return in 2021 was impacted by favourable market conditions, especially for equity investments and CLOs.

The profit from discontinued operations (encompassing the life operations that were sold as at 1 December 2022) increased by DKK 841m to DKK 1,089m after tax. The improvement mainly derives from the gain related to the sale of the life operations, partly offset by costs related to the sale. Underlying, 2022 was affected by the negative development mainly deriving from investments as well as risk return on shareholders' equity. In 2021, the investment return was also positively impacted by

valuation adjustments of the property portfolio.

The profit of DKK 2,049m is better than assumed in the latest profit forecast model as updated in company announcement no. 19/2022 dated 1 December 2022, showing a post-tax profit of DKK 1,800-1,950m. The profit improvement is mainly due to a higher investment return, run-off profits and lower weather-related claims in Q4, and a slightly higher profit from discontinued operations than assumed.

## Results for Q4 2022

The profit for Q4 2022 was DKK 1,410m (Q4 2021: DKK 625m).

The technical result decreased to DKK 480m from the historically high level of DKK 534m in Q4 2021. The decrease was driven by higher claims frequencies across certain business lines following the normalisation of COVID-19 impacts since last year. These effects more than outweighed the effect of higher interest rates and improved underlying trends most notably within house and property insurance.

After return on non-life insurance provisions, the investment return in non-life insurance decreased by DKK 112m to DKK 81m.

The result of discontinued operations amounted to DKK 983m and included the gain related to the sale of the life operations as well as costs related to the sale.

# Non-life insurance in 2022

Financial highlights – Non-life insurance (DKKm)	Q4 2021	Q4 2022	2021	2022
Gross premiums earned	2,421	2,518	9,541	9,903
Claims incurred	-1,450	-1,504	-6,000	-6,197
Expenses	-391	-445	-1,545	-1,628
Net reinsurance	-46	-90	-99	-276
Technical result	534	480	1,897	1,802
Investment return after return and value adjustments of non-life insurance provisions	193	81	564	-468
Other items	-1	3	1	-35
<b>Profit on non-life insurance</b>	<b>726</b>	<b>565</b>	<b>2,461</b>	<b>1,299</b>
Run-off profits, net of reinsurance	60	20	255	152
Gross claims ratio	59.9	59.7	62.9	62.6
Net reinsurance ratio	1.9	3.6	1.0	2.8
Claims ratio, net of reinsurance	61.8	63.3	63.9	65.4
Gross expense ratio	16.1	17.7	16.2	16.4
Combined ratio	77.9	80.9	80.1	81.8
Combined ratio excl. run-off profits	80.4	81.7	82.8	83.3

## Premiums earned

Premiums earned increased by 3.8% to DKK 9,903m. The private segment accounted for a 1.9% increase, while the SME segment accounted for a 5.6% increase.

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 2022. We expect the trend to continue in 2023.

## Claims ratio

Claims ratio, net of reinsurance	Q4 2021	Q4 2022	2021	2022
Claims ratio, net of reinsurance	61.8	63.3	63.9	65.4
Run-off	2.5	0.8	2.7	1.5
Weather-related claims	-1.3	-1.1	-1.9	-2.8
Large-scale claims	-0.7	-0.9	-1.3	-1.0
Other	-0.3	0.5	0.2	0.3
<b>Claims before run-off, weather, large-scale claims and other</b>	<b>62.0</b>	<b>62.6</b>	<b>63.6</b>	<b>63.4</b>
Discounting	0.6	2.8	0.3	2.0
COVID-19			0.7	
<b>Underlying (undiscounted) claims ratio, net of reinsurance</b>	<b>62.5</b>	<b>65.4</b>	<b>64.7</b>	<b>65.4</b>

The claims ratio, net of reinsurance, was 65.4 in 2022, up from 63.9 in 2021. However, gross of reinsurance, the claims ratio improved year-on-year from 62.9 to 62.6.

The run-off profit, net of reinsurance, was DKK 152m (2021: DKK 255m), representing a 1.2pp negative effect on the claims ratio. Specifically, run-off profits in house and property insurance were lower than in 2021.

Weather-related claims amounted to DKK 276m in 2022 (2021: DKK 182m), representing a 0.9pp deterioration of the claims ratio. The level of weather-related claims was thus DKK 9m below

the normalised modelled level of DKK 285m. Weather-related claims were high in Q1 2022 due to the storms Malik and Nora, while weather conditions in Q2-Q4 2022 were more benign. In comparison, weather conditions in 2021 were very benign apart from Q3 2021 which saw several cloudbursts.

The level of large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) decreased by DKK 24m to DKK 96m in 2022 (2021: DKK 120m), representing a 0.3pp improvement of the claims ratio. The level of large-scale claims was thus almost in line with the normalised modelled level of DKK 100m.



The claims ratio was positively impacted by the higher interest rates. The discounting effect was 1.7pp higher compared with 2021.

Inflation within construction materials rose significantly in 2022, most notably within energy-consuming materials such as tiles, cement and insulation. However, we see signs that inflation peaked during Q4. 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 inflation, 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 slightly to 63.4 in 2022.

The underlying claims ratio, which is adjusted further for discounting and COVID-19 impact, increased by 0.7pp to 65.4. This was due to a meaningful headwind from normalised claims frequencies after COVID-19, partly offset by improved underlying trends within e.g. house and property insurance. Please note that although we stopped reporting on the estimated COVID-19 impact in Q3 2021, the last quarter of 2021 was also clearly positively impacted by COVID-19.

## Expense ratio

The expense ratio was 16.4, almost in line with the level last year of 16.2. General cost inflation was mitigated by our continued efforts to realise our efficiency programme targets. Synergies between non-life and life insurance affected the expense ratio positively until closing of the sale of Topdanmark Liv Holding A/S as at 1 December 2022, causing a higher expense ratio in Q4, which was expected following the closing of the transaction.

## Combined ratio

The combined ratio was 81.8 (2021: 80.1). Excluding run-off, the combined ratio was 83.3 (2021: 82.8).

## Non-life insurance in Q4 2022

Premiums earned in Q4 2022 increased by 4.0% to DKK 2,518m. The growth in premiums was 2.0% and 5.9% in the private segment and the SME segment, respectively.

The claims ratio was 63.3 in Q4 2022, up from 61.8 in Q4 2021. However, gross of reinsurance, the claims ratio improved year-on-year from 59.9 to 59.7.

Weather conditions were benign during October and November, while we experienced some winter weather and frost during parts of December. Related claims amounted to DKK 27m, DKK 4m lower than in Q4 2021 corresponding to an improvement of the claims ratio of 0.2pp. Weather-related claims were somewhat below the normalised modelled level of DKK 70m.

Large-scale claims amounted to DKK 23m, slightly higher than the level in Q4 2021 (DKK 18m) but marginally below the normalised modelled level of DKK 25m, corresponding to a deterioration of the claims ratio of 0.2pp. Q4 2021 was predominantly affected by a few, but large fire-related claims in the SME segment, impacting the net reinsurance ratio positively compared with Q4 2022.

The claims ratio was positively impacted by the higher interest rates. The discounting effect was 2.2pp higher compared with Q4 2021.

The run-off profit, net of reinsurance, was DKK 20m, largely in line with preceding quarters but somewhat below the level in Q4 2021 (DKK 60m), representing a 1.7pp negative effect on the claims ratio.

The claims ratio adjusted for run-off, weather-related claims, large-scale claims, and other positions including change of risk margin increased by 0.6pp to 62.6.

The underlying claims ratio, which is adjusted further for discounting, increased by 2.9pp to 65.4 from the very low level in Q4 2021. The increase was mostly due to a headwind from normalised claims frequencies after COVID-19, in particular within travel insurance and personal accident. Furthermore, the provision for weather-related accidents within motor insurance in Q4 2021 was understated by around DKK 20m. 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. Despite the higher frequency levels, profitability remains solid with a full-year claims ratio below 70 within travel insurance and in the mid-60s within personal accident.

The expense ratio was 17.7 (Q4 2021: 16.1) and was negatively affected by dissynergies related to the sale of our life insurance operations as well as the increased use of external sales channels and one-off

costs in Q4 2022. As previously stated, annual dissynergies from the sale of life are estimated at approx. DKK 150m.

The combined ratio was 80.9 (Q4 2021: 77.9). Excluding run-off, the combined ratio was 81.7 (Q4 2021: 80.4).

## Segment reporting

### Private

Private (DKKm)	Q4 2021	Q4 2022	2021	2022
Gross premiums earned	1,177	1,200	4,674	4,765
Claims incurred	-670	-771	-2,837	-3,025
Expenses	-177	-221	-730	-781
Net reinsurance	-14	-15	-60	-50
<b>Technical result</b>	<b>316</b>	<b>192</b>	<b>1,047</b>	<b>909</b>
Run-off profits, net of reinsurance	34	-8	123	57
Gross claims ratio	56.9	64.2	60.7	63.5
Net reinsurance ratio	1.2	1.3	1.3	1.0
Claims ratio, net of reinsurance	58.1	65.5	62.0	64.5
Gross expense ratio	15.0	18.4	15.6	16.4
Combined ratio	73.2	84.0	77.6	80.9
Combined ratio excl. run-off profits	76.1	83.3	80.2	82.1

The private segment offers policies to individual households in Denmark.

Premiums earned increased by 1.9% to DKK 4,765m in 2022. Premiums increased by 2.0% in Q4 2022.

The technical result was DKK 909m in 2022, representing a decrease of DKK 138m compared with 2021.

The claims ratio increased by 2.5pp to 64.5 in 2022. Weather-related claims amounted to DKK 133m in 2022 (2021: DKK 99m) mainly due to the two storms in Q1 2022 and cloudbursts in Q3 2022, representing a 0.7pp deterioration of the claims ratio.

Run-off of DKK 57m was DKK 66m lower than in 2021 corresponding to a negative impact of 1.4pp on the claims ratio. Furthermore, the provision for weather-related accidents within motor insurance was understated by around DKK 20m in Q4 2021.

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

The expense ratio increased to 16.4 from 15.6 in 2021. Costs were affected by the increased use of external sales channels and one-off costs in Q4 2022. In addition, dissynergies related to the sale of our life operations affected the expense ratio from 1 December 2022.

The combined ratio was 80.9 in 2022 (2021: 77.6).

Excluding run-off, the combined ratio was 82.1 (2021: 80.2).

## SME

SME (DKK m)	Q4 2021	Q4 2022	2021	2022
Gross premiums earned	1,248	1,321	4,878	5,150
Claims incurred	-783	-735	-3,173	-3,182
Expenses	-214	-224	-817	-848
Net reinsurance	-32	-74	-39	-227
<b>Technical result</b>	<b>220</b>	<b>288</b>	<b>850</b>	<b>893</b>
Run-off profits, net of reinsurance	26	28	132	95
Gross claims ratio	62.7	55.6	65.0	61.8
Net reinsurance ratio	2.5	5.6	0.8	4.4
Claims ratio, net of reinsurance	65.3	61.3	65.8	66.2
Gross expense ratio	17.2	17.0	16.7	16.5
Combined ratio	82.4	78.2	82.6	82.7
Combined ratio excl. run-off profits	84.5	80.3	85.3	84.5

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

Premiums earned increased by 5.6% to DKK 5,150m in 2022. Premiums increased by 5.9% in Q4 2022.

The technical result in 2022 increased by DKK 43m to DKK 893m.

The net reinsurance ratio increased markedly from the very low level in 2021 due to a few large-scale claims in 2021 with significant reinsurance coverage. The gross claims ratio decreased markedly for the same reason.

The level of large-scale claims was DKK 37m below the level of 2021.

In 2022, weather-related claims amounted to DKK 143m (2021: DKK 83m), representing a 1.1pp deterioration of the claims ratio.

Run-off was DKK 95m in 2022 (2021: DKK 132m). Run-off profits were driven mainly by workers' compensation.

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

The expense ratio was 16.5 in 2022 which is 0.2pp below 2021.

In 2022, the combined ratio was 82.7 almost in line with 2021.

Excluding run-off, the combined ratio was 84.5 in 2022 (2021: 85.3).

## Discontinued operations (Topdanmark Liv Holding A/S)

Discontinued operations (DKK m)	Q4 2021	Q4 2022	2021	2022
Investment return on shareholders' equity	76	23	318	130
Sales and administration	7	13	26	63
Insurance risk	7	-7	4	7
Risk return on shareholders' equity	42	31	155	76
Profit on life insurance	132	60	502	276
Illness and accident	-49	-70	-187	-171
Profit before tax, Topdanmark Liv Holding Group	83	-11	316	105
Net gain	-	959	-	957
Profit before tax, discontinued operations	83	948	316	1,062
Tax	-18	35	-67	27
<b>Profit after tax, discontinued operations</b>	<b>65</b>	<b>983</b>	<b>248</b>	<b>1,089</b>

Please note that for the section on discontinued operations, we compare 11 months in 2022 to the full year of 2021. For Q4 2022, we compare two months in 2022 to three months in 2021. This is due to the closing of the sale of Topdanmark Liv Holding A/S as at 1 December 2022.

Profit after tax from discontinued operations amounted to DKK 1,089m (2021: DKK 248m). The result is mainly affected by the gain from the sale of the life operations, partly offset by costs related to the sale (all booked in the line "net gain"). Underlying, the result is negatively affected by lower investment and risk returns.

The investment return on shareholders' equity was DKK 130m in 2022 (2021: DKK 318m).

The result of sales and administration increased by DKK 37m to DKK 63m, mainly as no amortisation on IT intangibles was carried out in the period between

signing and closing of the divestment of Topdanmark Liv Holding A/S. This effect was offset within the net gain recognised upon closing of the sale.

The insurance risk result increased by DKK 3m to DKK 7m.

The risk return on shareholders' equity decreased by DKK 79m to DKK 76m.

The illness and accident result increased by DKK 16m to DKK -171m as 2021 was impacted by a run-off loss and higher provisions for unexpired risk due to increasing inflation expectations.

Finally, the tax line showed a gain of DKK 27m. Please note that the gain from the sale of the life operations was tax-free while a small part of the extraordinary costs related to the sale was assumed tax deductible.

## Investment activities

Investment return	Portfolio 31 Dec									
	2021	2022	Return Q4 2021		Return Q4 2022		Return 2021		Return 2022	
	(DKKbn)		(DKKm)	%	(DKKm)	%	(DKKm)	%	(DKKm)	%
Danish equities	0.2	0.2	14	7.1	26	16.9	42	22.7	-25	-12.2
Foreign equities	0.8	0.6	63	7.9	45	7.2	180	24.0	-168	-19.9
Unlisted equities and hedge funds	0.4	0.3	4	1.0	11	2.9	36	10.5	14	3.9
Government and mortgage bonds	11.5	12.8	36	0.2	158	1.5	-302	2.2	-1,069	-8.9
Credit bonds	0.0	0.2	0	0.0	-1	0.0	0	0.0	-1	0.0
Index linked bonds	0.6	0.7	5	1.3	38	7.2	-9	-2.0	14	2.6
CLOs	0.7	0.2	21	3.0	-1	-0.2	163	28.7	-115	-14.1
Properties	1.2	0.8	36	2.9	-39	-4.3	110	9.4	-16	-1.8
Expenses, money markets etc.	5.0	3.8	7	0.2	-3	-0.1	18	0.7	8	0.2
Subordinated loan capital	-1.9	-1.1	-5	-0.4	-13	-0.7	-34	-2.1	-36	-1.9
	18.6	18.5	181	1.0	222	1.4	204	1.2	-1,393	-7.9
Asset management (2021: 6 months)			-				4			
Investment return			181		222		208		-1,393	
Return and value adjustments of non-life insurance provisions			11		-144		346		916	
Investment return after return on non-life insurance provisions			193		78		554		-477	

The investment return after return and value adjustments of non-life insurance provisions was DKK -477m (2021: DKK 554m). In Q4 2022, the investment return was DKK 78m (Q4 2021: DKK 193m).

The negative return in 2022 was primarily driven by falling equity markets, spread widening on CLOs, and a net loss from hedging the regulatory part of the Solvency II curve, i.e. the volatility adjustment. The positive return in Q4 was supported by the equity allocation, inflation-indexed bonds, and Danish

mortgage bonds.

During 2022, the financial markets were severely affected by increased macroeconomic volatility which can mainly be attributed to increasing inflation, downward pressure on economic growth, and geopolitical tensions. The ongoing battle between inflation and growth continued as central banks kept trying to mitigate inflation dynamics by tightening monetary policies.

Q4 2022 was characterised by better sentiment driven by expectations of lower inflation going forward. In combination with better-than-expected growth prospects, this turned sentiment around in Q4 and supported equity and spread markets.

On the “free” portfolio, i.e. the assets not used to match our liabilities, the better sentiment throughout the quarter supported the equity allocation – both Danish and global equities. Furthermore, inflation-indexed bonds benefitted from a spike in expected inflation that further supported the positive investment results in Q4. On the negative side, the property portfolio, which only comprises owner-occupied properties, saw a loss of DKK 39m as a result of a negative value adjustment.

After the sale of Topdanmark Liv Holding A/S, the equity exposure and strategy are shifted from single-stock picking towards ETFs. Furthermore, an exposure to high yield credit is added to the “free” portfolio. Due to market conditions in Q4 2022, Topdanmark Forsikring A/S retains some exposure to CLOs over the year-end. We aim to reduce the CLO exposure further over the coming quarters.

As regards the liability matching part of the investment portfolio, the duration risk between provisions and the fixed income assets has throughout the year been fully hedged by fixed income assets, primarily Danish mortgage bonds, and interest rate swaps. The fixed income part of the portfolio is dominated by AAA-rated Danish mortgage bonds. Besides hedging duration risk, Danish mortgage bonds are also hedging the volatility component of the Solvency II curve. The fluctuations in the hedging throughout the year can primarily be attributed to the volatility adjustment (VA) on the Solvency II curve which periodically has moved asynchronously with i.a. the spread on Danish mortgage bonds.

The Danish volatility adjustment on the Solvency II curve (VA) decreased during Q4 and ended the year at 16bps which is 31bps lower compared with the beginning of the year. The VA component comprises a corrective element for the development in the pricing of Danish mortgage bonds, as well as a corrective element for the development in the pricing of European business credits. Note that we will stop using the VA component to the Solvency II curve as at 1 January 2023.

“Expenses, money markets, etc.” comprise in addition to money market deposits and currency positions, other returns and expenses not included in specified classes.

## 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 of the parent company decreased by DKK 24m to DKK -59m in 2022.

## Taxation

The tax charge on continuing operations was DKK 280m of the pre-tax profit of DKK 1,240m, corresponding to an effective tax rate of 22.5% (2021: 22.1%).

## 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 2022, and our efforts to become more efficient are progressing well.

Within automation, digitalisation, and fraud detection, we delivered solid progress. Our fraud detection capabilities increased substantially, for example by way of leveraging machine learning to pinpoint actionable leads. As a result, claims withheld reached index 142 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 have finalised our risk-based price increases on house insurance, on average raising prices by 9% for approx. 145,000 customers. We will continue our efforts to improve our products and optimise tariffs across the entire portfolio.

Within procurement and cost efficiency, our progress was strong. We have finalised the first wave of creating a best-in-class procurement function, and we have finalised more than 50 different sourcing projects within claims, IT and indirect expenditure. Further, costs were reduced through focused efforts



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to reduce consultancy expenditure as well as organisational adjustments. Cost efficiencies mainly stem from IT, staff, and back-office functions.

As a result of the above, we delivered DKK 325m gross efficiency gains in 2022, somewhat above our target of DKK 260m.

Due to the strong delivery on the programme so far and the inclusion of further cost efficiency measures, we have increased the targeted savings of the efficiency programme. The efficiency programme now targets DKK 650m of gross efficiency gains in 2025. The original efficiency programme targeted DKK 500m of gross efficiency gains in 2025. This means that we have added gross efficiency measures corresponding to the dissynergies related to the sale of the life operations, and we aim to offset the dissynergies on a net basis to a large extent.

At the end of 2022, we have thus obtained 50% of the targeted gross efficiency gains. In 2023, we will continue our efforts to become more efficient, and gross efficiency gains are expected to reach DKK 435m.

## **New IT systems**

The process of implementing the new IT system made significant progress during 2022, and we have almost finalised Wave 1 of the implementation plan (agricultural customers). In 2023, Wave 2 of the implementation plan (private customers) will be launched. In addition, planning of Wave 3 (commercial customers) will be carried out.

The implementation of the new IT system is progressing according to the implementation plan.

# Profit forecast model for 2023

Profit forecast model 2023 (DKKm)	Results 2022	Forecast 2023 30 December 2022		
Non-life insurance				
- Technical result	1,802	1,425	–	1,725
- Investment return after return and value adjustments of non-life insurance provisions	-468	100	–	125
- Other items	-35	-65	–	-60
Profit on non-life insurance	1,299	1,460	–	1,790
Parent company etc.	-59	-60	–	-50
Profit before tax, continuing operations	1,240	1,400	–	1,740
Tax, continuing operations	-280	-350	–	-430
Profit after tax, continuing operations	960	1,050	–	1,310
Profit after tax, discontinued operations	1,089	-	–	-
<b>Profit</b>	<b>2,049</b>	<b>1,050</b>	<b>–</b>	<b>1,310</b>

Traditionally, we do not publish actual profit forecasts, but instead, the expected level of results provided that a number of assumptions about the return in the financial markets are met. The return on financial assets changes on a daily basis, and consequently our profit forecast model will already deviate from actual expectations by the time it is published.

Therefore, set out at [www.topdanmark.com](http://www.topdanmark.com) → Investors → [Risk management](#), we provide additional information on how changes in the assumptions underlying the profit forecast model will affect the results.

As can be seen, the investment return forecast model is not based on a specific estimate of the expected investment return for the 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 2-3.5% and a combined ratio of 82.5-85.5 for 2023. Please note that these ranges are based on the new IFRS 17 accounting standard, which entered into force on 1 January 2023. A separate memo on the impacts of IFRS 17 can be found on [www.topdanmark.com](http://www.topdanmark.com). The underlying assumptions of the profit forecast model can be found in the Q1-Q3 Report. Since this report, the following major changes to assumptions have occurred:

- Interest rates have decreased in the long end of the curve, which negatively affects workers' compensation liabilities.
- From 1 January 2023, we have decided to cease to use the volatility adjustment to the Solvency II interest rate curve, which negatively affects the claims level.

- The reinsurance market for natural catastrophe coverage is toughening as exemplified by the industry-wide renewals as at 1 January 2023. Our programme renews as at 1 July 2023, and we expect somewhat higher pricing.
- The above three types of impact in combination increased the combined ratio in the profit forecast model by well above 0.5pp.
- Higher targeted gross effects from the efficiency programme.

As a result, the assumed premium growth is unchanged at 2-3.5%, and the assumed combined ratio is adjusted to 83-86. This includes an unchanged expectation of an expense ratio of around 16.5.

The overall assumed pre-tax result for non-life insurance is DKK 1,460-1,790m excl. run-off.

## Parent company

The profit forecast model for the parent company plus subsidiaries outside of the insurance group assumes a pre-tax loss of DKK 50-60m.

## Taxation

In 2023, the corporate tax rate for financial sector companies increases to 25.2%. We are still assessing the final impact of this on the effective tax rate of the Group. Assuming an effective tax rate of 25.2% for the Topdanmark Group, the tax charge is expected to be DKK 350-430m.

## Total Group profit

Topdanmark's overall post-tax profit according to the profit forecast model for 2023 is DKK 1,050-1,310m, representing an EPS of DKK 11.9-14.8. The assumed

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profit is exclusive of run-off. The result of the profit forecast model corresponds to 69-86% of the current Group solvency requirement.

The profit forecast model assumes unchanged foreign exchange rates from the level as at 30 December 2022. For the liability matching part of the investment portfolio, the model assumes that the return on interest-bearing assets that hedge the discounted provisions exactly suffices to cover discounting and value adjustments of the provisions. For the “free” investment portfolio, the profit forecast model is based on the common return expectations for investments with a 1-5-year horizon as set out by the Council for Return Expectations.

## Risk management

Topdanmark's risks follow from the decided business model and the selected products. Topdanmark's risks and risk profile are clarified and managed through the established strategies, policies, etc., including risk tolerance limits. The Board of Directors determines the overall risk policies and limits.

Topdanmark's policy is to hedge against risks arising from the company's activities or to limit such risks to a level that allows Topdanmark to maintain normal operations and implement its planned measures even in the case of highly unfavourable events in the outside world.

As a consequence of this policy, for a number of years Topdanmark has identified and reduced or eliminated the risks which could potentially cause losses exceeding what Topdanmark considers to be acceptable. For example, major strategic shareholdings have been sold, the catastrophe cover for weather-related events or terror has been increased significantly, and the financial risk has been reduced.

As part of the overall and strategic management, the Board of Directors must conduct an ORSA (Own Risk and Solvency Assessment) at least once a year. The Board of Directors is responsible for ORSA and sets the overall framework for this. This is done, among other things, through the ORSA Policy and Guidelines for ORSA. The starting point is Topdanmark's business model, business strategy, risk profile and risk tolerance limits. The purpose of ORSA is, among other things, that Topdanmark has a sufficient overview and insight into its risks.

In connection with ORSA, an ORSA report is prepared, which serves as the board's basis for decision-making for ORSA. The ORSA report includes information from general operations, such as solvency statements, and further analyses are also carried out.

The ORSA process is continuous and does not only occur in connection with the Board of Directors' annual assessment. ORSA is integrated into Topdanmark's risk management system, which supports Topdanmark identifying, measuring, managing, monitoring and reporting risks that Topdanmark is or may be exposed to. Significant changes to risk, the risk profile or the development of new risks must be escalated to appropriate levels. ORSA is also supported by the control system and key functions. ORSA is also an integral part of the business strategy, and results and knowledge from the ORSA process are considered at relevant points in the business.

An ORSA report has been prepared, which, together with the risk register and risk management process, was processed and approved at a board meeting in the autumn of 2022. After the authorities' approval of the sale of Topdanmark Liv Holding A/S, the risk management function has performed an extraordinary ORSA process. At the same time, the risk management function has developed a new ORSA report to strengthen the basis for the board to conduct ORSA. The board has processed and approved the extraordinary ORSA at the board meeting in January 2023.

Topdanmark's risk management function identifies, measures, manages, monitors and reports risks. It reports to the Risk Committee, which is responsible for risk policies, risk limits, solvency calculation, capital plans, Topdanmark's ORSA, and Topdanmark's partial, internal model for non-life insurance risks. The members of the Risk Committee comprise the Group CFO, the head of the compliance function, the head of investment, the head of the risk management function, the DPO, the head of group security, and the head of statistical services.

The Risk Committee reports and recommends to the Board of Directors via the Executive Board. The Risk Committee has set up the Model Committee, which is responsible for developing and operating Topdanmark's internal model for calculation of results, probabilities and risks of the non-life insurance portfolio based on random simulation. The model is used for, among other things, optimising the reinsurance programme, calculation of cost of

capital, forecast balancing and calculating capital requirements.

The internal model has been used in solvency calculations since 2014 in accordance with the Danish Solvency rules, and from 2016 it has been amended to meet the EU Solvency II rules in force. The Danish FSA has approved the use of Topdanmark's internal model when calculating solvency capital requirements.

On an ongoing basis, the risk management function addresses the rules for solvency calculation and reporting etc. of the Solvency II Directive to ensure that Topdanmark meets this set of rules.

## Overview

Topdanmark believes that the Group's most important risks relate to the following main areas:

- Non-life insurance
- Market
- Counterparty
- Operational
- Compliance
- Climate
- Strategy.

Please refer to note 42 for a more detailed description of the above risks.

## Risk scenarios

The Group's risk factors are illustrated in the following table of the most significant risk factors calculated as the post-tax impact on profit and shareholders' equity. The given assumptions do not reflect Topdanmark's expected risks but are shown only as examples which could be used as a basis for assessing Topdanmark's exposure to the risks mentioned.

Risk scenarios				
(DKKm) after corporate tax and pension return tax				
		2021	2021	2022
		Discon-	Conti-	
		tinued	nuing	
<b>Non-life insurance</b>				
Underwriting risk				
Combined ratio – 1pp increase		-5	-74	-74
Provisioning risk				
Provisions net – 1% increase		-22	-82	-76
Storm claims up to DKK 5,100m (Plus reinstatement premium etc.)		-	-78	-75
<b>Life insurance</b>				
Disability intensity - 35% increase*		-11	-	0
Mortality intensity - 20% decline		-16	-	0
<b>Market risk</b>				
Interest-bearing assets	1pp increase	-189	-315	-254
Provisions for claims and benefits etc.	in effective interest rate	180	342	247
Index-linked bonds	5% loss	0	-19	-25
Equities	10% loss	21	-86	-69
High yield bonds / CLOs < AA	10% loss	0	-56	-33
Properties	10% loss	-19	-97	-57
Annual currency loss with an up to 2.5% probability (VaR)		-14	13	-2
*35% increase first year, subsequently 25%, coincident with 20% decline in reactivation rates.				

# Solvency calculation and capital requirements

Solvency cover (DKK m)	2018	2019	2020	2021	30 Sep 2022	2022
Shareholders' equity	6,016	6,397	6,879	7,399	5,052	6,498
Proposed dividend	-1,350	-1,530	-1,800	-3,105	0	-4,815
Deferred tax on security funds	306	306	306	306	362	362
Profit margin	1,005	1,138	1,442	2,761	2,189	1,300
Intangible assets	-1,091	-1,291	-1,529	-1,641	-1,833	-1,314
Other	-69	-64	-169	-189	-120	-10
Tax effects	-63	-49	-41	-302	-149	-105
Subordinated loan tier 1	400	400	400	400	0	400
Subordinated loans tier 2, usable share	1,355	1,353	1,350	1,500	1,185	700
<b>Own funds</b>	<b>6,509</b>	<b>6,660</b>	<b>6,839</b>	<b>7,129</b>	<b>6,685</b>	<b>3,016</b>
Solvency requirement	3,322	3,773	4,016	3,495	2,370	1,518
<b>Solvency cover (%)</b>	<b>196</b>	<b>177</b>	<b>170</b>	<b>204</b>	<b>282</b>	<b>199</b>

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.

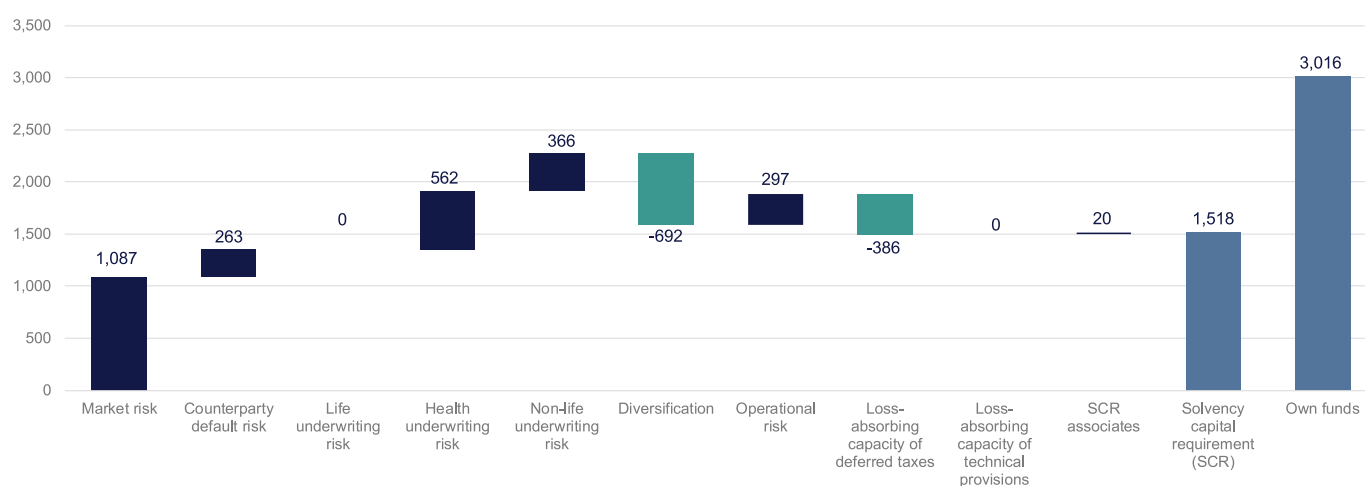
The solvency cover for the Group decreased from 282% at the end of Q3 2022 to 199% at the end of Q4 2022 (516% before deduction of the proposed dividend for 2022). The divestment of Topdanmark Liv Holding A/S positively affected own funds and substantially decreased the solvency requirement in Q4. After deduction of the proposed dividend for 2022, own funds decreased by DKK 3,669m, while the solvency requirement decreased to DKK 1,518m. Partly offsetting the positive impacts of the sale, the stress on equity exposures rose somewhat from the historically low level in Q3 2022, while the exposure to equities also increased due to market movements. As we continue our efforts to reduce the CLO exposure,

the solvency requirement will likely decrease further into 2023, all other things being equal.

After the divestment of Topdanmark Liv Holding A/S, we have optimised the capital structure of the Group. On 22 December 2022, Topdanmark Forsikring A/S issued a subordinated tier 1 bond (restricted tier 1 capital notes) of DKK 400m to replace the bond of a similar size that was deducted from own funds as at Q3 2022 and redeemed in November 2022. This loan is perpetual but includes an option allowing us to redeem the loan as at 22 December 2027.

Further, on 19 December 2022, Topdanmark Forsikring A/S redeemed DKK 800m of subordinated tier 2 capital. After this redemption, Topdanmark Forsikring A/S has DKK 700m of outstanding subordinated tier 2 notes in a single tranche with maturity in 2031 and first call date in 2026.

Solvency requirement (SCR) and own funds for the Topdanmark Group (DKK m) 31 December 2022





## Capital policy

Topdanmark pursues a policy of maintaining efficient capitalisation using a mix of shareholders' equity, subordinated loan capital and profit margin to fulfil its solvency requirement. Any excess capital will be distributed to shareholders in the form of dividends. Topdanmark's dividend policy is to pay out at least 70% of net profit for the period, while the actual pay-out ratio has been close to or above 100% in recent years.

Topdanmark does not have a formal solvency cover target. However, we believe that solvency cover in the range of 170-190% is sufficiently conservative to support the underlying business. In 2023 and 2024, Topdanmark will further build intangible assets due to investments into the new core IT system. As a result, the solvency cover is currently retained towards the higher end of the above range.

Using a solvency cover of 190% as an example of a conservative baseline, Topdanmark retained excess capital of DKK 0.1bn at the end of 2022 after deduction of the proposed dividend for 2022.

## Capital structure and ownership

Topdanmark's Board of Directors has an authorisation granted in the Articles of Association to increase the Company's share capital, to raise convertible loans and/or issue warrants. The issues may be with or without pre-emptive rights for the Company's shareholders. The authorisations are limited to a total of 2,500,000 shares. They expire on 12 April 2023.

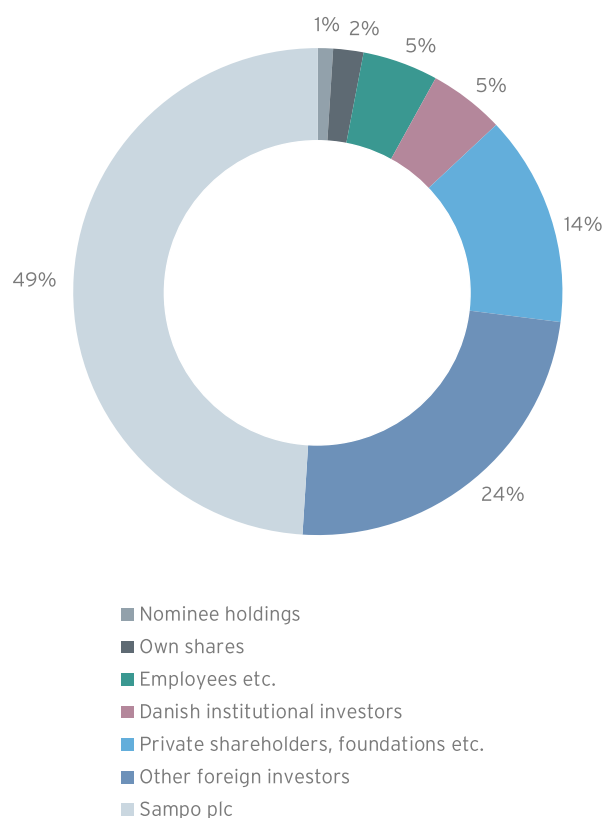
At the end of 2022, Topdanmark's share capital totalled DKK 90,000,000 divided into shares of DKK 1 each, corresponding to 90,000,000 voting rights. As at 10 February 2023, Topdanmark held 1,358,291 shares representing 1.5% of the share capital.

The following shareholders own more than 5% of the share capital:

Sampo plc  
Fabianinkatu 27  
FL-00100 Helsinki  
Finland

Mawer Investment Management  
600, 517-10th Ave  
SW, Calgary, Alberta,  
Canada

Shareholder structure - 10 February 2023



We have helped more than  
300,000 customers in 2022



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# Board of Directors and Articles of Association

## Appointment and replacement of members of the Company's Board of Directors

The Board of Directors, which is elected at the annual general meeting and by the employees of the Topdanmark Group, is the Company's top level management formulating the Company's objectives, goals and strategies, and making decisions on matters that are of significant importance or unusual in nature to the Company.

Topdanmark's Board of Directors comprises nine members, six of them elected by the annual general meeting and three by Topdanmark's employees in accordance with the Danish Companies Act.

In accordance with this Act, the number of Board members elected by employees must be at least half the number of those elected by the shareholders at the annual general meeting. The rights, duties and responsibilities of the Board members elected by employees are the same as those of the Board members elected by shareholders at the annual general meeting.

The term of office for members elected by shareholders at the general meeting is one year, while according to legislation, it is four years for members elected by employees.

Board members are elected individually.

The Board of Directors has addressed its composition and qualifications in the "Policy on diversity at board level". The Company believes that, by imposing in advance very specific requirements on the Board members, it may prevent the election of an evidently qualified Board candidate, if they do not fully meet the requirements. Topdanmark wants to make an individual decision on each Board candidate based on an overall consideration of the candidate's qualifications as compared with the Company's business model and associated risks, present needs and the composition of the rest of the Board of Directors. Topdanmark believes that in a company as Topdanmark, its Board members should possess combined skills within organisation, strategic management, insurance operations, reinsurance, long-tail business, financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private and commercial

markets, marketing and branding, outsourcing, finance, own funds, solvency and minimum capital requirements, rules for internal models, audit, financing and investment, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources as well as strategic sustainability. Information on the defined competencies possessed by each of the Board members elected by shareholders at the annual general meeting is provided in the section on the Board of Directors in the Annual Report. Taking the latest evaluation of the Board into account, it is assessed that Topdanmark's Board of Directors with its current composition possesses the above skills and qualifications.

## Diversity

Topdanmark's current Board of Directors reflects diversity in many areas, including professional background and education, nationality, and gender. Its members have experience from the financial and industrial sectors, nationally and internationally. The Board of Directors believes that this composition enables it to consider a given problem from many different angles which is confirmed by experience from the day-to-day Board duties. Read more about each Board member's background, competencies and rate of attendance at [www.topdanmark.com](http://www.topdanmark.com) → About Topdanmark → Organisation → [Group Executive Management and Board of Directors](#), and under Board of Directors and Executive Board in this Annual Report.

We want a Board of Directors consisting of the best qualified candidates, and as such, we have a target of the Board of Directors having at least two of each gender within the AGM elected members. Thus we meet the statutory requirements of gender diversity of the Board of Directors. In 2022, four board members were female (two of which were elected at the AGM), and five board members were male (four of which were elected at the AGM).

Topdanmark has signed the UN Global Compact intended to ensure, among other things, the prevention of discrimination in our business operations.

Topdanmark works to maintain and develop openness in the company culture to counter any form of discrimination due to age, ethnic background, gender,

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sexual orientation, disability (visible or invisible), health, educational background, life-situation, geographical affiliation, religion, or race.

We strive to be a workplace where diversity is seen as a strength, and we continuously work to maintain and develop an open and embracing culture, and to counter any form of discrimination.

Topdanmark's Board of Directors has implemented several policies on diversity:

- Policy on diversity for the Board of Directors
- Policy on diversity and the under-represented gender in management.

All policies have been published on Topdanmark's website. More information on diversity and inclusion as well as gender distribution in management is available in the [Sustainability Report 2022](#), and the [ESG Fact Book 2022](#).

### **Evaluation of the Board of Directors**

On a regular basis, the Board of Directors evaluates the Board duties, the full Board and the contributions and results made by the individual members, cooperation with the Executive Board, the Chairman's management of the Board of Directors, the Board composition, the work in the Committees and the set-up of the Committees, the organisation of the work and the quality of the material for the Board of Directors. The Board of Directors carries out the self-assessment once a year. Normally the Board of Directors evaluates itself annually based on anonymous questionnaires regarding the work in the Board and the cooperation with the Executive Board, anonymous evaluations of the individual members of the Board of Directors and the Executive Board, and/or the possibility of individual interviews between the Chairman and each Board member and a questionnaire on each Board member's competencies. The Chairman of the Board is in charge of the evaluation without the participation of the Executive Board. The evaluation is included in the rules of procedure and the work plan of the Board of Directors. The Board of Directors considers if external assistance is required and/or relevant in the specific situations. It is the opinion of the Board of Directors that the external assistance should solely be included if it is considered to add extra value to the work of the Board, which cannot be obtained by the Board's evaluation without external assistance. For 2021/2022 the evaluation was conducted with assistance from an external consultancy bureau.

Any additional directorships undertaken by the Board members including the significance and extent of each duty form part of the evaluation of Topdanmark's Board of Directors. The evaluation of overboarding is based on the guidelines prepared by ISS and additionally, a subjective evaluation is made. None of Topdanmark's Board members is considered to be overboarded.

## **Amendments to the Company's Articles of Association**

The annual general meeting is Topdanmark's ultimate decision-making body. Resolutions at annual general meetings are passed by a simple majority of votes, unless a special majority or representation is required by the Danish Companies Act or the Articles of Association. The Articles of Association provide that resolutions amending the Articles of Association are only valid if adopted by an affirmative vote of not less than two thirds of the votes cast as well as of the capital represented at the general meeting. The Articles of Association provide no restrictions on voting rights.

## **Severance pay**

In order to ensure full loyalty, focus and performance for the Topdanmark Group during the period until a potential take-over is finalised, Topdanmark has an agreement with one Grade B+ manager that under certain circumstances, he/she will receive compensation in the form of an extended period of notice and increased severance pay, if he/she resigns or is dismissed, or if his/her position is made redundant because Topdanmark and/or the company of the Topdanmark Group in which he/she is employed is taken over by or merges with a company outside the Group, or if one or more owners take control of Topdanmark and/or the company of the Topdanmark Group in which he/she is employed. The maximum amount of compensation will represent two years' remuneration.

In accordance with the rules in force, Topdanmark Group can sign agreements on severance pay with directors, Grade A and Grade B+ managers, and other material risk takers. For agreements signed after November 2017, the total value of remuneration for the period of termination, including severance



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pay, cannot exceed two years' salary including all remuneration elements. For agreements signed before November 2017, severance pay cannot exceed the value of the remuneration for the past two years.

For a former member of the Executive Board and a Grade B+ manager, it was agreed that, in continuation of Sampo Group's take-over of de facto control of Topdanmark in 2013, that they would earn remuneration equivalent to six months' salary per vesting year over a period of three years. The vesting period is over, and the remuneration is allocated as a provision in the accounts. The remuneration, which is regulated annually in relation to the current salary level, will be paid when employment ends.

## Remuneration structure

Topdanmark's remuneration policy must contribute to optimising the long-term value creation at group level and support Topdanmark business strategy. At the same time, Topdanmark's remuneration policy must strengthen the attraction, retention and motivation of qualified members of Topdanmark's management, as well as ensure consistency between the interests of management, the company and the shareholders. The annual general meeting has adopted the "Remuneration policy of the Topdanmark Group."

The remuneration policy covers the Board of Directors, the Executive Board and other material risk takers and, as provided by legislation, employees involved in control functions and audit. The remuneration policy, as adopted by the annual general meeting, is available at [www.topdanmark.com](http://www.topdanmark.com) → About Topdanmark → Corporate governance → [Remuneration structure](#).

The overall objective of Topdanmark's remuneration policy is to ensure transparency and shareholder influence on Topdanmark's remuneration. The share price reflects the anticipated value creation at group level. This is one of the reasons why Topdanmark believes that share-based incentive pay, including revolving share options, ensures that management is exposed to the development in share prices and thus encourages individual managers to make decisions which support value creation as much as possible from a holistic perspective.

The decision of the application of short-term and long-term incentive remuneration has been made for the purpose of ensuring a balance between short-term and long-term results. In addition to a policy on

salaries, the remuneration policy also includes the pension policy and the guidelines for granting variable salary components, severance pay and identification of other employees whose activities have material impact on Topdanmark's risk profile.

The remuneration paid to the Executive Board, Grade A and Grade B+ managers, and other material risk takers should be competitive with remuneration at comparable companies and can be made up of the following remuneration components: fixed basic remuneration, additional remuneration, pension, other benefits, employee shares, option-based long-term incentive programme (LTI programme), cash-based and share-based short-term incentive programme (STI programme) and extraordinary variable remuneration.

The fixed basic remuneration paid to the Executive Board, Grade A and Grade B+ managers as well as other material risk takers is, as a rule, fixed as a gross salary of which the employee defrays expenses for pension and company car, and it is based on a specific assessment of each employee. i.e. based on the position, individual characteristics, and performance of the individual. The fixed basic remuneration for the Executive Board and Grade A and Grade B+ managers is reassessed annually and is determined by individual negotiations with each member of the Executive Board and Grade A and Grade B+ managers based on a framework set by the Board of Directors.

Topdanmark's LTI programme for the Executive Board and Grade A and Grade B+ managers is a revolving share option scheme which entails that a fixed proportion equivalent to 10% of (the cash salary + pension + company car value) is paid in the form of share options according to a revolving option programme.

Furthermore, the Board of Directors can decide to include managers who are not Grade A and Grade B+ managers in the revolving part of the LTI programme.

In addition to options paid to the Executive Board, Grade A and B+ managers, and certain other managers in accordance with the revolving share option scheme, the Executive Board can grant up to a total of 200,000 options to employees, including other material risk takers, who have made special efforts or in other ways contributed extraordinarily to the value creation.

Topdanmark's STI programme is a cash- and share-based incentive programme tied up with the completion of a number of predefined goals for each member of the programme. STI bonus cannot exceed



40% of the employee's fixed basic salary including pension.

The variable remuneration for a director cannot exceed 50% of the director's fixed basic remuneration including pension. The variable remuneration for other material risk takers, including Grade A and Grade B+ managers, cannot exceed 100% of the employee's fixed basic remuneration including pension. For directors, the share options and other derivatives cannot exceed 12.5% of the fixed basic remuneration including pension at the time of calculation.

The Executive Board is not paid a special pension contribution. The gross salary takes this into account. Consequently, Topdanmark does not have any pension-related obligations to the Executive Board, and there will be no payment of pension on retirement.

Grade A and Grade B+ managers, and other material risk takers receive, within their fixed gross salary, a pension contribution of up to 25% of their cash remuneration. The amount is paid to the pension supplier and consequently, all pension obligations are fully covered by the pension supplier. Reference is also made to the Topdanmark Group's [Remuneration Report 2022](#).

## Share options

Share options granted	Executive Board	Senior Executives	Total
2019	58,756	217,868	276,624
Market value of those options granted (DKKm)	2	8	10
2020	57,557	188,984	246,541
Market value of those options granted (DKKm)	2	8	10
2021	77,684	228,279	305,963
Market value of those options granted (DKKm)	2	7	10
2022	38,441	179,820	218,261
Market value of those options granted (DKKm)	2	8	10
2023	24,815	100,789	125,604
Market value of those options granted (DKKm)	1	6	7

For 2023, Topdanmark has granted 24,815 share options to its Executive Board and 69,289 share options to senior management. The strike price of DKK 403 was fixed at 110% of the market price of Topdanmark's shares on 30 December 2022 (average of all trades).

Besides the revolving scheme referred to above, further 31,500 share options have been granted for 2023 to a number of other executives who have made a special effort or otherwise contributed extraordinarily to value creation in the Company.

The options granted for 2023 are not to be exercised any earlier than after the publication of the 2025 annual results in 2026, and any later than subsequent to the publication of the 2027 annual results in 2028. In the intervening period, the options can only be exercised up to three banking days after Topdanmark's publication of its annual, half year and interim reports.

The value of issuing the options amounts to DKK 7m, using the Black and Scholes model assuming a share price of DKK 366,60, an interest rate equivalent to the zero coupon rate based on the swap curve on 30 December 2022, future annual volatility of 22%, a pattern of exercise similar to Topdanmark's previous granting of share options and otherwise in accordance with IFRS 2 on share-based payments.

Including the granted options for 2023, the exposure of the options held by the Executive Board represented 0.1% of the number of outstanding shares.

Topdanmark's Remuneration Report for 2022 provides additional information on remuneration in Topdanmark and Topdanmark's option scheme. Detailed information is available at [www.topdanmark.com](http://www.topdanmark.com) → Investors → Reports and presentations → [Remuneration reports](#).

## Distribution of dividend for 2022

Given Topdanmark's exceptionally strong solvency position after the divestment of Topdanmark Liv Holding A/S, the Board of Directors will recommend to the AGM that distribution of a total dividend of DKK 4,815m takes place, representing DKK 53.5 per share, a pay-out ratio of 235 and a dividend yield of 14.6. The total dividend is made up of an ordinary dividend of DKK 990m from this year's profit from continuing operations of DKK 960m, representing DKK 11.0 per share and a pay-out ratio of 103.1, as well as an extra dividend based on the sale of Topdanmark Liv Holding A/S of DKK 3,825m, representing DKK 42.5 per share.

Subject to the approval from the AGM, the distribution of dividend will take place immediately after the AGM on 26 April 2023.

## Sustainability

Environmental, social and governance sustainability (ESG) is part of our core business. Every day, we work to create financial and social security for all our customers, for our employees and for society in general - and we contribute with solutions to climate and environmental challenges through products, advice, in our supply chain, in our investments and through our partnerships.

Topdanmark has signed the UN Global Compact and its 10 principles for labour and human rights, environment, and anti-corruption.

In 2022, we started a new programme towards a more sustainable Topdanmark. The programme consists of three themes: Green Transformation (E), Everyday well-being (S) and Responsible Foundation (G) and six strategic targets which have been identified based on a materiality assessment (see the [Sustainability Report 2022](#) for further information on the materiality assessment).

The programme has been approved by the Board of Directors, and it drives our work and activities throughout the entire organisation.

### Policies and governance

To support our sustainability programme, we have ESG policies approved by the Board of Directors or

## Corporate Governance

Topdanmark's "Statutory Corporate Governance Report, see section 131 of Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds" ("Executive Order on Financial Reports"), is available at [www.topdanmark.com](http://www.topdanmark.com) → Investors → Reports and presentations → [Statutory corporate governance reports](#).

by the Sustainability Forum. Each policy outlines our approach, objectives and targets, how we will achieve our targets, governance structure, and how we report on the topic.

### ESG policies – an overview

Policies approved by the Board of Directors	Latest version (review annually)
Code of Conduct – internal	January 2023
Sustainability policy	January 2023
Anti-corruption policy	October 2022 (first version)
Human Rights policy	January 2023
Diversity policy for executive management	October 2022
Diversity policy for the Board of Directors	October 2022
Climate and Environment policy	October 2022
Responsible investment policy	October 2022
Policy on active ownership	October 2022
Policies approved by Sustainability Forum	Latest version
Code of Conduct for suppliers	August 2021 (first version)

To drive and ensure progress in our sustainability programme and related targets, we have structured governance with a clear distribution of roles and responsibilities to support alignment across the business.

## ESG responsibilities – an overview

Organisational level	Roles and responsibilities.
Board of Directors	<ul style="list-style-type: none"> <li>Approves the overall ambition level and sustainability programme</li> <li>Approves policies and sustainability reports</li> <li>In 2022, a member of the board was appointed to focus specifically on sustainability</li> </ul>
Group Executive Management/CFO	<ul style="list-style-type: none"> <li>C-level responsibility for sustainability in Topdanmark</li> </ul>
Sustainability forum (Consists of three executives from Group Executive Management, and three general managers from staff functions, chaired by the head of group management support and sustainability.) Four meetings annually.	<ul style="list-style-type: none"> <li>Advisory board for the Group Executive Management</li> <li>Prepares, reviews and evaluates the sustainability programme including targets and results</li> <li>Responsible for action plans</li> <li>Reviews policies and reporting</li> </ul>
Corporate sustainability team (Organisationally placed in the department for Group Executive Management support and sustainability).	<ul style="list-style-type: none"> <li>Initiates and coordinates the implementation of new projects</li> <li>ESG ratings</li> <li>Prepares policies</li> <li>Prepares sustainability reporting and other communication</li> <li>Analyses and assessments, e.g. of the Sustainability Development Goals</li> </ul>
Business divisions Group functions	<ul style="list-style-type: none"> <li>Integrate sustainability into division strategies and roadmaps</li> <li>Integrate sustainability into processes, decision-making, procurement, underwriting, recruitment, etc.</li> <li>Develop and execute action plans to achieve targets and for compliance with policies</li> </ul>

To support our programme for a more sustainable Topdanmark and the related targets, we have also set out three fundamental enablers:

### Culture

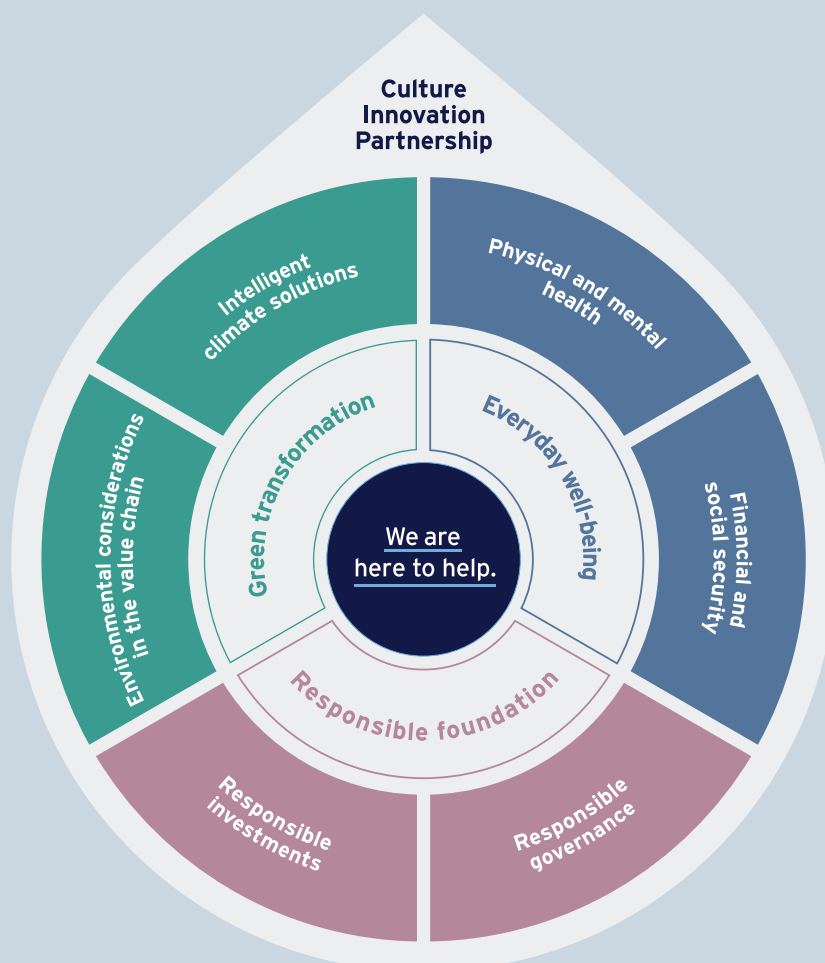
At Topdanmark, our work is based on shared principles of responsible and sustainable management which guide our employees in how we run our business in trusting collaboration with our stakeholders.

### Innovation

Through innovation and responsible use of technology, we want to help solve the challenges of the future for the benefit of people and nature. We set the framework for doing things differently from the way we do them today.

### Partnerships

We team up with relevant partners and organisations with whom we can make a greater difference together than we can individually.



## Examples of results and initiatives in 2022:

### Green transformation (E)

In 2022, we decided to further raise the level of ambition regarding green transformation as in June we joined SBTi and a target of net zero in 2050 on scopes 1, 2 and 3 (investments and claims handling).

We established an internal community "WorkGreener" to engage and motivate employees in our journey towards a more climate-friendly and environmentally sounder workplace.

We already have one product classified (according to internal criteria) as a product contributing to the green transformation. The target is to have five new products and services by 2025. In 2022, we continued the integration of the concept of circular economy and CO2-saving methods in claim handlings. We increased the percentage of repair of bumpers by 13.9% and saved 33.4 tonnes CO2-emissions by using a more efficient repair process and at a lower temperature for drying than in conventional methods.

### Everyday well-being (S)

Topdanmark focuses strongly on creating a workplace that contributes to attracting and retaining highly qualified employees. As such, well-being and health are central parts of our business strategy both for us as an employer and for our customers. Our engagement survey for 2022 shows an all-time high score of 81 points.

We want to contribute to our customers' physical and mental health, and we are constantly working to offer the best solutions. In 2022, we expanded the customers' availability to our health care app "Sundhedshjælp" which provides free access to quick and easy medical assistance for customers who have their insurance policies with us. By the end of the year, we had 95,928 registered users (2021: 46,507 users) and 13,059 consultations (2021: 4,503). All in all, Sundhedshjælp was offered to 535,649 customers. Among the users replying to a survey following a consultation, 96% were either satisfied or very satisfied.

### Responsible foundation (G)

We have a target of max. 60% of one gender at management levels 1 and 2. In 2022, the gender distribution was 31% women and 69% men, while the gender distribution was 21/79 in 2021.

In 2022, we continued the implementation of our ESG programme in our supply chain, and we have

performed ESG screenings of all suppliers in the ESG focus group with whom Topdanmark has signed contracts.

ESG-screenings have been integrated into our underwriting of commercial and agricultural customers. For 2022, it is our assessment that there have been no violations of the UN Global Compact in relation to our underwriting activities as well as no underwriting activities related to the excluded industries (production of coal, tar sands, controversial weapons and tobacco).

Topdanmark's statutory report on sustainability, gender diversity and data ethics, see sections 132, 132a and 132d of the Danish Executive Order on Financial Reports for Insurance Companies and Multi-employer Occupational Pension Funds, is available at [www.topdanmark.com](http://www.topdanmark.com) → Investors → Reports and presentations → [Sustainability reports](#). Moreover, Topdanmark publishes an ESG Fact Book with all ESG performance data as well as historic data and accounting principles. The ESG Fact Book is available at [www.topdanmark.com](http://www.topdanmark.com) → Sustainability → Reports → [ESG Fact Books](#).

## Annual General Meeting

The Annual General Meeting will be held on 26 April 2023 at 15:00 (CET) as a fully virtual AGM.

The agenda for the Annual General Meeting will be published in the period from 21 March to 4 April 2023.

## Financial calendar

Deadline for submitting items for the AGM agenda	14 Mar 2023
Q1 2023 Interim Report	25 Apr 2023
AGM	26 Apr 2023
2023 Half-year Report	14 July 2023
Q1-Q3 2023 Interim Report	24 Oct 2023

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## Company announcements

Topdanmark submits announcements to Nasdaq Copenhagen A/S with information on material and relevant events in the Group which may affect the price of Topdanmark's shares. The announcements are also sent to the press, share analysts, investors and other interested parties.

The announcements are available at [www.topdanmark.com](http://www.topdanmark.com) → Investors → [Company announcements](#).

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### 2023

24 Jan	02/2023	Topdanmark announcement of 2022 Annual Results
02 Jan	01/2023	Issue of options

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### 2022

19 Dec	20/2022	Topdanmark Forsikring A/S - Redemption of subordinated notes of DKK 800m (Tier 2 capital) and issue of subordinated notes of DKK 400m (Tier 1 capital)
01 Dec	19/2022	The divestment of Topdanmark Liv Holding A/S is completed
25 Oct	18/2022	Topdanmark interim report for Q1-Q3 2022
14 Sep	17/2022	Topdanmark has decided to allocate employee shares
26 Aug	16/2022	Topdanmark A/S - Redemption of subordinated notes
15 Jul	15/2022	Topdanmark A/S - Financial calendar for 2023
15 Jul	14/2022	Topdanmark half-year report for 2022
01 Jul	13/2022	Change of employee-elected member of the Board of Directors
27 Apr	12/2022	Change to the financial calendar for Topdanmark A/S
27 Apr	11/2022	Topdanmark interim report for Q1 2022
08 Apr	10/2022	Thomas Erichsen resigns his position at Topdanmark A/S
29 Mar	09/2022	Change to the financial calendar for Topdanmark A/S
24 Mar	08/2022	Annual General Meeting of Topdanmark 24 March 2022
18 Mar	07/2022	Topdanmark Forsikring A/S divests Topdanmark Liv Holding A/S
01 Mar	06/2022	Notice convening the Annual General Meeting on 24 March 2022
24 Feb	05/2022	Topdanmark's Annual Report for 2021
01 Feb	04/2022	Correction to Mawer Investment Management's shareholding in Topdanmark
21 Jan	03/2022	Topdanmark announcement of 2021 annual results
14 Jan	02/2022	Topdanmark A/S expects net profit for 2021 of around DKK 2.1 billion
03 Jan	01/2022	Issue of options

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# Board of Directors



**Ricard Wennerklint**

Chairman of the Board of Directors  
Elected at the AGM

**Current position held:**

Group Executive Vice President, Chief of Strategy, Sampo plc

**DATE OF BIRTH:** 2 September 1969

**NATIONALITY:** Swedish

**JOINED TOPDANMARK'S BOARD OF DIRECTORS:** 2017

**RATE OF ATTENDANCE 2022:** 100%

**PREVIOUS POSITIONS HELD**

1994 - 1997 Financial Controller, Project Manager, Head of Financial Control, Trygg-Hansa  
1997 - 1999 Head of Control, Skandia P&C  
1999 - 2001 Senior Vice President, Head of Business and Financial Control, If P&C Insurance Ltd  
2002 - 2008 CFO, If P&C Insurance Ltd  
2006 - 2019 Managing Director, If P&C Insurance Ltd  
2008 - 2019 Deputy CEO, If P&C Insurance Holding Ltd  
2019 - 2019 Executive Director, If P&C Insurance Holding Ltd.

**EDUCATION**

Business Administration and Finance, Stockholm School of Economics

**OFFICES HELD**

Member of the Board of Directors of:  
If P&C Insurance Holding Ltd  
Nordax Bank AB (publ.) (Sweden)  
Hastings Group Holdings Ltd, UK (Chairman)  
Mandatum Holding Ltd.

**MEMBER OF**

The Audit Committee, Remuneration Committee and Nomination Committee of Topdanmark  
The Nomination Board of Nordea Abp (Chairman).

**EXPERTISE AND QUALIFICATIONS**

The Board has defined the required competencies and qualifications for board members of Topdanmark. Among these, Ricard Wennerklint possesses knowledge and experience of the following:  
Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, reinsurance, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private market, sales to the professional market, marketing and branding, outsourcing, finance, own funds, solvency and minimum capital requirements, rules for internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources.

**INDEPENDENCE**

As Ricard Wennerklint represents a controlling shareholder's interests, he does not meet the definition of independence set out by the Committee on Corporate Governance.

**Jens Aaløse**

Deputy Chairman  
Elected at the AGM

**Current position held:**

Managing Partner, Maj Invest Equity

**DATE OF BIRTH:** 26 September 1966

**NATIONALITY:** Danish

**JOINED TOPDANMARK'S BOARD OF DIRECTORS:** 2016

**RATE OF ATTENDANCE 2022:** 89%

**PREVIOUS POSITIONS HELD**

1990 - 2002 Various executive positions, SAS Scandinavian Airlines A/S  
2002 - 2006 Vice President, SAS Scandinavian Airlines A/S  
2006 - 2010 CEO, Nordic Media Link AB and Dansk Reklame Film A/S  
2010 - 2013 CEO, Danske Licens Spil A/S  
2013 - 2021 Senior Executive Vice President, TDC A/S.

**EDUCATION**

B.Sc. Business Administration, Copenhagen Business School, Denmark

**OFFICES HELD**

Member of the Board of Directors of:  
Dansk Erhverv (the Danish Chamber of Commerce)  
FDM Travel A/S  
Sticks N Sushi (Chairman)  
Blue Ocean Robotics (Chairman)  
Toms Group Foundation (Gerda and Victor B Strand's Foundation)  
Good Food Group A/S.

**MEMBER OF**

The Remuneration Committee and Nomination Committee of Topdanmark.

**EXPERTISE AND QUALIFICATIONS**

The Board has defined the required competencies and qualifications for board members of Topdanmark. Among these, Jens Aaløse possesses knowledge and experience of the following:  
Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, reinsurance, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private market, sales to the professional market, marketing and branding, outsourcing, finance, own funds, solvency and minimum capital requirements, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources, and strategic sustainability.

**INDEPENDENCE**

Jens Aaløse meets the definition of independence set out by the Committee on Corporate Governance.

**Elise Bundgaard**

Elected by employees

**Current position held:**

Chair of De Overordnede Forening

**DATE OF BIRTH:** 14 January 1968

**NATIONALITY:** Danish

**JOINED TOPDANMARK'S BOARD OF DIRECTORS:** 2019

**RATE OF ATTENDANCE 2022:** 100%

**OFFICES HELD**

Member of the Board of Directors of:  
Bjatola A/S.

**Maria Hjorth**

Elected at the AGM

**Current position held:**

Professional Board Member

**DATE OF BIRTH:** 26 October 1972

**NATIONALITY:** Danish

**JOINED TOPDANMARK'S BOARD OF DIRECTORS:** 2022

**RATE OF ATTENDANCE 2022:** 89%

**PREVIOUS POSITIONS HELD**

2000 - 2002 Associate, Corporate Finance (M&A),  
Carnegie Bank A/S  
2002 - 2003 Project manager, Securities, Carnegie  
London Ltd  
2005 - 2014 Vice President Danske Bank A/S  
2014 - 2019 CEO & Partner, Mercer Danmark A/S and  
Mercer Pensionsrådgivning A/S  
2019 - 2021 Deputy CEO/CEO, VP Securities A/S

**EDUCATION**

Cand.polit., University of Copenhagen  
MSc Business Psychology, University of Westminster,  
London

**OFFICES HELD**

Member of the Board of Directors of:  
Adform A/S  
Asetek A/S  
Maj Invest Holding, Fondsmæglerselskabet Maj Invest A/S  
and Maj Invest Equity A/S  
Thylander Gruppen A/S (Chair)  
Trifork Holding AG.

**MEMBER OF**

The Audit Committee of Asetek A/S (Chair)  
The Audit Committee of Trifork Holding AG (Chair)  
The Audit Committee of Adform A/S (Chair)  
The Audit Committee of Topdanmark.

**EXPERTISE AND QUALIFICATIONS**

The Board has defined the required competencies and qualifications for board members of Topdanmark. Among these, Maria Hjorth possesses knowledge and experience of the following:  
Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, reinsurance, financial and insurance reporting, general statistics, risk management and risk assessment, sales to the professional market, outsourcing, finance, own funds, solvency and minimum capital requirements, rules for internal models, auditing, financing and investments, compliance, IT and IT security, digitalisation, recruitment and human resources, and strategic sustainability.

**INDEPENDENCE**

Maria Hjorth meets the definition of independence set out by the Committee on Corporate Governance.



**Mette Jensen**  
Elected by employees

**Current position held:**  
Chair of Forsikringsforbundet  
(the Staff Association) of Topdanmark

**DATE OF BIRTH:** 20 June 1976

**NATIONALITY:** Danish

**JOINED TOPDANMARK'S BOARD OF DIRECTORS:** 2015

**RATE OF ATTENDANCE 2022:** 100%

**MEMBER OF**  
The Remuneration Committee of Topdanmark.



**Cristina Lage**  
Elected at the AGM

**Current position held:**  
Professional Board Member

**DATE OF BIRTH:** 13 November 1954

**NATIONALITY:** Danish

**JOINED TOPDANMARK'S BOARD OF DIRECTORS:** 2019

**RATE OF ATTENDANCE 2022:** 100%

**PREVIOUS POSITIONS HELD**

1987 - 1996 Deputy Director and Group Treasurer, ISS  
International Service System A/S  
1992 - 1994 CFO, Kulturby 1996, Copenhagen  
1994 - 1996 CFO, ISS Scandinavia A/S  
1996 - 2000 CFO and CEO, Louisiana Museum of Modern  
Art  
2000 - 2003 CEO, TV2/Danmark A/S  
2003 - 2004 Head of secretariat, Det Radikale Venstre  
2004 - 2008 CEO, Nordea Liv og Pension A/S  
2008 - 2011 CEO, Nordea Invest A/S  
2011 - 2016 CEO, Unipension A/S

**EDUCATION**

M.Sc. (Economics and Business Administration), Copenhagen  
Business School, Copenhagen

**OFFICES HELD**

Member of the Board of Directors of:  
Arbejdsmiljørådet (Chair)  
LEO Fondet  
C.L. Davids Fond  
Det Obelske Familiefond  
OK-Fonden (Deputy Chair).

**MEMBER OF**

The Investment Committee of LEO Fondet (Chair)  
The Audit Committee of Topdanmark.

**EXPERTISE AND QUALIFICATIONS**

The Board has defined the required competencies and qualifications for board members of Topdanmark. Among these, Cristina Lage possesses knowledge and experience of the following:  
Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, reinsurance, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private market, sales to the professional market, marketing and branding, outsourcing, finance, own funds, solvency and minimum capital requirements, rules for internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources, and strategic sustainability.

**INDEPENDENCE**

Cristina Lage meets the definition of independence set out by the Committee on Corporate Governance.



### **Petri Niemisvirta**

Elected at the AGM

#### **Current position held:**

Executive Director, Mandatum Group and Mandatum Life Insurance Company Ltd



### **Michael Noer**

Elected by employees

#### **Current position held:**

Chairman of Assurandørforeningen of Topdanmark

**DATE OF BIRTH:** 19 February 1970

**NATIONALITY:** Finnish

**JOINED TOPDANMARK'S BOARD OF DIRECTORS:** 2017

**RATE OF ATTENDANCE 2022:** 100%

#### **PREVIOUS POSITIONS HELD**

1995 - 1999 Kaleva Mutual Insurance Company  
1999 - 2000 Sampo Life Insurance Company Limited  
2000 - 2001 Managing Director, Evli Life Ltd  
2001 - 2021 Managing Director, Mandatum Life Insurance Company Limited

#### **EDUCATION**

LL.M., University of Turku

#### **OFFICES HELD**

Member of the Board of Directors of:  
Mandatum Asset Management Ltd (Finland)  
Kaleva Mutual Insurance Company (Chairman) (Finland)  
Varma Mutual Pension Insurance Company (Finland)  
Confederation of Finnish Industries EK  
Alma Media Corporation  
Finance Finland (FFI)  
Finance Finland Life Insurance  
Midaxo Oy.

#### **MEMBER OF**

The Group Executive Committee of Sampo  
The Executive Committee of Finance Finland Life Insurance.

#### **EXPERTISE AND QUALIFICATIONS**

The Board has defined the required competencies and qualifications for board members of Topdanmark. Among these, Petri Niemisvirta possesses knowledge and experience of the following:  
Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private market, sales to the professional market, marketing and branding, finance, own funds, solvency and minimum capital requirements, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources.

#### **INDEPENDENCE**

As Petri Niemisvirta represents a controlling shareholder's interests, he does not meet the definition of independence set out by the Committee on Corporate Governance.

**DATE OF BIRTH:** 24 April 1973

**NATIONALITY:** Danish

**JOINED TOPDANMARK'S BOARD OF DIRECTORS:** 2022

**RATE OF ATTENDANCE 2022:** 100%



## **Morten Thorsrud**

Elected at the AGM

### **Current position held:**

President and CEO, If P&C Insurance Ltd (publ.)

**DATE OF BIRTH:** 23 December 1971

**NATIONALITY:** Norwegian

**JOINED TOPDANMARK'S BOARD OF DIRECTORS:** 2019

**RATE OF ATTENDANCE 2022:** 100%

### **PREVIOUS POSITIONS HELD**

- 1996 - 2002 Various positions including Associate Partner, McKinsey & Company, Inc., Norway/Europe
- 2002 - 2004 Head of Corporate Strategy, If P&C Insurance Ltd. (publ)
- 2004 - 2005 Head of Industrial Underwriting and Claims, If P&C Insurance Ltd (publ)
- 2005 - 2013 Head of BA Industrial, If P&C Insurance Ltd (publ)
- 2013 - 2019 Group Executive Vice President, Head of BA Private, If P&C Insurance Ltd (publ)

### **EDUCATION**

Master of Business and Economics., Norwegian School of Management

### **OFFICES HELD**

Member of the Board of Directors of:  
Finans Norge  
Euronext N.V.  
Hastings Group Holdings Ltd.

### **MEMBER OF**

The Group Executive Committee of Sampo  
The Audit Committee of Euronext N.V.

### **EXPERTISE AND QUALIFICATIONS**

The Board has defined the required competencies and qualifications for board members of Topdanmark. Among these, Morten Thorsrud possesses knowledge and experience of the following:  
Management experience from other financial businesses, board assignments in financial businesses, organisation, strategic management, insurance operations, reinsurance, long-tail business (premiums, provisions, run-off), financial and insurance reporting, general statistics, risk management and risk assessment, sales to the private market, sales to the professional market, marketing and branding, outsourcing, finance, own funds, solvency and minimum capital requirements, rules for internal models, auditing, financing and investments, regulatory environment, compliance, IT and IT security, digitalisation, recruitment and human resources, and strategic sustainability.

### **INDEPENDENCE**

As Morten Thorsrud represents a controlling shareholder's interests, he does not meet the definition of independence set out by the Committee on Corporate Governance.

# Executive Board





### **Peter Hermann**

CEO of Topdanmark A/S.

Born 1973, joined Topdanmark in 2016, joined the Executive Board on 5 February 2018.



### **Lars Kufall Beck**

CFO of Topdanmark A/S.

Born 1974, joined Topdanmark and the Executive Board on 10 August 2021.

#### **EDUCATION:**

- M.Sc. Actuarial mathematics
- Graduate Diploma in Business Administration (Organisation & Leadership).

#### **MANAGERIAL RESPONSIBILITIES:**

- Strategy & Execution
- Private Division
- Agriculture & Commercial Division
- Claims & Customer Excellence
- Price & Product
- Technology & Development
- HR & Communication.

#### **MEMBER OF THE BOARD OF DIRECTORS OF:**

- Forsikring & Pension
- KBC Insurance NV.

#### **EDUCATION:**


- M.Sc. Actuarial mathematics
- Graduate Diploma in Business Administration (Finance).

#### **MANAGERIAL RESPONSIBILITIES:**

##### **Finance and Risk**

- Investor Relations
- Financial Planning & Management
- Data & Structure
- Statistical Services & Risk Management
- Investments
- Reinsurance
- Financial Operations
- Group Secretariat, Corporate Legal Matters
- Management Support & Sustainability.

Information on The Executive Board's duties outside the Group as approved by the Board of Directors, and as required by Section 80 of the Danish Financial Business Act, is shown in the Annual Report for Topdanmark Forsikring A/S.

A photograph of a sandy beach with dunes and coastal vegetation under a clear sky. The foreground shows sand with ripples and footprints. In the middle ground, there are clumps of green coastal plants. The background shows the ocean and a clear blue sky.

**DKK 53.5 per share**  
**A record-high dividend**  
**to our shareholders**

# **Annual Financial Statements - Group**

## Five-year summary • Group

(DKKm)	2018	2019	2020	2021	2022
<b>NON-LIFE INSURANCE</b>					
Gross premiums earned*	8,662	8,958	9,132	9,618	9,995
Claims incurred	-5,591	-5,512	-6,017	-5,990	-6,188
Bonuses and rebates	-53	-61	-8	-78	-92
Insurance operating expenses	-1,412	-1,443	-1,515	-1,526	-1,608
Net reinsurance	-111	-227	-272	-99	-276
<b>TECHNICAL RESULT FROM NON-LIFE INSURANCE</b>	1,495	1,715	1,321	1,926	1,831
<b>Profit on investment activities after transfer to technical results</b>	-21	234	107	525	-506
Other income	74	77	74	35	8
Other expenses	-116	-122	-121	-59	-93
<b>PROFIT BEFORE TAX, CONTINUING OPERATIONS</b>	1,432	1,905	1,381	2,426	1,240
Tax, continuing operations	-312	-422	-311	-537	-280
<b>PROFIT AFTER TAX, CONTINUING OPERATIONS</b>	1,120	1,483	1,070	1,889	960
Profit after tax, discontinued operations	210	64	54	248	1,089
<b>PROFIT FOR THE YEAR</b>	1,331	1,547	1,124	2,138	2,049
Run-off profits, net of reinsurance	201	377	-5	255	152
Provisions for insurance and investment contracts:					
Non-life insurance	16,056	16,175	16,462	17,102	13,279
Life insurance	56,519	70,603	79,335	89,593	0
Total insurance assets	635	585	541	677	526
Total shareholders' equity	6,016	6,397	6,879	7,399	6,498
Total assets	83,224	98,442	109,288	120,368	23,024
<b>NON-LIFE INSURANCE</b>					
Gross claims ratio	65.1	62.1	66.1	62.9	62.6
Net reinsurance ratio	1.3	2.5	3.0	1.0	2.8
Claims ratio, net of reinsurance	66.4	64.6	69.0	63.9	65.4
Gross expense ratio	16.6	16.5	16.9	16.2	16.4
Combined ratio (operating ratio)	83.0	81.1	85.9	80.1	81.8
Combined ratio excl. run-off profits	85.4	85.4	85.9	82.8	83.3
Relative run-off profits, net of reinsurance (%)	2.0	3.7	-0.1	2.5	1.4
Return on shareholders' equity (%)	23.0	26.1	17.4	31.8	32.9

\* Before bonuses and rebates.

Due to the divestment of Topdanmark Liv Holding and according to requirements comparatives have been restated.

## Income statement • Group

(DKKm)	Note	2021	2022
<b>NON-LIFE INSURANCE</b>			
Gross premiums written	3	9,620	9,730
Ceded reinsurance premiums		-601	-657
Change in the provisions for unearned premiums	3	128	215
Change in profit margin and risk margin	3	-130	50
Change in the reinsurers' share of the provisions for unearned premiums		4	-6
<b>Premiums earned, net of reinsurance</b>		<b>9,021</b>	<b>9,332</b>
Claims paid		-5,629	-6,040
Reinsurance cover received		268	400
Change in the provisions for claims		-378	-173
Change in risk margin		17	25
Change in the reinsurers' share of the provisions for claims		150	-100
<b>Claims incurred, net of reinsurance</b>	4	<b>-5,573</b>	<b>-5,888</b>
<b>Bonuses and rebates</b>		<b>-78</b>	<b>-92</b>
Acquisition costs		-985	-1,049
Administrative expenses		-541	-559
Reinsurance commission and share of profits		81	86
<b>Insurance operating expenses, net of reinsurance</b>		<b>-1,444</b>	<b>-1,521</b>
<b>TECHNICAL RESULT FROM NON-LIFE INSURANCE</b>	5	<b>1,926</b>	<b>1,831</b>
Income from associates and joint ventures	15	4	-4
Income from investment properties		16	0
Interest income and dividends etc.		368	325
Value adjustments	6	-113	-1,637
Interest charges		-48	-43
Expenses on investment activities		-49	-63
<b>Total investment return</b>		<b>178</b>	<b>-1,422</b>
Return and value adjustments of non-life insurance provisions	7	346	916
Other income		35	8
Other expenses	8	-59	-93
<b>PROFIT BEFORE TAX, CONTINUING OPERATIONS</b>		<b>2,426</b>	<b>1,240</b>
Tax, continuing operations	9	-537	-280
<b>PROFIT AFTER TAX, CONTINUING OPERATIONS</b>		<b>1,889</b>	<b>960</b>
Profit after tax, discontinued operations	10	248	1,089
<b>PROFIT FOR THE YEAR</b>		<b>2,138</b>	<b>2,049</b>
EPS continuing operations (DKK)	11	21.5	10.9
EPS continuing operations, diluted (DKK)	11	21.5	10.8
EPS (DKK)	11	24.4	23.2
EPS, diluted (DKK)	11	24.3	23.2

## Statement of comprehensive income • Group

Profit for the year	2,138	2,049
Items which cannot subsequently be reclassified as profit or loss:		
Deferred tax on security fund (change in the tax percentage)	0	-56
Other comprehensive income	0	-56
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>2,138</b>	<b>1,993</b>



## Assets • Group

(DKK m)	Note	2021	2022
<b>INTANGIBLE ASSETS</b>	12	1,641	1,314
Operating equipment		91	67
Owner-occupied properties		810	765
<b>TOTAL TANGIBLE ASSETS</b>	13	902	832
Investment properties	14	2,927	0
Equity investments in associates and joint ventures	15	2,324	53
Total investments in associates and joint ventures		2,324	53
Equity investments		5,085	1,006
Unit trusts		16	0
Bonds		32,995	13,989
Loans guaranteed by mortgages		5	5
Deposits with credit institutions		2,620	4,044
Derivatives		127	9
Total other financial investment assets		40,848	19,054
<b>TOTAL INVESTMENT ASSETS</b>		46,099	19,107
<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS</b>	16	68,149	0
Reinsurers' share of the provisions for unearned premiums	17	99	99
Reinsurers' share of the life insurance provisions		2	0
Reinsurers' share of the provisions for claims	18	576	427
Total reinsurers' share of provisions		677	526
Receivables from policyholders		313	196
Receivables from insurance companies		105	262
Receivables from associates and joint ventures		227	0
Other receivables		311	175
<b>TOTAL RECEIVABLES</b>		1,633	1,159
Deferred tax assets	19	86	88
Liquid funds		1,136	61
Other		79	178
<b>TOTAL OTHER ASSETS</b>		1,302	326
Accrued interest and rent		423	99
Other prepayments and accrued income		218	188
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>		641	287
<b>TOTAL ASSETS</b>		120,368	23,024

## Shareholders' equity and liabilities • Group

(DKK m)	Note	2021	2022
Share capital		90	90
Revaluation reserve		2	0
Security fund		1,146	1,090
Other reserves		83	46
Total reserves		1,229	1,137
Profit carried forward		2,973	457
Proposed dividend		3,105	4,815
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>7,399</b>	<b>6,498</b>
<b>OTHER SUBORDINATED LOAN CAPITAL</b>	20	<b>1,900</b>	<b>1,100</b>
Provisions for unearned premiums	21	1,446	983
Profit margin, non-life insurance contracts	21	1,316	1,406
With-profit products	22	22,319	0
Unit-linked products	23	65,749	0
Total life insurance provisions		88,068	0
Profit margin, life insurance and investment contracts	24	1,525	0
Provisions for claims	25	13,994	10,602
Risk margin, non-life insurance contracts		189	111
Provisions for bonuses and rebates		157	176
<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>		<b>106,695</b>	<b>13,279</b>
Pensions and similar commitments		28	20
Deferred tax liabilities	19	94	3
Deferred tax on security funds	19	306	362
Other liabilities	26	0	361
<b>TOTAL PROVISIONS</b>		<b>428</b>	<b>745</b>
<b>DEPOSITS RECEIVED FROM REINSURERS</b>		<b>11</b>	<b>0</b>
Debt relating to direct insurance operations		180	18
Debt relating to reinsurance operations		42	121
Amounts due to credit institutions		451	171
Current tax liabilities		84	108
Derivatives		605	236
Other debt		2,468	698
<b>TOTAL DEBT</b>		<b>3,829</b>	<b>1,353</b>
<b>ACCRUALS AND DEFERRED INCOME</b>		<b>108</b>	<b>49</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>120,368</b>	<b>23,024</b>

## Cash flow statement • Group

(DKKm)	2021	2022
<b>Cash flow from operations</b>		
Gross premiums	9,561	9,781
Claims	-5,593	-5,978
Expenses	-1,440	-1,602
Reinsurance ceded	-261	-110
Cash flow from non-life insurance	2,266	2,091
Interest income etc.	298	233
Dividends	78	54
Interest charges etc.	-98	-106
Corporation tax	-529	-176
Other items	231	-82
<b>Cash flow from operations, continuing operations</b>	2,247	2,014
Cash flow from operations, discontinued operations	2,206	2,448
<b>Cash flow from operations</b>	4,453	4,463
<b>Cash flow from investments</b>		
Intangible assets, operating equipment	-255	-337
Properties	16	438
Sale of subsidiaries	0	3,860
Dividends from associates and joint ventures	0	19
Equity investments	174	-31
Bonds	517	-2,086
Derivatives	14	-127
<b>Cash flow from investments, continuing operations</b>	467	1,737
Cash flow from investments, discontinued operations	-4,577	-2,847
<b>Cash flow from investments</b>	-4,110	-1,111
<b>Cash flow from financing</b>		
Dividend paid	-1,752	-3,040
Exercise of share options	50	67
Redemption of subordinated loan capital	-850	-1,200
Issue of subordinated loan capital	1,000	400
Amounts due to credit institutions	-58	-99
<b>Cash flow from financing, continuing operations</b>	-1,609	-3,873
Cash flow from financing, discontinued operations	-842	2,591
<b>Cash flow from financing</b>	-2,451	-1,282
Change in cash and cash equivalents, continuing operations	1,105	-122
Change in cash and cash equivalents, discontinued operations	-3,213	2,192
Cash and cash equivalents at beginning of period	5,835	3,756
Value adjustment of cash and cash equivalents	29	-5
Cash and cash equivalents, discontinued operations	0	-1,716
Cash and cash equivalents at end of period	3,756	4,105
Cash and cash equivalents comprise:		
Liquid funds	1,136	61
Deposits with credit institutions	2,620	4,044
Cash and cash equivalents	3,756	4,105

## Statement of changes in equity • Group

(DKKm)

	Share capital	Revalu- ation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Total
<b>2021</b>							
Shareholders' equity at beginning of period	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 on share-based payments					7		7
Transactions with owners					181	-1,800	-1,619
<b>Shareholders' equity at end of period</b>	<b>90</b>	<b>2</b>	<b>1,146</b>	<b>83</b>	<b>2,973</b>	<b>3,105</b>	<b>7,399</b>
<b>2022</b>							
Shareholders' equity at beginning of period	90	2	1,146	83	2,973	3,105	7,399
Profit for the year		-2		-37	-2,727	4,815	2,049
Other comprehensive income			-56				-56
Total comprehensive income for the year		-2	-56	-37	-2,727	4,815	1,993
Dividend paid						-3,105	-3,105
Dividend, own shares					65		65
Share-based payments					78		78
Exercise of share options					67		67
Taxation on share-based payments					2		2
Transactions with owners					211	-3,105	-2,894
<b>Shareholders' equity at end of period</b>	<b>90</b>	<b>0</b>	<b>1,090</b>	<b>46</b>	<b>457</b>	<b>4,815</b>	<b>6,498</b>

## Notes to the financial statements • Group

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Tangible assets	13
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Equity investments in associates and joint ventures	15
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Reinsurers' share of the provisions for unearned premiums	17
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## Notes to the financial statements • Group

(DKKm)

### Note 1. Segment information income statement

	Private	SME	Eli- min- ated	Non-life	Parent etc.	Eli- min- ated	Group
<b>2021</b>							
<b>Non-life insurance</b>							
Gross premiums earned	4,674	4,878	-12	9,541			9,541
Claims incurred	-2,837	-3,173	9	-6,000		10	-5,990
Expenses	-730	-817	2	-1,545		20	-1,526
Net reinsurance	-60	-39	0	-99			-99
Technical result on non-life insurance	1,047	850	0	1,897		29	1,926
Total investment return				217	-10	-29	178
Return and value adjustments of non-life insurance provisions				346			346
Other items				1	-25		-24
<b>Profit before tax, continuing operations</b>				2,461	-35	0	2,426
Tax, continuing operations							-537
<b>Profit after tax, continuing operations</b>							1,889
Profit after tax, discontinued operations							248
<b>Profit for the year</b>							2,138
<b>2022</b>							
<b>Non-life insurance</b>							
Gross premiums earned	4,765	5,150	-12	9,903			9,903
Claims incurred	-3,025	-3,182	10	-6,197		9	-6,188
Expenses	-781	-848	2	-1,628		20	-1,608
Net reinsurance	-50	-227	0	-276			-276
Technical result on non-life insurance	909	893	0	1,802		29	1,831
Total investment return				-1,384	-8	-29	-1,422
Return and value adjustments of non-life insurance provisions				916			916
Other items				-35	-50		-85
<b>Profit before tax, continuing operations</b>				1,299	-59	0	1,240
Tax, continuing operations							-280
<b>Profit after tax, continuing operations</b>							960
Profit after tax, discontinued operations							1,089
<b>Profit for the year</b>							2,049
Amortisations and depreciations:							
2021	37	38		75	0		75
2022	53	58		111	0		111
Results from associates and joint ventures:							
2021				4			4
2022				-4			-4

Please refer to note 10. Discontinued operations in relation to segment information for life insurance.

## Notes to the financial statements • Group

(DKK m)

### Note 2. Segment information balance sheet

	Non-life	Life	Parent etc.	Elimin- ated	Group
<b>2021</b>					
Intangible assets	1,054	588	0		1,641
Tangible assets	882	17	3		902
Investment properties	439	2,487	0		2,927
Loans to group entities	300	0	0	-300	0
Equity investments in associates and joint ventures	76	2,248	0		2,324
Other financial investment assets	19,285	21,557	7		40,848
Investment assets related to unit-linked products	0	68,149	0		68,149
Reinsurers' share of provisions	676	2	0		677
Receivables from group entities	2,964	1,107	1,003	-5,075	0
Other assets	1,020	1,798	81		2,899
<b>Total assets</b>	<b>26,696</b>	<b>97,952</b>	<b>1,095</b>	<b>-5,375</b>	<b>120,368</b>
Other subordinated loan capital	1,500	300	400	-300	1,900
Provisions for insurance and investment contracts	17,102	89,593	0		106,695
Amounts due to group entities	1,107	3,958	10	-5,075	0
Other liabilities	1,766	2,514	95		4,375
<b>Total liabilities</b>	<b>21,475</b>	<b>96,365</b>	<b>504</b>	<b>-5,375</b>	<b>112,969</b>
Purchase of tangible and intangible assets	264	29	0		293
<b>2022</b>					
Intangible assets	1,314		0		1,314
Tangible assets	829		3		832
Equity investments in associates and joint ventures	53		0		53
Other financial investment assets	19,048		6		19,054
Reinsurers' share of provisions	526		0		526
Receivables from group entities	0		882	-882	0
Other assets	1,222		24		1,245
<b>Total assets</b>	<b>22,992</b>		<b>914</b>	<b>-882</b>	<b>23,024</b>
Other subordinated loan capital	1,100		0		1,100
Provisions for insurance contracts	13,279		0		13,279
Amounts due to group entities	833		49	-882	0
Other liabilities	1,961		186		2,147
<b>Total liabilities</b>	<b>17,173</b>		<b>235</b>	<b>-882</b>	<b>16,526</b>
Purchase of tangible and intangible assets	372		0		372

Management reporting for the segments Private and SME comprises results and no reporting on balance sheet items.

In 2021, assets and liabilities related to illness and accident insurance administered by Topdanmark Life were included in non-life.

## Notes to the financial statements • Group

(DKKm)

2021

2022

### Note 3. Gross premiums earned, non-life insurance

Gross premiums written	9,620	9,730
Change in provisions for unearned premiums	128	215
Change in profit margin and risk margin	-130	50
<b>Gross premiums earned</b>	<b>9,618</b>	<b>9,995</b>
Gross premiums earned, direct business, by location of the risk:		
Denmark	9,614	9,992
Other EU-countries	4	2
Other countries	1	1
	<b>9,618</b>	<b>9,995</b>

### Note 4. Claims incurred, net of reinsurance, non-life insurance

Run-off result:		
Gross business	269	188
Reinsurance ceded	-14	-36
Run-off profit, net of reinsurance	255	152
Claims incurred include value adjustment of derivatives hedging the inflation risk in workers' compensation	367	317
Expenses for loss-prevention included in claims incurred amount to 0.2% (2021: 0.3%), split between Fire and property, Private, 0.0% (2021: 0.1) and Illness and accident 0.2% (2021: 0.2%).		

### Note 5. Technical result, non-life insurance

	2021	2022	2021	2022	2021	2022
	Illness and accident		Workers' compensation		Motor third-party liability	
Gross premiums written	1,068	1,095	825	881	482	457
Gross premiums earned	1,058	1,121	832	909	512	449
Claims incurred	-671	-726	-558	-495	-479	-572
Bonuses and rebates	-4	-4	-4	-6	-2	-2
Gross operating expenses	-154	-199	-98	-115	-104	-94
Net reinsurance	-4	-4	8	-2	-3	-3
Technical result	225	189	179	291	-76	-222
Gross claims ratio	63.6	64.9	67.4	54.9	93.9	127.9
Combined ratio	78.6	83.1	78.4	67.8	114.9	149.7
Run-off result, net of reinsurance	1	17	127	116	5	-25
Claims provisions, net of reinsurance	1,168	1,253	6,135	5,623	919	961
Number of claims incurred ('000)	27	31	6	7	22	21
Average value of claim (DKK '000)	25	24	105	87	22	26
Frequency of claims (per thousand value)	26	29	113	127	37	37
	Motor own damage		Fire and property Private		Fire and property SME	
Gross premiums written	1,900	1,918	1,956	1,914	2,111	2,173
Gross premiums earned	1,847	1,992	1,983	1,995	2,098	2,187
Claims incurred	-921	-1,047	-1,274	-1,208	-1,341	-1,271
Bonuses and rebates	-6	-7	-6	-7	-33	-29
Gross operating expenses	-280	-270	-271	-312	-417	-427
Net reinsurance	-4	-3	-64	-55	-30	-181
Technical result	636	664	368	412	276	280
Gross claims ratio	50.0	52.8	64.5	60.8	65.0	58.9
Combined ratio	65.5	66.5	81.4	79.3	86.6	87.0
Run-off result, net of reinsurance	10	-20	100	93	25	3
Claims provisions, net of reinsurance	114	168	764	686	674	623
Number of claims incurred ('000)	104	107	83	87	23	26
Average value of claim (DKK '000)	9	10	17	15	60	51
Frequency of claims (per thousand value)	197	207	127	137	116	131

## Notes to the financial statements • Group

(DKKm)

<b>Note 5. Technical result, non-life - continued</b>	2021	2022	2021	2022	2021	2022
	Liability		Tourist assistance		Other insurance	
Gross premiums written	535	551	213	234	530	507
Gross premiums earned	519	552	215	236	554	554
Claims incurred	-330	-386	-51	-160	-365	-324
Bonuses and rebates	-6	-5	-1	-1	-15	-30
Gross operating expenses	-76	-98	-35	-29	-89	-64
Net reinsurance	-16	-27	0	0	13	-2
Technical result	91	37	128	46	98	134
Gross claims ratio	64.4	70.5	23.9	68.0	67.7	61.8
Combined ratio	82.3	93.3	40.2	80.4	81.9	74.4
Run-off result, net of reinsurance	-24	-34	4	-5	6	7
Claims provisions, net of reinsurance	607	696	21	31	155	134
Number of claims incurred ('000)	9	9	6	17	98	98
Average value of claim (DKK '000)	34	42	9	9	4	3
Frequency of claims (per thousand value)	78	78	33	87	210	208
					Total	
Gross premiums written					9,620	9,730
Gross premiums earned					9,618	9,995
Claims incurred					-5,990	-6,188
Bonuses and rebates					-78	-92
Gross operating expenses					-1,526	-1,608
Net reinsurance					-99	-276
Technical result					1,926	1,831
Gross claims ratio					62.9	62.6
Combined ratio					80.1	81.8
Run-off result, net of reinsurance					255	152
Claims provisions, net of reinsurance (excluding illness and accident in Life)					10,557	10,175
Number of claims incurred ('000)					379	402
Average value of claim (DKK '000)					17	16
Frequency of claims (per thousand value)					98	105
Claims ratio and combined ratio have been calculated including internal rent in accordance with the Executive Order on Financial Reports for insurance companies.						

## Notes to the financial statements • Group

(DKKm)	2021	2022
<b>Note 6. Value adjustments</b>		
Held for trading:		
Equity investments	160	-193
Bonds	-257	-1,104
Derivatives	326	17
Total held for trading	229	-1,279
Deposits with credit institutions	0	0
Total designated at fair value	0	0
Value adjustments of financial assets and liabilities at fair value through profit or loss	229	-1,279
Of which value adjustment of derivatives transferred to claims incurred	-367	-317
Properties	64	-46
Liquid funds	-41	-1
Other	2	5
<b>Value adjustments</b>	<b>-113</b>	<b>-1,637</b>
<b>Note 7. Return and value adjustments of non-life insurance provisions</b>		
<b>Amortisation</b>		
Provisions for unearned premiums and profit margin	10	-80
Reinsurers' share of provisions for unearned premiums	-1	5
Provisions for claims	-25	-154
Risk margin	0	-1
Reinsurers' share of the provisions for claims	0	6
	-16	-223
<b>Value adjustments</b>		
Provisions for unearned premiums and profit margin	4	8
Provisions for claims	360	1,140
Risk margin	2	11
Reinsurers' share of the provisions for claims	-4	-19
	362	1,140
<b>Return and value adjustments of non-life insurance provisions</b>	<b>346</b>	<b>916</b>
<b>Note 8. Other expenses</b>		
Holding expenses	52	50
Danish guarantee Fund for Non-life Insurers, the bankruptcy of Gefion Insurance A/S	0	25
Other	7	18
<b>Other expenses</b>	<b>59</b>	<b>93</b>
<b>Note 9. Tax, continuing operations</b>		
Current tax	551	333
Change in deferred tax	-22	-55
Prior year adjustment	1	1
Tax for the year	530	278
Of which tax in shareholders' equity	7	2
<b>Tax, continuing operations</b>	<b>537</b>	<b>280</b>
Calculated tax on profit for the year, 22%	534	273
Adjusted for the tax effect of:		
Returns on shares etc. not liable to tax	5	-6
Non-deductible expenses/non taxable income	-3	12
Prior year adjustment	1	1
	537	280

## Notes to the financial statements • Group

(DKKm)	Full year 2021	11 months 2022
<b>Note 10. Discontinued operations</b>		
<b>LIFE INSURANCE</b>		
Premiums, net of reinsurance	10,359	8,998
Allocated investment return, net of reinsurance	10,791	-8,894
Pension return tax	-1,521	506
Claims and benefits paid, net of reinsurance	-8,951	-7,568
Change in the life insurance provisions, net of reinsurance	-9,114	7,288
Change in profit margin	-1,158	3
Insurance operating expenses, net of reinsurance	-585	-466
TECHNICAL RESULT FROM LIFE INSURANCE	-178	-134
<b>NON-LIFE INSURANCE</b>		
Premiums earned, net of reinsurance	626	644
Claims incurred, net of reinsurance	-808	-710
Bonuses and rebates	-8	-12
Insurance operating expenses, net of reinsurance	-48	-83
TECHNICAL RESULT FROM NON-LIFE INSURANCE	-238	-162
<b>Total investment return</b>	11,177	-8,900
Return and value adjustments of non-life insurance provisions	157	406
Investment return transferred to life insurance	-10,791	8,894
Other income	189	2
Other expenses	0	-2
<b>PROFIT BEFORE TAX TOPDANMARK LIV HOLDING GROUP</b>	316	105
<b>NET GAIN ON SALE BEFORE TAX</b>	-	957
<b>TAX</b>	-67	27
<b>PROFIT AFTER TAX, DISCONTINUED OPERATIONS</b>	248	1,089
EPS discontinued operations (DKK)	2.8	12.3
EPS discontinued operations, diluted (DKK)	2.8	12.3
Topdanmark Forsikring A/S has divested Topdanmark Liv Holding A/S and all subsidiaries hereof to Nordea Life Holding AB.		
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.		
Tax, discontinued operations relates to		
Profit from discontinued operations	-67	5
Net gain on sale	-	23
Tax, discontinued operations	-67	27

<b>Note 11. Earnings per share</b>	2021	2022
Profit for the year	2,138	2,049
Average number of shares ('000)	87,703	88,206
Diluting impact of options ('000)	245	299
Average number of shares, diluted ('000)	87,948	88,505
EPS continuing operations (DKK)	21.5	10.9
EPS continuing operations, diluted (DKK)	21.5	10.8
EPS (DKK)	24.4	23.2
EPS, diluted (DKK)	24.3	23.2



# Notes to the financial statements • Group

(DKKm)

## Note 12. Intangible assets

	Goodwill	Software	Completed development projects	Development projects under construction	Total
<b>2021</b>					
Cost at 1 January	441	229	1,337	414	2,421
Additions	0	1	0	277	278
Transferred	0	0	529	-529	0
Disposals	0	0	0	-5	-5
Cost at 31 December	441	230	1,867	157	2,694
Impairment and amortisation at 1 January	0	-220	-716	0	-936
Amortisation for the year	0	-5	-112	0	-118
Impairment and amortisation at 31 December	0	-225	-828	0	-1,053
<b>Intangible assets 2021</b>	<b>441</b>	<b>5</b>	<b>1,038</b>	<b>157</b>	<b>1,641</b>
<b>2022</b>					
Cost at 1 January	441	230	1,867	157	2,694
Additions	0	0	24	330	354
Transferred	0	0	123	-123	0
Reclassification due to sale of life	0	0	-727	-41	-769
Disposals	0	0	-12	0	-12
Cost at 31 December	441	230	1,274	322	2,267
Impairment and amortisation at 1 January	0	-225	-828	0	-1,053
Reclassification due to sale of life	0	0	181	0	181
Amortisation for the year	0	-4	-84	0	-88
Disposals	0	0	6	0	6
Impairment and amortisation at 31 December	0	-229	-725	0	-954
<b>Intangible assets 2022</b>	<b>441</b>	<b>1</b>	<b>549</b>	<b>322</b>	<b>1,314</b>

All development projects are internally generated with assistance from external consultants.

Goodwill and development projects under construction are tested for impairment end of the year.

Goodwill:

Goodwill relates primarily to the purchase of non-life insurance companies in 1999.

The future cash flows are based on three years' expected technical result and a terminal value of the private segment to which goodwill relates.

The expected technical results are calculated as part of an ongoing, quarterly forecast process.

Primary assumptions:

The calculation of premiums earned is based on the insurance portfolio adjusted to reflect the expected effect of business decisions and market development. The portfolio is indexed by the wage and salary index. Claims incurred are based on the current levels adjusted to reflect the normalised level of weather-related and large-scale claims. Furthermore, in general, the expected development in the level of claims and the effect of loss prevention activities are included. The levels of claims are adjusted to reflect the expected inflation. Expenses are calculated by projecting the expenditure base by the expected changes in activities and pay increases obtained through collective agreements, changes in taxes and duties etc. The reinsurance result is calculated in accordance with the current reinsurance programme and adjusted to reflect known and expected changes in prices and the size of cover. The calculation of the terminal value includes a growth rate of 0% (2021: 0%).

The pre-tax discount rate is 11.5% (2021: 7.7%), and the post-tax rate 9.0% (2021: 6.0%).

It is believed that there are no scenarios in which a probable change in the assumptions of the expected technical result or the discount rate will result in a situation in which the carrying amount of goodwill exceeds its recoverable amount for the private segment.

Development projects:

Completed development projects primarily comprise the new customer and core system for non-life, DKK 522m.

The first completed elements of the non-life system were put into use during 2021. All elements will be amortised over an expected life-time of 10 years.

Completed development projects are assessed for impairment end of year and at indications of impairment.

The assessment showed no need for write-downs.

Development projects under construction mostly comprise elements of the new customer and core system for non-life. The impairment tests are based on 10 years technical results, assuming of a 2% growth.

Amortisation of intangible assets is primarily included in claims incurred and operating expenses.

## Notes to the financial statements • Group

(DKKm)

### Note 13. Tangible assets

	Operating equip- ment	Owner- occupied properties	Total
<b>2021</b>			
Cost at 1 January	375	837	1,212
Additions, improvements	15	0	15
Disposals	-6	0	-6
Value adjustment taken to other comprehensive income	0	1	1
Value adjustment taken to income statement	0	-27	-27
Transferred on value adjustment	0	-1	-1
Cost at 31 December	384	810	1,194
Impairment and depreciation at 1 January	-266	0	-266
Depreciation for the year	-31	-1	-32
Transferred on value adjustment	0	1	1
Reversal of total impairment and depreciation of assets sold or withdrawn from operations during the year	5	0	5
Impairment and depreciation at 31 December	-293	0	-293
<b>Tangible assets 2021</b>	<b>91</b>	<b>810</b>	<b>902</b>

### 2022

Cost at 1 January	384	810	1,194
Reclassification due to sale of life	-34	-	-34
Additions, improvements	18	0	18
Disposals	-5	0	-5
Value adjustment taken to income statement	0	-45	-45
Cost at 31 December	364	765	1,129
Impairment and depreciation at 1 January	-293	0	-293
Reclassification due to sale of life	16		16
Depreciation for the year	-24	0	-24
Reversal of total impairment and depreciation of assets sold or withdrawn from operations during the year	3	0	3
Impairment and depreciation at 31 December	-297	0	-297
<b>Tangible assets 2022</b>	<b>67</b>	<b>765</b>	<b>832</b>

2021 2022

Owner-occupied properties are measured at a revalued amount corresponding to fair value (level 3).

The weighted average of the rates of return on which fair value of individual properties was based

5.0% 5.3%

An increase in the required rate of return of 0.5pp will reduce the total fair value by

73 66

Carrying amount if the properties had been valued at cost less depreciation

716 714

### Note 14. Investment properties

Fair value at 1 January	5,281	6,207
Reclassification due to sale of life	-	-6,207
Additions, acquisitions	285	0
Additions, improvements	8	0
Disposals	-29	0
Fair value adjustment for the year taken to value adjustment	662	0
Fair value at 31 December	6,207	0
Investment properties are recognised in the balance sheet as follows:		
Investment properties	2,927	-
Investment assets related to unit-linked products	3,280	-
The weighted average of the rates of return on which fair value of individual properties was based	4.5%	-

## Notes to the financial statements • Group

(DKKm)

### Note 14. Investment properties - continued

	2021	
	Private residence	Office property
Fair value DKKm	1,839	3,885
Weighted average rate of return	3.8%	4.8%
Area (1,000 square meters)	59	224
Price per square meter (DKK 1,000)	31	17
Number of properties	6	19
Investment properties are measured at fair value (level 3).		
		2021
The basis of the measurement, e.g. management's estimate of the fair value, is an expected annual operating return and a required rate of return.		
Rate of return		3.5%-7.5%
An increase in the required rate of return of 0.5pp will reduce the total fair value by		570
The fair value includes properties under construction of		482

### Note 15. Equity investments in associates and joint ventures

2021 2022

Investments in associates and joint ventures end 2022 consists of a 27% holding in Bornholms Brandforsikring A/S. In 2021, investments further included holdings within property and property development in the life division. None of the associates and joint ventures are material to the Group.

#### Investment

Associates	957	53
Joint ventures	1,367	0
<b>Equity investments in associates and joint ventures</b>	<b>2,324</b>	<b>53</b>

#### Share of results (excluding life reclassified to discontinued operations)

Associates	4	-4
Joint ventures	0	0
<b>Income from associates and joint ventures</b>	<b>4</b>	<b>-4</b>

### Note 16. Investment assets related to unit-linked products

2021

Equity investments	26,085
Unit trusts	740
Bonds	38,044
Investment properties	3,280
<b>Investment assets related to unit-linked contracts</b>	<b>68,149</b>

### Note 17. Reinsurers' share of the provisions for unearned premiums

2021 2022

1 January	96	99
Reclassification of illness and accident, life, due to sale	-	0
Ceded reinsurance premiums	604	657
Earned reinsurance premiums	-601	-663
Amortisation	-1	5
<b>Reinsurers' share of the provisions for unearned premiums at 31 December</b>	<b>99</b>	<b>99</b>
Net present value of expected future cashflows	20	-7
Profit margin	79	106

## Notes to the financial statements • Group

(DKKm) 2021 2022

### Note 18. Reinsurers' share of the provisions for claims

1 January	440	576
Reclassification of illness and accident, life, due to sale	-	-36
Reimbursement of claims relating to prior years	-179	-262
Change in expected income relating to prior years (run-off)	-6	-36
Reimbursement of claims relating to current year	-109	-138
Expected income relating to current year	434	336
Amortisation	0	6
Value adjustment	-5	-19
<b>Reinsurers' share of the provisions for claims at 31 December</b>	<b>576</b>	<b>427</b>

### Note 19. Deferred tax

	2020	2021	2022
Properties	76	93	0
Operating equipment	-16	-62	-54
Liabilities provided	-7	-6	-9
Other	-3	-17	-22
Deferred tax	50	8	-85
Recognised as:			
Deferred tax assets	-33	-86	-88
Deferred tax liabilities	83	94	3
	50	8	-85
Deferred tax on security funds amounts to	306	306	362
The increase in 2022 is due to a change in the expected tax rate. The amount, DKK 56m, is recognised in other comprehensive income.			

### Note 20. Other subordinated loan capital

	Hybrid core capital (redeemed 2022)	Subordinated loan capital (redeemed 2022)	Subordinated loan capital (partially redeemed 2022)	Restricted Tier 1 capital note
Borrower	Topdanmark A/S	Topdanmark Forsikring A/S	Topdanmark Forsikring A/S	Topdanmark Forsikring A/S
Principal	400	500	700	400
Carrying value				
2022	-	-	700	400
2021	400	500	1,000	-
Fair value (level 2)				
2022	-	-	700	400
2021	400	500	1,000	-
Date of issue	November 2017	December 2020	December 2021	December 2022
Maturity	Bullet	30 December 2030	16 December 2031	Perpetual
If permitted by the Danish FSA, the borrower can give notice of termination from	23 November 2022	30 December 2025	16 December 2026	22 December 2027
Interest rate	Cibor 3 months +275bp	Cibor 3 months +160bp	Cibor 3 months +125bp	Cibor 3 months +475bp
				2021 2022
Interest charges				33 35
Costs of raising the loan capital				- 1
Costs of redeeming loan capital				- 5

The market valuation of subordinated loans is based on a mark-to-model method. Future cashflows are discounted by the risk free rate and an appropriate credit spread. The Solvency II interest rate curve is used for approximation for risk free rates.

Subordinated loan capital is fully included in the Group's own funds (Capital for solvency purposes).

## Notes to the financial statements • Group

(DKKm)

2021

2022

### Note 21. Provisions for unearned premiums and profit margin, non-life insurance

Provisions for unearned premiums at 1 January	1,590	1,446
Profit margin at 1 January	1,150	1,316
	2,741	2,762
Reclassification of illness and accident, life, due to sale	-	-40
Gross premiums written	10,282	9,730
Gross premiums earned	-10,240	-9,995
Change in risk margin	22	3
Amortisation and interest accreted	-6	80
Value adjustment	-36	-8
Provisions for unearned premiums at 31 December	1,446	983
Profit margin at 31 December	1,316	1,406
<b>Provisions for unearned premiums and profit margin at 31 December</b>	<b>2,762</b>	<b>2,389</b>

### Note 22. Life insurance provisions with-profit products

Life insurance provisions direct business at 1 January	23,178	22,319
Profit margin at 1 January	86	77
Total insurance provisions at 1 January	23,263	22,396
Collective bonus potential at 1 January	-1,810	-3,075
Accumulated revaluation at 1 January	-2,739	-1,884
Retrospective provisions at 1 January	18,714	17,437
Reclassification due to sale	0	-17,437
Gross premiums written	669	0
Addition of return	184	0
Claims and benefits	-1,771	0
Expense loading inclusive of expense bonus	-72	0
Risk gain after allocating policyholders' risk bonus	-1	0
Other	-4	0
Intra-group transfers	-281	0
Retrospective provisions at 31 December	17,437	0
Accumulated revaluation at 31 December	1,884	0
Collective bonus potential at 31 December	3,075	0
Total insurance provisions direct business at 31 December	22,396	0
Profit margin at 31 December	-77	0
<b>Life insurance provisions with-profit products</b>	<b>22,319</b>	<b>0</b>

### Portfolios analysed by guaranteed interest rates

	Guaranteed interest rate	Guaranteed benefits	Individual bonus potential	Collective bonus potential	Life insurance provisions
<b>2021</b>					
Interest rate group 9	-0.5%	20	14	0	34
Interest rate group 9	1%	1,979	134	187	2,300
Interest rate group 10	1%	617	3	91	712
Interest rate group 1	]1%-2%]	7,280	143	715	8,137
Interest rate group 3	]1%-2%]	782	4	151	936
Interest rate group 2	]2%-3%]	2,326	0	335	2,662
Interest rate group 4	]2%-3%]	945	6	177	1,128
Interest rate group 5	]3%-4%]	1,992	0	437	2,429
Interest rate group 6	]4%-5%]	2,428	0	645	3,073
Interest rate group 7	5%	19	0	55	74
Risk groups		0	0	282	282
Total contribution		18,388	305	3,075	21,767
Group Life					187
U74-life annuities					91
Other					274
<b>Total 2021</b>		<b>18,388</b>	<b>305</b>	<b>3,075</b>	<b>22,319</b>

## Notes to the financial statements • Group

(DKKm)

### Note 22. Life insurance provisions with-profit products - continued

<b>Risk margin (part of guaranteed benefits)</b>	<b>Guaranteed interest rate</b>	<b>2021</b>
Interest rate group 11	-0.5%	0
Interest rate group 9	1%	11
Interest rate group 10	1%	0
Interest rate group 1	]1%-2%]	31
Interest rate group 3	]1%-2%]	2
Interest rate group 2	]2%-3%]	10
Interest rate group 4	]2%-3%]	5
Interest rate group 5	]3%-4%]	17
Interest rate group 6	]4%-5%[	29
Interest rate group 7	5%	0
Total contribution		106
U74-life annuities		2
Other		2
<b>Total risk margin</b>		<b>109</b>

<b>Bonus ratio and return</b>	<b>Guaranteed interest rate</b>	<b>Bonus ratio 2021</b>	<b>Return (%) 2021</b>
Interest rate group 11	-0.5%	43.7	7.3
Interest rate group 9	1%	15.4	4.3
Interest rate group 10	1%	15.3	5.1
Interest rate group 1	]1%-2%]	12.1	4.7
Interest rate group 3	]1%-2%]	20.5	5.1
Interest rate group 2	]2%-3%]	16.2	3.8
Interest rate group 4	]2%-3%]	21.2	5.0
Interest rate group 5	]3%-4%]	26.9	3.1
Interest rate group 6	]4%-5%[	36.5	3.1
Interest rate group 7	5%	356.2	5.1

2021

#### Risk groups

Risk result after addition of risk bonus	15
Risk result after addition of risk bonus (%)	0.1

#### Cost groups

Customers' share of administration expenses after addition of expense bonus	53
Insurance operating expenses	-184
Result of sales and administration	-131
Result of sales and administration (%)	-0.6
Return on customer funds after expenses before tax (%)	3.1

### Note 23. Life insurance provisions unit-linked products

<b>2021</b>	<b>Insurance contracts</b>	<b>Investment contracts</b>	<b>Total</b>
Gross provisions at 1 January	51,506	4,284	55,790
Profit margin at 1 January	266	15	281
Retrospective provisions at 1 January	51,773	4,299	56,072
Gross premiums written	9,691	636	10,327
Addition of return	7,761	718	8,479
Claims and benefits	-7,185	-647	-7,832
Expense loading inclusive of expense bonus	-107	-9	-116
Risk gain after addition of risk bonus	-19	0	-19
Other	1	2	3
Intra-group transfers	281	0	281
Retrospective provisions at 31 December	62,197	5,000	67,197
Profit margin at 31 December	-1,369	-78	-1,447
<b>Gross provisions 31 December 2021</b>	<b>60,828</b>	<b>4,922</b>	<b>65,749</b>



## Notes to the financial statements • Group

(DKK m)

### Note 23. Life insurance provisions unit-linked products - continued

2022	Insurance contracts	Investment contracts	Total
Gross provisions at 1 January	60,828	4,922	65,749
Reclassification due to sale	-60,828	-4,922	-65,749
<b>Gross provisions 31 December 2022</b>	<b>0</b>	<b>0</b>	<b>0</b>

	2021
Return on customer funds after expenses before tax (%)	17.3

### Note 24. Profit margin, life insurance and investment contracts

With-profit products	77
Unit-linked products	1,447
<b>Profit margin, life insurance and investment contracts</b>	<b>1,525</b>

### Note 25. Provisions for claims

	2021	2022
<b>Gross</b>		
Provisions at 1 January	13,364	13,994
Reclassification of illness and accident, life, due to sale	-	-2,896
Claims paid relating to prior years	-2,906	-2,675
Change in expected claims payments relating to prior years (run-off)	-211	-188
Claims paid relating to current year	-3,250	-3,364
Expected claims payments relating to current year	7,026	6,401
Inflation hedging	434	317
Amortisation	39	154
Value adjustment	-503	-1,140
<b>Provisions for claims</b>	<b>13,994</b>	<b>10,602</b>
<b>Net of reinsurance</b>		
Provisions at 1 January	12,924	13,418
Reclassification of illness and accident, life, due to sale	-	-2,860
Claims paid relating to prior years	-2,727	-2,414
Change in expected claims payments relating to prior years (run-off)	-205	-152
Claims paid relating to current year	-3,141	-3,226
Expected claims payments relating to current year	6,592	6,065
Inflation hedging	434	317
Amortisation	39	149
Value adjustment	-498	-1,121
<b>Provisions for claims, net of reinsurance</b>	<b>13,418</b>	<b>10,175</b>
Provisions net of reinsurance for business lines being settled in whole or in part as annuities:		
Workers' compensation insurance	6,135	5,623
Average period of settlement	6 years	6 years
Illness and accident insurance, administered by Topdanmark Livsforsikring	2,860	-
Average period of settlement	12 years	-

# Notes to the financial statements • Group

(DKKm)

## Note 25. Provisions for claims - continued

### Claims liabilities analysed by claims year

Gross	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
End of year	7,089	6,162	6,078	5,914	5,368	5,799	5,855	6,092	6,253	6,450	59,902
1 year later	7,265	6,228	6,153	5,899	5,484	5,939	6,041	5,887	6,100		
2 years later	7,291	6,188	6,055	5,813	5,476	6,031	6,021	5,711			
3 years later	7,248	6,137	6,051	5,770	5,559	6,051	5,934				
4 years later	7,175	6,022	6,047	5,660	5,502	5,978					
5 years later	7,130	5,918	5,923	5,672	5,456						
6 years later	7,033	5,848	5,870	5,639							
7 years later	6,999	5,829	5,844								
8 years later	7,017	5,821									
9 years later	6,969										
Less paid incl. inflation hedging	6,679	5,512	5,510	5,310	5,037	5,386	5,229	4,766	4,460	3,339	51,229
Provisions before discounting at 31 December	290	310	334	328	418	591	705	946	1,640	3,110	8,672
Discounting	-3	-4	-3	-9	-6	-12	-14	-25	-50	-87	-213
	287	306	330	319	412	580	692	920	1,590	3,023	8,459
Provisions relating to previous years at 31 December											2,143
Gross provisions at 31 December 2022											10,602
<b>Net of reinsurance</b>											
End of year	5,964	5,804	5,703	5,480	5,185	5,415	5,609	5,811	5,821	6,109	55,634
1 year later	5,999	5,850	5,763	5,496	5,279	5,549	5,776	5,606	5,671		
2 years later	6,025	5,823	5,677	5,407	5,273	5,639	5,756	5,446			
3 years later	5,983	5,772	5,669	5,363	5,359	5,656	5,670				
4 years later	5,911	5,658	5,624	5,249	5,304	5,579					
5 years later	5,865	5,544	5,575	5,233	5,257						
6 years later	5,760	5,475	5,530	5,214							
7 years later	5,726	5,487	5,510								
8 years later	5,747	5,478									
9 years later	5,699										
Less paid incl. inflation hedging	5,413	5,171	5,176	4,911	4,840	5,002	4,972	4,535	4,185	3,202	47,407
Provisions before discounting at 31 December	286	308	334	302	417	578	698	912	1,486	2,908	8,227
Discounting	-3	-4	-3	-7	-6	-11	-13	-23	-42	-82	-194
	283	304	331	296	411	567	685	888	1,443	2,826	8,033
Provisions relating to previous years at 31 December											2,142
Provisions, net of reinsurance, at 31 December 2022											10,175
Reconciliation:											
Provisions for claims											10,602
Less reinsurers' share of provisions											-427
Provisions, net of reinsurance, at 31 December 2022											10,175
Composition of expected payments, net of reinsurance:											
Original payment	5,970	5,763	5,715	5,476	5,178	5,411	5,597	5,795	5,834	6,139	56,878
Loss / -gain on settlement	-361	-351	-228	-286	75	181	135	-253	-42		-1,130
Amortisation / value adjustment											
workers' compensation	90	66	23	24	4	-13	-62	-96	-122	-29	-115
	5,699	5,478	5,510	5,214	5,257	5,579	5,670	5,446	5,671	6,109	55,634

The table shows the historical development in the estimated final liability (the sum of claims payments and provisions) for each claims year. Significant proportions of the liabilities shown have been calculated without discounting which eliminates changes in discounting rates to a great extent. However, workers' compensation are included at discounted values.

Due to the sale of life, the analysis only includes continuing business in Topdanmark Forsikring.

## Notes to the financial statements • Group

(DKKm) 2021 2022

### Note 26. Other liabilities

Other liabilities at 1 January	0	0
Change in provision	0	361
<b>Other liabilities</b>	<b>0</b>	<b>361</b>

Provisions for expected unwinding costs and other contractual obligations related to the divestment of Topdanmark Liv Holding Group amount to DKK 336m.

A provision of DKK 25m is related to the bankruptcy of Gefion Insurance A/S.

### Note 27. Technical basis for risk allowance and shadow account 2021

Customers' share of technical basis for risk allowance	1,315
Share of technical basis for risk allowance allocated to shareholders' equity	294
Insurance technical result	1,609

The allocation of the technical basis for risk allowance to policyholders is in accordance with the executive order on the contribution principle.

Shadow account at 1 January	91
Provided	54
Shadow account at 31 December	144

### Note 28. Expenses 2021 2022

Expenses in the income statement presented by nature:

Staff costs (excl. commissions)	1,965	2,029
Executive Board	33	23
Board of Directors	6	6
Other staff costs	56	79
Commissions non-life	210	222
Commissions life	39	37
Premises costs etc.	122	143
IT operations and maintenance	368	443
Amortisation and depreciation	150	135
Other expenses	291	311
<b>Total expenses</b>	<b>3,240</b>	<b>3,428</b>

Expenses include discontinued operations until the sale 1 December 2022.

### Note 29. Auditors' fee

Fee to the auditors elected at the Annual General Meeting

KPMG:

Fee for statutory audit of the annual accounts	4.3	4.2
Fee for other assurance engagements*	0.4	0.5
Fee for tax advice	0.2	0.1
Fee for services, other than audit work	1.0	1.8
	<b>5.8</b>	<b>6.5</b>

\*Fee for other assurance engagements includes fee for issuance of reports to the Danish Tax Authority and other public authorities. Fee for services, other than audit work, includes accounting advisory mainly related to IFRS 17.

### Note 30. Staff costs

Salaries	1,547	1,591
Pensions	261	260
Social security costs	42	43
Payroll tax	290	284
Employee shares	60	61
Share options	8	9
STI-Bonuses	3	4
	<b>2,211</b>	<b>2,252</b>
<b>Average number of full-time employees</b>	<b>2,417</b>	<b>2,378</b>

## Notes to the financial statements • Group

(DKKm)

### Note 30. Staff costs - continued

#### Employee shares

For the period November 2021 to October 2022, Topdanmark has allotted 188,553 shares at a value of DKK 65m for a salary cut.

For the period November 2020 to October 2021, Topdanmark has allotted 184,387 shares at a value of DKK 63m for a salary cut.

Staff costs include costs related to discontinued operations until the sale 1 December 2022.

#### Share options programme (LTI)

Topdanmark's long-term option-based LTI-programme comprises the Executive Board and senior executives. The strike price has been fixed at 110% of the market price on the last trading date, prior year (average of all trades). The options may be exercised 3-5 years subsequent to the granting. The scheme is settled by shares (equity instruments).

There are no other earnings conditions to the option scheme than employment in the full year of allocation. Options are allocated at the beginning of the year and in connection with resignation in the year of allocation a proportional deduction in the number of allocated options is made.

Total number of options ('000) (categorised by the option holders' standing end of year)		Strike price	Executive Board	Senior executives	Resigned	Total
<b>2021</b>						
Outstanding at 1 January		260	224	598	308	1,130
Granted		291	78	228	0	306
Transferred			-171	103	67	0
Exercised		169	-23	-165	-115	-302
Forfeited		285	0	0	-12	-12
Outstanding at 31 December 2021		270	108	765	249	1,121
Fair value at 31 December 2021			9	74	30	113
Fair value of granting 2021			2	7	0	10
Average current price on date of exercise 2021		308				
<b>2022</b>						
Outstanding at 1 January		270	108	765	249	1,121
Granted		404	38	180	0	218
Transferred			-53	-414	467	0
Exercised		208	-8	-105	-239	-352
Forfeited		273	0	0	-7	-7
Outstanding at 31 December 2022		280	85	425	470	981
Fair value at 31 December 2022			8	42	52	101
Fair value of granting 2022			2	8	0	10
Average current price on date of exercise 2022		370				
Per granting:		Exercise period				
2018	January 2021 - January 2023	199	1	25	72	99
2019	January 2022 - January 2024	255	17	74	101	191
2020	January 2023 - January 2025	299	17	106	103	227
2021	January 2024 - January 2026	237	23	102	122	247
2022	January 2025 - January 2027	370	27	118	71	216

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a price of DKK 367.42 (2021: DKK 264.37) per share, an interest rate corresponding to the zero coupon rate based on the swap curve end of December the previous year, future volatility of 22% (2021: 22%) p.a. and a pattern of exercise similar to Topdanmark's previous granting of share options, resulting in an average life of the options of approximately 4 years. The volatility has been calculated on the basis of previous years' volatility, which continues to be Management's best estimate of future volatility. The stated strike prices for outstanding options are reduced by dividend distributions.

	2021	2022
Number of options which could be exercised on 31 December ('000)	324	290

## Notes to the financial statements • Group

(DKKm)

### Note 30. Staff costs - continued

#### Bonus programme (STI)

Topdanmark's short-term cash and share based STI-programme comprises the Executive Board and senior executives. The programme is tied up with the completion of a number of predefined goals for each member of the programme. Bonuses are mainly paid with 50% cash and 50% shares in Topdanmark A/S. Costs in 2021 comprise bonuses earned in 2021 and 2020.

#### Severance pay

Severance pay has been described in "Severance pay" in "Management's review".

### Note 31. Related parties

Possessing an ownership interest of 49.34% of the shares outstanding, Sampo plc, Fabianinkatu 27, Helsinki, Finland has a controlling interest in Topdanmark A/S.

Related parties with material influence comprise the Board of Directors, the Executive Board and their related parties.

#### Remuneration of the Board of Directors

Directors' fees adopted by the AGM were DKK 6,458m (2021: DKK 6,458m).

The fee includes DKK 318 thousand (2021: DKK 318 thousand) concerning Topdanmark Forsikring A/S.

The board comprises nine members.

(DKK '000)	2021	2022
Ricard Wennerklint	1,906	1,906
Jens Aaløse	1,059	1,059
Elise Bundgaard	424	424
Maria Hjorth (from 24 March 2022)	-	476
Mette Jensen	529	529
Cristina Lage	635	635
Petri Niemisvirta	424	424
Michael Noer (from 1 July 2022)	-	212
Morten Thorsrud	424	424
<i>Resigned in 2022</i>		
Anne Louise Eberhard	635	159
Ole Lomholt Mortensen	424	212
Total fee paid	6,458	6,458

For Ricard Wennerklint, social charges of DKK 377 thousand (2021: DKK 377 thousand) have additionally been paid.

The Board of Directors solely receives a fixed remuneration.

#### Remuneration of the Executive Board

	Peter Lars Hermann	Kufall Beck	Thomas Erichsen (To 30 April)	Total
<b>2022</b>				
Salaries etc.	9.9	5.5	1.7	17.2
Pensions	0.0	0.5	0.0	0.5
Fixed remuneration	9.9	6.0	1.7	17.6
Share options	0.7	0.5	0.2	1.4
STI-bonus	2.3	1.1	0.2	3.6
Variable remuneration	3.1	1.6	0.3	5.0
<b>Salaries earned</b>	<b>13.0</b>	<b>7.5</b>	<b>2.1</b>	<b>22.6</b>

Thomas Erichsen is paid one year's salary up until 30 April 2023, DKK 6.3m, which has been accrued in the Annual Report for 2022.

Thomas Erichsen has accrued remuneration equal to 12 months' salary, DKK 5.8m, to be paid on expiry of the employment 30 April 2023.

Lars Thykier, who resigned in August 2021, has in the resignation period up until mid-august 2022 been paid remuneration of DKK 14.5m including severance pay amounting to DKK 10.0m. The full amount was accrued in previous years.

Brian R. Jacobsen resigned 31 December 2021 and receives remuneration during the period of notice up until 30 April 2023, DKK 8.9m, which is accrued in the Annual Report for 2022.

Brian R. Jacobsen has successively accrued remuneration equal to 18 months' salary, DKK 10m, to be paid on expiry of the employment 30 April 2023.

## Notes to the financial statements • Group

(DKKm)

### Note 31. Related parties - continued

	Peter Hermann	Lars Kufall Beck (From 10 August)	Thomas Erichsen	Brian R. Jacobsen	Lars Thykier (To 10 August)	Total
<b>2021</b>						
Salaries etc.	7.3	2.0	5.4	6.4	3.7	24.9
Pensions	0.0	0.2	0.0	0.0	0.0	0.2
Fixed remuneration	7.3	2.2	5.4	6.4	3.7	25.0
Share options	0.7	0.0	0.5	0.6	0.4	2.3
STI-bonus	3.2	0.4	1.0	0.8	0.6	5.9
Variable remuneration	4.0	0.4	1.6	1.4	1.0	8.2
<b>Salaries earned</b>	<b>11.3</b>	<b>2.5</b>	<b>7.0</b>	<b>7.7</b>	<b>4.7</b>	<b>33.2</b>

Remuneration for Lars Thykier is included up until his resignation from the Executive Board on 10 August 2021.

Brian R. Jacobsen and Lars Thykier have successively accrued remuneration equal to 18 months' salary to be paid on expiry of the employment. Any regulation of the amount is included in the fixed remuneration.

Lars Thykier is paid one year's salary up until 10 August 2022, of which DKK 2.7m has been paid in 2021. The remaining part has been accrued in the annual report for 2021.

Brian R. Jacobsen receives remuneration during the period of notice up until 30 April 2023.

STI-Bonus includes bonus for 2020 and 2021.

#### Material risk takers

In addition to the Executive Board, another 23 (2021: 27) employees have material influence on Topdanmark's risk profile.

	2021	2022
Fixed remuneration	58.5	53.3
Variable remuneration	18.5	13.1
	<b>77.0</b>	<b>66.4</b>

The number of material risk takers are calculated as a weighted average.

#### Number of shares held by the Board of Directors and the Executive Board

The information relates to the Board of Directors and the Executive Board notified on 31 December.

##### Board of Directors

Ricard Wennerklint	2,000	2,000
Jens Aaløse	50	50
Elise Bundgaard	1,789	1,962
Maria Hjorth (elected in 2022)	-	65
Mette Jensen	1,270	1,417
Cristina Lage	450	450
Petri Niemisvirta	500	500
Michael Noer (elected in 2022)	-	3,102
Morten Thorsrud	500	500

##### Resigned in 2022

Anne Louise Eberhard	100	-
Ole Lomholt Mortensen	1,564	-

##### Executive Board

Peter Hermann	8,031	19,639
Lars Kufall Beck	0	1,786
Thomas Erichsen	5,943	-
Brian Rothemejer Jacobsen	17,725	-

(DKKm)

#### Subordinated notes held by Sampo Group entities

If P&C Insurance Ltd. holds:

Subordinated notes in Topdanmark Forsikring A/S	1,500	950
Subordinated notes in Topdanmark A/S	133	0



## Notes to the financial statements • Group

(DKKm)	2021	2022
<b>Note 32. Financial assets</b>		
<b>Financial assets at fair value through profit and loss</b>		
Held for trading:		
Equity investments	5,085	1,006
Unit trusts	16	0
Bonds	32,995	13,989
Loans guaranteed by mortgages and other loans	5	5
Derivatives	127	9
	38,228	15,010
Designated at fair value:		
Deposits with credit institutions	2,620	4,044
Investment assets unit-linked products excl. property:		
Equity investments	26,085	0
Unit trusts	740	0
Bonds	38,044	0
	64,869	0
Designated at fair value, total	67,489	4,044
<b>Total financial assets at fair value through profit and loss</b>	<b>105,717</b>	<b>19,054</b>
<b>Loans and receivables at amortised cost</b>		
Receivables from policyholders	313	196
Receivables from insurance companies	105	262
Other receivables	311	175
Liquid funds	1,136	61
Other	307	178
	2,172	871
Accrued interest and rent	423	99
<b>Total financial assets</b>	<b>108,312</b>	<b>20,023</b>

	Quoted prices Level 1	Observable inputs Level 2	Non- observable inputs Level 3	Total
<b>Financial assets at fair value</b>				
<b>2021</b>				
<b>Held for trading:</b>				
Equity investments	3,554	1,531		5,085
Unit trusts		16		16
Bonds	29,174	3,740	80	32,995
Loans guaranteed by mortgages and other loans		5		5
Derivatives	3	125		127
<b>Designated at fair value:</b>				
Deposits with credit institutions		2,620		2,620
Equity investments	26,085			26,085
Unit trusts		740		740
Bonds	29,766	8,278		38,044
Investment assets related to unit-linked products	55,851	9,018		64,869
<b>Total financial assets at fair value</b>	<b>88,582</b>	<b>17,055</b>	<b>80</b>	<b>105,717</b>

### 2022

<b>Held for trading:</b>				
Equity investments	828	178		1,006
Bonds	12,773	1,179	37	13,989
Loans guaranteed by mortgages and other loans		5		5
Derivatives		9		9
<b>Designated at fair value:</b>				
Deposits with credit institutions		4,044		4,044
<b>Total financial assets at fair value</b>	<b>13,601</b>	<b>5,416</b>	<b>37</b>	<b>19,054</b>

In 2022, Danish mortgage bonds of DKK 86m were transferred from level 2 to level 1.

Rising interest rates have improved liquidity for several older series with higher coupon rates.

## Notes to the financial statements • Group

(DKK m) 2021 2022

### Note 32. Financial assets - continued

Financial assets recorded at fair value based on non-observable input (level 3):

1 January	7,278	80
Reclassification due to sale of life	-	-46
Purchases	664	0
Value adjustments on assets transferred to level 2	270	0
Transferred to level 2	-7,463	0
Repayments	-689	0
Value adjustments (unrealised)	6	0
Value adjustments (realised)	15	3
	80	37

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.

In 2021, management assessed that, in general, the markets for structured credit products (CLOs) could be defined as active again after the COVID-19 situation in 2020. Therefore, according to the applied accounting policies, these assets were transferred back from level 3 to level 2.

The carrying value of financial assets and financial liabilities recorded at amortised cost corresponds approx. to fair value.

	2021	2022
Group companies have agreed to lend equities against security:		
Carrying value of equities lent	474	0
Fair value of bonds received as security for the loan	651	0
Outline of equity investments can be obtained on application.		

### Note 33. Financial liabilities

#### Financial liabilities at fair value through profit and loss

Held for trading:		
Derivatives	605	236
Designated at fair value:		
Amounts due to credit institutions	451	171
Total financial liabilities at fair value (observable inputs level 2)	1,055	408

#### Financial liabilities at amortised cost

Other subordinated loan capital	1,900	1,100
Deposits received from reinsurers	11	0
Debt relating to direct insurance operations	180	18
Debt relating to reinsurance operations	42	121
Current tax liabilities	84	108
Other debt	2,468	698
Total financial liabilities at amortised cost	4,684	2,045
<b>Total financial liabilities</b>	<b>5,739</b>	<b>2,453</b>

## Notes to the financial statements • Group

(DKKm)

### Note 33. Financial liabilities - continued

	Other subordinated loan capital	Amounts due to credit institutions
<b>Liabilities concerning financing activities</b>		
Beginning 2021	1,749	1,350
<i>Cash flow from financing</i>		
Redemption/net change	-850	-899
Issue	1,000	0
<i>Other changes</i>		
Amortisation	1	0
End 2021	1,900	451
Reclassification due to sale of life	-	-180
<i>Cash flow from financing</i>		
Redemption/net change	-1,200	-99
Issue	400	0
<i>Other changes</i>		
Amortisation	0	0
<b>End 2022</b>	<b>1,100</b>	<b>171</b>

### Note 34. Collateral relating to financial assets and liabilities

	Gross position	Offsetting	Carrying value	Collateral Bonds	Cash	Net position
<b>2021</b>						
<b>Assets</b>						
Derivatives, investment assets	127	0	127			
Derivatives hedging inflation, other assets	66	0	66			
	193	0	193	0	-59	134
<b>Liabilities</b>						
Repos debt	-386	0	-386	382		-4
Derivatives	-605	0	-605	1,211	1,174	1,781
	-991	0	-991	1,593	1,174	1,777
<b>2022</b>						
<b>Assets</b>						
Derivatives, investment assets	9	0	9			
Derivatives hedging inflation, other assets	161	0	161			
	171	0	171	0	-168	3
<b>Liabilities</b>						
Repos debt	0	0	0	0		0
Derivatives	-236	0	-236	0	304	68
	-236	0	-236	0	304	68

### Note 35. Cash flow statement

2022

As at 1 December 2022, Topdanmark divested of Topdanmark Liv Holding A/S and all subsidiaries.

Assets and liabilities over which control was lost

Investment assets	88,504
Other assets	2,593
Cash and cash equivalents	1,716
<b>Total assets</b>	<b>92,813</b>
Insurance provisions	85,934
Other liabilities	4,302
<b>Total liabilities</b>	<b>90,236</b>
 Total consideration received in cash	 3,974
Unwinding costs paid	-114
<b>Cash from sale of subsidiary</b>	<b>3,860</b>

## Notes to the financial statements • Group

(DKKm) 2021 2022

### Note 36. Number of shares

Reconciliation of the number of shares ('000)		
Shares issued at 1 January	90,000	90,000
Own shares at 1 January	-2,509	-2,022
Number of shares at 1 January	87,491	87,978
Shares sold	487	541
Shares issued at 31 December	90,000	90,000
Own shares at 31 December	-2,022	-1,482
Number of shares at 31 December	87,978	88,518

### Note 37. Own shares

	Number of shares '000	Nominal value DKKm	Percentage of share capital	Proceeds on sale DKKm
Held at 1 January 2021	2,509	3	2.8	
Sold in 2021	-487	0	0.5	-114
Held at 31 December 2021	2,022	2	2.2	
Sold in 2022	-541	-1	0.6	-132
Held at 31 December 2022	1,481	1	1.6	

Number of shares held to cover the granting of options and STI-bonuses: 1,006 thousand (2021: 1,135 thousand).  
Own shares are held by the parent company.

### Note 38. Collateral

2021

The Life insurance company has registered the following assets as security for technical provisions:

Equity investments in associates and joint ventures	591
Unit trusts	16
Equity investments	2,661
Bonds	18,296
Deposits with credit institutions	725
Investment assets related to unit-linked products	68,149
Accrued interest	339
Equity investments in and receivables from group entities eliminated in the consolidated accounts	3,743
Registered assets	94,520

### Note 39. Contingent liabilities

2021

2022

Contract liabilities	222	0
Adjustments to VAT liabilities	121	0
Other liabilities	1	0
Capital commitments made to loan funds and private equity funds etc.	413	102

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

### Note 40. Group companies

Name	Registered office	Activity
Topdanmark A/S	Ballerup	Holding
Topdanmark Forsikring A/S	Ballerup	Insurance
TDP.0007 A/S	Ballerup	Property
Topdanmark EDB A/S	Ballerup	IT services
Topdanmark EDB IV ApS	Ballerup	IT services
E. & G. Business Holding A/S	Ballerup	Holding
Topdanmark Invest A/S	Ballerup	Investment

All of the companies are 100% owned (2021: 100%).

### Note 41. Other disclosures

The five-year summary, in accordance with Section 91(a) of the Danish Executive Order on Financial Reports for Insurance Companies is presented as first page in the annual financial statements for the Group.

Sensitivity information according to Section 126 is part of "Risk Scenarios" in Management's review.

There have been no events in the period from 31 December 2022 until the presentation of the consolidated financial statements which could change the assessment of the Annual Report.

### Note 42. Risk factors

The following description of risks in the Topdanmark Group elaborates on risk management.

<b>Non-life insurance</b> Personal, liability and property insurance for the private, SME, and agricultural markets.		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
Underwriting risk <ul style="list-style-type: none"> <li>Acceptance policy</li> <li>Follow-up policy.</li> </ul> Reserve risk: <ul style="list-style-type: none"> <li>Provisions for outstanding claims</li> <li>Provisions for unearned premiums.</li> </ul> Catastrophe risks: <ul style="list-style-type: none"> <li>Storm and cloudburst</li> <li>Fire</li> <li>Terror</li> <li>Personal accident / Workers' comp.</li> </ul> Cumulative risk.	Profit on both product and customer level.  Spread of risk on different types of insurance/customer groups.  Limited effect on results from individual claims events by means of reinsurance.	Advanced risk-based price models.  Clear rules for new business.  Risk equalisation through extensive reinsurance programme.  Systematic follow-up on profitability.  High data quality.  Use of statistical models for calculation of provisions.

<b>Market</b>		
<b>Most important risks</b>	<b>Risk preferences</b>	<b>Risk reducing activities</b>
Interest rate risk  Equity risk  Property risk  Credit spread risk  Concentration risk  Currency risk  Inflation risk  Liquidity risk.	Topdanmark's policy is to accept a certain level of market risk to profit from the Group's strong liquid position and its high, stable earnings from insurance operations.  To improve the average investment return and limit the overall market risk, Topdanmark invests in a range of asset categories.  After the sale of Topdanmark Liv Holding A/S, the equity exposure and strategy are shifted from single-stock picking towards ETFs (Exchange Traded Funds).	Topdanmark's Board of Directors has set limits on the acceptance of market risks in the form of risk limits.  Compliance with these limits is checked regularly.  In order to reduce the risk of inflation within workers' compensation, Topdanmark uses index-linked bonds and derivatives hedging a significant proportion of the expected cash flows.

Counterparty		
Most important risks	Risk preferences	Risk reducing activities
Reinsurance	To obtain efficient and secure reinsurance cover, which is price competitive, a certain level of counterparty concentration is required.	Counterparty risk is mainly limited by buying hedging from reinsurance companies which, as a minimum, have a rating of A-.
Investment.	A certain level of counterparty risk is accepted as an element of generation of return.	Counterparty risk is limited by diversification both geographically and in terms of type of debtor.  Counterparty risk on financial contracts is limited by the required security when overall risk on any given counterparty reaches a relatively low threshold value.

Operational risks		
Most important risks	Risk preferences	Risk reducing activities
IT	Generally, operational risks must be reduced to an acceptable level.	Group Security function.
Errors in internal processes, human errors, insurance fraud and deceit		Risk assessment, information security policy, prioritisation of risks, guidelines, controls and IT contingency plans based on ISO27001.  IT Security Committee/Cyber Security Board.  Policy for procedures, system and process descriptions, controls and segregation of duties.  Special department for insurance fraud and deceit.  Incident register.
Pandemic		Digitalisation/automation.
Model risk.		Contingency plan in the event of a pandemic escalating. The contingency plan concerns both Topdanmark internally and in relation to changed risk factors for non-life and market risk.  Established processes and procedures when using models.

Compliance		
Most important risks	Risk preferences	Risk reducing activities
Insufficient knowledge of current or future legislation and rules	Generally, the area of compliance risks is to be reduced to an acceptable level.	The compliance function issues rules for identification, management and control of compliance risks.
Violation of legislation and rules		The compliance function exercises control and provides counselling to ensure that the Group's divisions, service departments and other staff functions observe relevant legislation and internal rules.
Violation of the rules in personal data legislation.		Activities initiated through Topdanmark's DPO.  Business procedures regarding personal data.  Implementation of a new governance for GDPR with the establishment of 'Center of GDPR'.



Climate		
Most important risks	Risk preferences	Risk reducing activities
<p>Storm and cloudburst</p> <p>Investments in companies that emit a negative climate footprint.</p>	Generally, the area of climate risk is to be reduced to an acceptable level.	<p>Risk equalisation through an extensive reinsurance programme.</p> <p>Opting out of investments with a disproportionately large negative climate impact.</p> <p>Topdanmark follows the UN Global Compact</p> <p>Focus on measuring and reporting ESG factors.</p>

Strategic risks		
Most important risks	Risk preferences	Risk reducing activities
In generally, strategic risks are related to the Company's business model, political conditions, reputation, collaboration partners' and competitors' conduct as well as macroeconomic conditions.	Low strategic risk due to strong business model.	Topdanmark's business model stands strong against strategic risks. The results of the Company will, to a very high degree of probability, be positive even in the event of another collapse in the financial markets as in 2008. The Company's result will also be positive if it is hit by a storm like the 1999-hurricane, which was the largest storm event in the Company's history. The COVID-19 pandemic that occurred in 2020 has also shown the robustness of Topdanmark's business model.

The following description of risks in the Topdanmark Group elaborates on the above matrix.

## Non-life insurance

### Underwriting risk

#### Acceptance policy

Topdanmark's acceptance policy is based on a strategy to make a profit from both products and customers. Topdanmark varies the pricing of its products depending on the relevant risk criteria, the competitive situation and the costs of administering those products.

Topdanmark's pricing has been aligned with the individual markets and types of customer. In the private and commercial markets, prices are mostly based on standardised rates, while major commercial customers are offered more individualised charges.

Danish insurance companies do not cover damage arising from floods or the cost of replanting forests following storms, industrial diseases, war or warlike acts, earthquakes or other natural disasters, and with certain exceptions damage due to nuclear energy or radioactivity.

#### Follow-up policy

In order that both products and customers are profitable, Topdanmark systematically acts upon changes in its customer portfolios.

Customer scoring is used in the private market. The customers are divided into groups according to the expected level of profitability. The customer scoring helps ensure the balance between each customer's price and risk. This intends to ensure that no customer pays too much to cover losses on customers who pay too little.

The historical profitability of major SME customers with individual insurance schemes is monitored using customer assessment systems.

General insurance rates are re-calculated on a regular basis.

Provisions are generally calculated on a monthly basis across all lines of business. The claims trend is assessed monthly and followed up by any necessary price changes.

Topdanmark continues to improve its administration systems to achieve more finely meshed data capture, which in turn enables it to identify the claims trends at an earlier point in time and compile information on the constituent parts of the various types of claims.

### Provisioning risk

#### Provisions for outstanding claims

Traditionally, the insurance classes are divided into short-tail i.e. those lines where the period from notification until settlement is short and long-tail, i.e. those lines where the period from notification until settlement is long.

Examples of short-tail lines are buildings, personal property and comprehensive motor insurance. Long-tail lines relate to personal injury and liability such as workers' compensation, accident, motor third-party insurance and commercial liability.

Distribution of provisions for outstanding claims	2021		2022	
	%	Duration	%	Duration
Short-tail	14	1	17	1
Annuity provisions in workers' compensation	24	11	25	10
Other claims provisions in workers' compensation	22	2	30	2
Accident	30	9	12	3
Motor personal liability	6	2	8	2
Commercial liability	5	2	7	2

In 2021, illness and accident in the life company was included in Accident.

The much higher provisioning risk in long-tail lines compared with short-tail lines is due to the longer period of claims settlement. It is not unusual that claims in long-tail lines are settled three to five years after notification and in rare cases up to 10-15 years.

During such a long period of settlement, the levels of compensation could be significantly affected by changes in legislation, case law or practice in the award of damages adopted by, for example, the Danish Labour Market Insurance which awards compensation for injury and loss of earnings capacity in all cases of serious industrial injuries. The exposure to industrial injuries has been reduced substantially over the past ten years.

The practice adopted by the Danish Labour Market Insurance also has some impact on the levels of compensation for accident and personal injury within motor, liability and commercial liability insurance.

The provisioning risk represents mostly the ordinary uncertainty of calculation and claims inflation, i.e. an increase in the level of compensation due to the annual increase in compensation per policy being higher than the level of general indexation or due to a change in judicial practice/legislation.

The sufficiency of the provisions is tested in key lines by calculating the provisions using alternative models as well, and then comparing the compensation with information from external sources, primarily statistical material from the Danish Labour Market Insurance and the Danish Road Sector/Road Directorate.

The actuarial team is continuously in dialogue with the claims departments on any changes in the practices stemming from new legislation, case law or compensation awards as well as the impact of such changes on the procedures used to calculate individual provisions.

The provision risk is described mathematically in Topdanmark's internal model and is quantified in the calculation module in the internal model. From this is known the probability of loss / gain of a given amount, including Topdanmark's 200-year provision risk, i.e. a negative run-off that is so large that it will only occur in one of 200 financial years. The 200-year provision risk is

included in the calculation of the capital requirement for operating Topdanmark's insurance business.

#### Provisions for unearned premiums

Premium provisions are measured based on an estimate of future payments for incidents in the remaining period of cover. A significant uncertain and estimated assessment is involved in the determination thereof. Premium provisions must be seen in connection with the profit margin as an increase in the estimated cashflow will be absorbed by the profit margin up to a combined ratio of 100. Financial estimates and assessments with effect on the result of the year and shareholders' equity are therefore primarily relevant within businesses with combined ratio of 100 or more, where premiums are insufficient for covering expected payments and a risk margin, and consequently provisions to cover losses must be made.

#### Catastrophe risks

Topdanmark limits its insurance risk on significant events through a comprehensive reinsurance programme.

#### Storm and cloudburst

Reinsurance covers storm claims of up to DKK 5.1bn with retention of DKK 100m. Snow load, snow thawing and cloudbursts are also covered. Reinstatement for the proportion of the cover used is activated by payment of a reinstatement premium. In the event of another storm within the same year, there is cover of a further DKK 5.1bn with retention of DKK 100m. In the event of a third and fourth storm, there is cover of up to DKK 670m with retention of DKK 20m if the events occur within the same calendar year. To this should be added the cover not already affected twice by the first two storms. The cover of a third or fourth storm is dependent on the storm programme not having been hit previously by two individual storms each exceeding DKK 2.9bn. The storm programme is renewed on 1 July.

Specific reinsurance cover of DKK 100m for cloudbursts takes effect if accumulated annual cloudburst claims exceed DKK 50m. For a claim to be accumulated, the single event must exceed DKK 10m. The maximum retention in the event of an extreme cloudburst is DKK 75m plus reinstatement premiums.

**Fire**

Topdanmark has a proportional reinsurance programme structure for fire with a maximum retention of DKK 30m per claim on any one business.

**Terrorism**

With certain restrictions, terrorism is covered by the reinsurance contracts.

The NBCR terrorism risks are covered by a public organisation financed by fees on insurance covers if a claims event take place. This is according to an act on NBCR terror in force as at 1 July 2019.

**Workers' compensation**

In workers' compensation, up to DKK 1bn is covered with a retention of DKK 50m.

**Cumulative risk**

Known cumulative risk is where it has been recognised prior to the event that several policyholders could be affected by the same event. In personal lines, Topdanmark's retention is DKK 15m for the first claim, DKK 5m for the subsequent claims up to a total aggregated amount of DKK 50m. DKK 15m for further claims after exhausting of the aggregate cover of DKK 50m. The retention is a maximum of DKK 30m in the SME line. Unknown cumulative risk is where several policyholders could be affected by the same individual event (conflagration damage) without the common risk being recognised prior to the event occurring. The retention is a maximum of DKK 50m.

**Discontinued operations**

Risks from the discontinued life operations through the year have been handled as described in the Annual Report 2021, note "Risk Factors".

**Market**

Market risk represents the risk of losses due to changes in the fair value of the Group's assets, liabilities, and off-balance items as a result of changes in market conditions. Market risk includes interest rate, equity, property, credit spread, concentration, currency, inflation, and liquidity risk.

The limits for these financial risks are set by Topdanmark's Board of Directors. In practice, Topdanmark's investment department handles the investment, finance and risk alignment processes. Compliance with the limits set by the Board of Directors is regularly controlled. The result of this is reported to the Board of Directors.

Market risks	Risk reducing activities
<p><b>Interest rate risk</b></p> <p>Topdanmark is exposed to an interest rate risk due to provisions for outstanding claims in non-life insurance.</p>	<p>Generally, the interest rate risk is limited and hedged by investing in interest-bearing assets in order to reduce the overall interest rate exposure of the assets and liabilities to the desired level.</p> <p>With regard to cover of interest-bearing assets, supplementary hedging by interest rate swaps will be bought as required.</p>
<p><b>Equity risk</b></p> <p>Topdanmark is exposed to an equity risk from direct investments as well as investments made via derivatives.</p>	<p>The equity risk is alleviated by trades in the market and by derivatives.</p>
<p><b>Property risk</b></p> <p>Topdanmark is exposed to a property risk due to owner-occupied properties.</p>	<p>The risk on the property portfolio is limited by the fact that Topdanmark is only exposed through the ownership of well-situated owner-occupied properties around Copenhagen and Aarhus.</p>
<p><b>Credit spread risk</b></p> <p>Topdanmark is exposed to a credit spread risk from bonds and other investments where prices depend on counterparty creditworthiness.</p>	<p>The credit spread risk is alleviated by focusing predominantly on bonds etc. with very high creditworthiness and by proper diversification on counterparties.</p>
<p><b>Concentration risk</b></p> <p>Concentration risk is a risk that increases when investments are consolidated with individual issuers, whereby dependence on these issuers' solvency grows.</p>	<p>The concentration risk is limited by ensuring that investment size reconciles with counterparty creditworthiness.</p>
<p><b>Currency risk</b></p> <p>Topdanmark's currency risk relates in practice only to investments.</p>	<p>The currency risk is alleviated by derivatives.</p>
<p><b>Inflation risk</b></p> <p>Future inflation is implicitly included in a number of the models Topdanmark uses to calculate its provisions.</p> <p>Workers' compensation differ from the general principles regarding the inclusion of an allowance for inflation. The provisions in workers' compensation insurance are calculated on the basis of the expected future indexation of wages and salaries.</p>	<p>An expected higher future inflation rate would generally be included in the provisions with a certain time delay, while at the same time, the result would be impacted by higher future indexation of premiums.</p> <p>In order to reduce the risk of inflation within workers' compensation, Topdanmark uses index-linked bonds and derivatives hedging a significant proportion of the expected cash flows.</p>
<p><b>Liquidity risk</b></p> <p>In insurance companies the liquidity risk is very limited as premiums are paid prior to the beginning of the risk period. Topdanmark's liquidity risk is therefore primarily related to the parent company.</p>	<p>Topdanmark performs an ongoing monitoring of the liquidity risk based on scenario-based stress reporting.</p>

## Liquidity risk

Expected cash flows (DKKm)	Carrying amount	Cash flows years					
		1	2-6	7-16	17-26	27-36	>36
Provisions for claims							
2021	13,994	4,468	5,465	2,973	1,153	445	105
2022	10,602	4,188	4,822	1,861	759	397	90
Life insurance provisions with-profit							
2021	22,319	2,119	7,346	9,430	3,720	1,041	284
Bond portfolio including interest derivatives							
2021	31,058	11,527	11,026	14,087	3,729	0	0
2022	13,517	8,124	7,779	2,545	565	36	0

In 2021, illness and accident in the life company was included in provisions for claims.

The expected cash flows of the bond portfolio are calculated based on option adjusted durations that are used to measure the duration of the bond portfolio. The option adjustment relates primarily to Danish mortgage bonds and reflects the expected duration capturing the shortening effect of the borrower's option to cause the bond to be redeemed through the mortgage institution at any point in time.

Topdanmark Forsikring	2021		2022	
	Nom.	Fair value	Nom.	Fair value
<b>Derivatives</b>				
Interest derivatives	368	7	151	-208
Share derivatives	836	0	0	0
Exchange rate derivatives	612	2	169	0
Inflation derivatives	2,298	-163	2,036	142
Total derivatives	4,114	-155	2,356	-66
Due after less than one year	1,648	5	169	0
Due within 1 to 5 years	500	25	500	74
Due after more than 5 years	1,966	-184	1,687	-140

Subordinated loans are due 2031/ perpetual (note 20).

Maturity of other financial debt is one year or less.

## Counterparty risk

Counterparty risk, also known as credit risk, is the risk of losses caused by one or more counterparties' full or partial breach of their payment obligations. Topdanmark is exposed to credit risks in both its insurance and investment business.

### Reinsurance

Within insurance the reinsurance companies' ability to pay is the most important risk factor. Topdanmark minimises this risk by spreading and primarily buying reinsurance cover from reinsurance companies with a minimum rating of A-. Accordingly, almost 100% of its storm cover has been placed with such reinsurance companies.

### Investment

Topdanmark may suffer losses due to its counterparties' inability to meet their obligations on bonds, loans and other contracts including derivatives. The majority of Topdanmark's interest bearing assets comprise of Danish mortgage bonds. In order to minimise the risk to a single debtor, Topdanmark strives to always have a well-diversified portfolio of bonds not only in regard to a debtor but also geographically.

Interest-bearing assets by rating (%)	2021	2022
>A+	80	66
A+, A, A-	4	5
<BBB-	13	8
Money market deposits	3	21
Money market deposits end 2022, disposed for dividend payment April 2023, are rated A and AA.		
Year 2021 include life insurance excl. unit-link.		

To limit the counterparty risk of financial contracts, including derivative contracts, the choice of counterparties is restrictive, and security is required when the value of the financial contracts exceeds the predetermined limits. The size of the limits depends on the counterparty's credit rating and the term of the contract.

## Operational risk

Operational risk includes the risk of losses incurred due to errors and deficiencies in internal processes, human errors, fraud, system errors, breakdowns of IT systems and the risk of losses incurred due to external events.

Topdanmark regularly develops and improves IT systems, routines, and procedures. The responsible business units are also responsible for the risk management of this development.

Projects are to carry out a risk assessment with a description of the risks, possible consequences and measures to limit these risks.

New IT systems will not be put into production until completion of an extensive test procedure.

### Information Security/Cyber Risks

To ensure effective information and cyber security preparedness, Topdanmark has an information security policy and an information security management system

(ISMS), both of which are based on the ISO 27001 standard. Topdanmark's information security policy is part of the overall risk management system, and it applies to both the company's employees and external business partners. Every year, Topdanmark's board approves the information security policy and an IT preparedness strategy based on an updated IT risk assessment.

A risk assessment of significant or critical operational IT risks, including cyber risks, is carried out regularly, and in addition to the board, these risks and the planned initiatives initiated to reduce these risks are reported to the Executive Board, the Risk Committee and Topdanmark's Compliance and Risk Management departments.

Topdanmark's Cyber Security Board regularly assesses the risk of cybercrime and the measures necessary to achieve the legal security level. The risk is managed and reduced, for example, by collaborating with external specialists in the field.

Risks associated with IT are limited by efficient processes for development, testing and operation. Topdanmark uses several levels of security systems in order to counter cyber security threats. For example, the company has invested in technologies for early warning and incident handling. Topdanmark also conducts ongoing vulnerability assessments, and tests new systems for weaknesses before they are put into production.

Outsourcing is increasingly used in Topdanmark. Consequently, Topdanmark investigates and evaluates the information security with new cooperation and service partners. Topdanmark also monitors the information security with existing partners to prevent cybercrime.

Within the first month of employment, new employees must complete e-learning courses in e.g. information security and GDPR, and all employees and consultants in Topdanmark must undergo an e-learning course on information security annually.

#### **IT contingency plan**

To counter business disruptions caused by cybercrime or problems with information security, Topdanmark has a comprehensive contingency plan that ensures that the business can be re-established as quickly as possible. Topdanmark also requires external data processors to implement sufficient security measures. This requirement also applies to other external business partners.

#### **Digitalisation/automation**

Topdanmark is working continuously on digitalisation and automation to ensure efficient business and a good customer experience. Focus is on automation of a number of processes, which will help reduce the risk of

human errors. Digitalisation is not only robots of which Topdanmark has introduced some so far. Topdanmark also needs to focus on the future, and what it requires to navigate in an increasingly and rapidly changing technological development going forward. Therefore, Topdanmark continues its plan to secure its competitiveness by accelerating the digital transformation to the next level. The company must to a much greater extent deliver individualised, digital customer experiences on the basis of customer insights, simplified insurance and services as well as automated processes.

In order to control the operational risk connected to processes based on algorithms, machine learning and artificial intelligence, robots are tested regularly in order to prevent and eliminate possible programming and system errors. Tests are always carried through prior to new releases and in case of breakdowns of operation.

The robot handling weather-related claims is tested regularly to ensure that it works properly in case of major events.

The robots are working according to the specified rules. In case that the correct parameters have not been implemented in the robot enabling it to find and register the required information, the task is channeled to the relevant employee. Subsequently, the employee will ensure that the parameters are updated.

Thus, Topdanmark has been assessed to have the proper rules of procedure and competencies to detect and handle technology related risks.

#### **Errors in internal processes, human errors, insurance fraud and deceit**

Topdanmark's well-documented routines, procedures and efficient control environment minimise these risks. We have made contingency plans for the most significant areas.

#### **Internal Audit**

The routines and procedures in all critical areas are regularly audited by Topdanmarks Internal Audit Function to assess the risk and the controls implemented to mitigate the risks.

#### **Central Claims**

Central Claims is a department solely dealing with cases where fraud is suspected. Topdanmark believes that honest customers should not have to pay for the relatively few dishonest customers. Therefore, we owe it to our customers to examine any suspicion of insurance fraud.

#### **Incident register**

Topdanmark monitors and reports on operational risks so the organisation will learn from its mistakes. Consequently, a process has been established including



a tool to register incidents, which are then collected centrally in an incident log and communicated onwards in the management system.

### **Pandemic risk**

Topdanmark has a robust business model with a high degree of diversification between the business activities, a very low liquidity risk and a solid capital base. In case of a pandemic like COVID-19 escalating, Topdanmark will operate with an effective contingency plan. The contingency plan concerns both Topdanmark internally and the changed risk factors for non-life and market risks.

## **Compliance risk**

At Topdanmark, compliance comprises compliance with all statutory and managerial requirements for Topdanmark's corporate governance.

Compliance risk is the risk that Topdanmark does not have sufficient knowledge of current or future rules. Additionally, compliance risk is the risk of contravention of rules and the losses this might cause Topdanmark and Topdanmark's customers. Such losses can be direct financial losses or indirect losses in the form of sanctions or bad publicity as a consequence of not acting in compliance with the rules.

Rules comprise all rules, internal rules of Topdanmark's policies and the relevant guidelines as well as all relevant legislation and its sub-rules. Furthermore, rules comprise fixed business practices for the performance of activity in Topdanmark.

Accordingly, compliance comprises compliance with the rules which are necessary and required to ensure that Topdanmark's business is conducted in an appropriate and, in terms of business, proper way. Documentation of compliance for Topdanmark's stakeholders is part of compliance.

### **The compliance function's work**

The compliance function is intended to:

- issue rules for identification, management and control of compliance risks
- exercise control and advise the Group on compliance with legislation and internal rules.

Topdanmark's compliance function exercises control and provides advice to ensure that the Group's divisions and service departments comply with relevant legislation and internal rules. The compliance function's work is part of Topdanmark's overall control environment, which covers the procedures, control and organisation ensuring observance of rules.

The compliance function's work comprises the following principal tasks:

- Control of compliance
- Annual status with all of the Group's divisions and service departments
- Reporting on compliance risks to the Executive Board and the Board of Directors
- Administration and updating of the compliance function's procedures and tools.

### **Incident register**

The compliance function administers Topdanmark's incident register.

### **General Data Protection Regulation (GDPR)**

The GDPR contains a large number of requirements for Topdanmark's handling and documentation of the processing of personal data.

Topdanmark's business is built on a foundation of trust from customers, partners and the outside world. That trust is, among other things, depending on secure data handling. At the same time, the General Data Protection Regulation takes up more and more space in our environment, and therefore it is also necessary for Topdanmark to have a clear handling and allocation of responsibilities that everyone knows about. This means that Topdanmark has established a central governing function 'Center of GDPR', a strengthened network, a process and a number of basic principles that everyone must know.

'Center of GDPR' must, among other things, support important GDPR tasks placed in the organisation and make sure to prepare, update and maintain e.g. policies, guidelines and procedures for personal data protection.

## **Climate risk**

Risks due to climate change include both insurance and investment risks. Insurance risks related to climate in Topdanmark non-life are especially relating to storm and cloudburst. The company includes these risks in underwriting and hedges the assumed risk in the reinsurance programme. Stress tests show that a storm event on the company's current insurance portfolio will only, in one out of 900 storm events, exceed the reinsurance coverage of DKK 5.1 billion.

Stress tests regarding cloudburst events cause significantly less damage, i.e. as a result of the local authorities' efforts against floods. Overall, the company has hedged the climate risks of non-life insurance satisfactorily.



The investment policies include an exclusion list which i.a. includes companies with activities within the production of fuel from tar sands, thermal coal, smoking tobacco and the production of controversial weapons. In Topdanmark's active investment management, there is a focus on acquiring attractive investment opportunities in

"green companies" and opting out of investments in companies that have a disproportionately large negative climate impact.

Overall, Topdanmark has the necessary focus on climate conditions in relation to the investment company.

#### **Note 43. Accounting policies**

Topdanmark Group's 2022 Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional Danish disclosure requirements of the Danish Financial Business Act on annual reports prepared by listed financial services companies.

##### *Divestment of Topdanmark Liv Holding Group*

Topdanmark has divested of Topdanmark Liv Holding A/S and all subsidiaries hereof.

The divestment agreement was announced 18 March 2022 and finalised with all relevant regulatory approvals on 1 December 2022.

Because of the divestment and in accordance with IFRS, Topdanmark Liv Holding Group was classified as held for sale 18 March 2022. Assets of the Group were reclassified to Assets held for sale and liabilities to Liabilities relating to assets held for sale until derecognition on the date of sale 1 December 2022.

In the income statement, profit from Topdanmark Liv Holding Group is presented in a single line "Profit after tax, discontinued operations". Comparative figures have been restated.

After the divestment, the continuing business of Topdanmark is purely non-life insurance.

##### *IFRS*

Topdanmark Group has implemented the IFRS standards and interpretations that take effect from 2022 with no effect on recognition and measurement.

Accounting policies remain unchanged compared with 2021.

#### **Future accounting policies**

##### *IFRS*

The IASB has issued new and revised standards and interpretations, which have not yet taken effect and/or been approved by the EU of which the most significant are:

IFRS 9 "Financial instruments" came into force on 1 January 2018. However, under certain conditions, insurance groups may postpone IFRS 9 till the

implementation of IFRS 17 "Insurance contracts" comes into force. Topdanmark Group meets these conditions and has postponed the implementation of IFRS 9 to the implementation of IFRS 17 in 2023.

IFRS 17 "Insurance Contracts" defines the principles for presentation, recognition, measurement, and disclosure of insurance contracts. IFRS 17 came into force on 1 January 2023.

##### *Interest rate curve*

From 2023 Topdanmark will omit the volatility adjustment (VA), which up to and including 2022 has been added to the EIOPA interest rate curve.

See note "New accounting policies from 2023" for the effect on the 2022 comparative figures.

#### **Accounting estimates and judgements**

Preparing the financial statements of Topdanmark, estimates and judgements have been made which affect the size of assets and liabilities and consequently the results and shareholders' equity in this and subsequent financial years.

The most significant estimates and judgements are made in the calculation of the insurance provisions.

Significant management's judgements include:

- Determination of methods and models valuation
- Determination of yields assumption
- Future cash flows expectations
- Assessment of data and information obtained from external parties as well as Management's determination of specific risks affects the fair value.

#### **Provisions for claims**

Provisions for claims incurred, but not yet paid, have been calculated as the best estimate at the end of any given year. As all necessary information is not available, there will be deviations between the actual claims paid and the provisions made in the form of either run-off losses (provisions too low) or run-off profits (provisions too high).

The provisioning risk is significant, particularly in lines with a long period of claims settlement such as workers' compensation, accident, commercial and motor liability.

The levels of compensation could be significantly affected by any changes in legislation, case law or the practice in the award of damages adopted by, for example, the Danish Labour Market Insurance.

### **Provisions for unearned premiums**

Premium provisions are measured based on an estimate of future payments for incidents in the remaining period of cover. A significant uncertain and estimated assessment is involved in the determination thereof. Premium provisions must be seen in connection with the profit margin as an increase in the estimated cashflow will be absorbed by the profit margin up to a certain extent. Financial estimates and assessments with effect on the result of the year and shareholders' equity are therefore primarily relevant within business lines with combined ratio of 100 or more, where premiums are insufficient for covering expected payments and a risk margin, and consequently provisions to cover losses must be made.

## **General**

### **Consolidated financial statements**

The consolidated financial statements include the parent company Topdanmark A/S and all the companies that are controlled by the parent company.

### **Consolidation**

The consolidated financial statements have been prepared by aggregating items within the financial statements of the parent company and the subsidiaries on a line-by-line basis.

The same accounting policies are applied by the subsidiaries as by the parent company.

Intra-group income and expenses, shareholdings, balances and dividends as well as gains and losses on intra-group transactions have all been eliminated.

Companies acquired during the year have been included in the consolidation from the date of assumption of control and those companies sold during the year, until the date of relinquishment of control.

### **Measurement of fair value**

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 of fair value should always be based on the listed prices of transactions in active markets whenever possible. If there is no listed price, another

public price is used, which is believed to be the most appropriate. If the transaction on the open market is limited or if there is no closing price, prices from banks/brokers can be used if these are calculated based on fully updated market data and are deemed to be in accordance with the closing price.

#### **Level 2**

If the transaction on the open market is limited or if listed prices are not set on the market, indicative prices from banks/brokers specifying the non-forced sale value can be used. If this is not possible, valuation methods in which input is based on publicly available information are used.

#### **Level 3**

If the valuation of the investment asset cannot be based on publicly available market information alone, valuation models that could imply the use of estimates of both the future and the nature of the current market situation are used.

### **Insurance contracts – classification**

An insurance contract is a contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate if a specified uncertain future event adversely affects the policyholder.

For Topdanmarks continuing business, insurance risk is generally considered being significant and accordingly classified as insurance contracts and the result included in the insurance technical result.

An immaterial contract portfolio providing services are recognised in result from other activities.

### **Currency**

As the predominant rule, DKK is the Group companies' functional currency and the presentation currency of the Annual Report.

The initial recognition of transactions in currencies other than DKK is made at the exchange rates prevailing at the date of the transactions. Debts and receivables, and other monetary items which have not been settled on the financial position date, are translated at the closing exchange rates. Translation differences are recognised in Revaluations in the Income Statement.

### **Expenses**

Expenses are recognised in the Group's income statement classified by function. The allocation of expenses, which do not directly relate to a function, is based on an assessment.

### **Incentive programme**

The Topdanmark incentive programme for the Executive Board and Senior Executives includes a long-term share

option programme and a short-term cash and share based bonus programme.

#### *Share options programme (LTI)*

The fair value, on the date the options are granted, is included as staff costs in the income statement, with a set-off in shareholders' equity. The fair value is calculated using the Black & Scholes model.

#### *Cash and share bonus programme (STI)*

Bonuses are recognised as staff costs in the income statement when earned, the share part with a set-off against shareholders' equity.

### **Employee shares**

Topdanmark has established an employee share scheme implying a pay cut. The value of the shares is included as staff costs in the income statement with a set-off against shareholders' equity.

### **Segment information**

The Topdanmark Group's insurance business is divided into two business segments:

**Private** offers non-life insurance policies to individual households in Denmark.

**SME** offers non-life insurance policies to Danish-based agricultural and SME businesses.

Topdanmark conducts insurance business only in Denmark and, therefore, no specific geographical segmental information is provided.

### **Cash flow statement**

The cash flow statement of the group has been prepared in accordance with the direct method disclosing cash flow from operations, investments and financing. Cash and cash equivalents comprise liquid funds as well as deposits with credit institutions.

### **Income statement**

#### **Premiums earned**

Gross premiums comprise those premiums which are due within the financial year.

Premiums earned net of reinsurance are recognised in line with the distribution of risk over the period of cover. For onerous insurance contracts, the expected loss is included when the contracts are underwritten or when the contracts become onerous.

As premium provisions and profit margin are calculated at a discounted basis, an element of interest is included in premiums earned.

### **Claims incurred**

Claims incurred comprise claims relating to the year as well as any adjustments to the claims provided for the year before. Furthermore, claims incurred comprise direct and indirect expenses on claims handling. The effect on change in provisions for outstanding claims due to discounting is transferred to Return and value adjustments non-life insurance provisions. Value adjustments of derivatives partially hedging the provisions for workers' compensation against changes in future wage and price indexation is included in claims incurred.

### **Bonuses and rebates**

Bonuses and rebates include those premiums that have been or will be paid back to policyholders where the amount is calculated based on the claims trend using criteria determined prior to the beginning of the financial year, or when the insurance contracts were written.

### **Operating expenses**

Technical operating expenses which relate, either directly or indirectly, to the acquisition and renewal of the portfolios are included in acquisition costs. Sales commission is generally recognised in the income statement from start of cover of the insurance contract.

Administrative expenses, which comprise other costs incurred in the administration of the portfolios are accounted for on accruals basis.

Commission received from reinsurers has been accounted for on accruals basis over the reinsurance contracts' period of cover.

### **Investment return**

Income from associates and joint ventures comprises a share of the post-tax results of the associates and joint ventures, calculated in accordance with the Group's accounting policies. Income from investment properties comprises the operating results excluding interest charges and revaluations. Interest income and dividends etc. comprise all earned interest income and dividends received in the year. Realised and unrealised gains and losses on investment assets, exchange rate adjustments, and realised gains and losses on owner-occupied properties are included in Value adjustments. Administrative expenses on investment activities comprise the cost of asset management including transaction costs.

### **Return and value adjustment of non-life insurance provisions**

Return and value adjustments of non-life insurance provisions include amortisation and revaluation of the provisions due to changes in the interest rate curve used.

## Other income and expenses

Income and expenses related to other than the administration of insurance portfolios or investment assets are included in other income and expenses.

## Taxation

The tax charge for the year comprises the current corporation tax for the year and any changes in deferred tax. The tax charge related to profit for the year is included in the income statement, and the share related to other comprehensive income and shareholders' equity are taken to other comprehensive income and shareholders' equity respectively. The current tax for the year is calculated using the tax rates and rules applicable on the financial position date.

Topdanmark A/S is jointly taxed with all the Danish companies of the Topdanmark Group and all Danish companies and affiliates in the Sampo Group. As the management company of the joint taxation, Topdanmark A/S settles all corporation tax payments with the tax authorities.

The joint tax contributions are distributed to the jointly taxed companies on a proportionate basis relative to their taxable income. Furthermore, those companies with tax losses receive joint tax contributions from those companies which have been able to use this loss to reduce their own taxable income.

## Discontinued operations

Profit after tax, discontinued operations include the result from Topdanmark Liv Holding Group for 2022 until closing, 1 December 2022 as well as the net gain from the divestment, including unwinding costs.

As intangible and tangible assets held for sale are measured at the lowest carrying value and fair value when reclassified as assets held for sale, no amortisations and depreciations have been recognised from this date, affecting the result for Topdanmark Liv Holding positively and the profit from the divestment conversely.

Investment assets and insurance liabilities have continuously been measured at fair value.

## Assets

### Intangible assets

Goodwill relates to the acquisition of non-life insurance companies in 1999. Goodwill is tested for impairment on a yearly basis.

Acquired software licences are measured at cost and amortised on a straight-line basis over the expected useful life of a maximum of three years.

Development projects which are clearly defined and definable are measured at costs incurred and amortised over the expected useful life of a maximum of 10 years. Impairment of the assets is assessed end of year.

Development projects under construction are subjected to an impairment test on a yearly basis.

## Tangible assets

### Operating equipment

Operating equipment is measured at cost less depreciation on a straight-line basis over the expected useful life with respect of the residual value, which is annually revalued. Impairment is assessed on a yearly basis.

IT equipment, other equipment and cars as well as improvements of rental properties are depreciated over their expected useful life of up to five years. Solar cell plants are depreciated over their expected useful life of 25 years.

### Owner-occupied properties

Owner-occupied properties are those properties used for the Group's own operations. The properties are measured at a revalued amount being the fair value on the date of revaluation. The buildings are depreciated on a straight-line basis, given an expected life of 50 years and an annually re-assessed residual value. Land is not depreciated. The fair value of owner-occupied properties is assessed continuously. Any revaluation surplus is included in other comprehensive income unless the revaluation is a reversal of a previous impairment. Impairments are included in the income statement unless the impairment is a reversal of previous revaluation included in other comprehensive income.

### Investment properties

In accordance with the guidelines of the Danish FSA, the measurement of the investment properties is made at fair value representing the estimated amount at which the property could be sold within a reasonable time frame to an independent buyer. The fair value is calculated, using the return model, as the calculated capital value of the expected cash flow from each property.

The calculated fair values have been tested to other valuation models and by use of external valuers on a regular basis.

## Associates and joint ventures

Associates are companies over which the Group has substantial influence through a significant shareholding and representation on the board of the company.

Joint ventures are companies in which Topdanmark has joint control and right to the net asset.

Equity investments in associates and joint ventures are measured according to the equity method in accordance with the Group's accounting policies.

### **Financial assets**

Financial assets are classified at the time of their initial recognition as:

- Financial assets measured at fair value with any value adjustment through profit and loss or,
- Loans and receivables measured at amortised cost.

Financial assets at fair value with any value adjustment through profit and loss are financial assets which are either included in a trading portfolio, are derivatives or at their first recognition are designated in this classification, because the assets are managed and measured on a fair value basis, or because this eliminates or significantly reduces accounting inconsistency.

All financial assets classified as "Other financial investments assets" are measured at fair value with any value adjustment through profit or loss.

The initial recognition of financial instruments is made at fair value on the date of trade. Direct expenses on the acquisition or issue of financial instruments which are measured at fair value with any revaluation of the fair value taken to the income statement are included in expenses on investment activities, when incurred. However, financial instruments which, subsequent to the initial recognition, have been measured at amortised cost are recognised at fair value adjusted for direct expenses on the acquisition or issue of the financial instrument.

True sale and repurchase transactions and true purchase and resale transactions (repo/reverse transactions) are recognised and measured as secured loans.

### **Receivables at amortised cost**

On initial recognition receivables are measured at fair value, and subsequently at amortised cost. The receivables are regularly assessed for impairment and written down to a lower recoverable amount. Such impairments are generally made collectively on the basis of a due date analysis. When an individual receivable is considered irrevocable, the impaired amount is transferred from the account for collective allowances.

### **Reinsurers' share of insurance provisions**

Reinsurers' share of the provisions for unearned premiums represents the proportion of reinsurance premiums paid, net of commission received, which based on the spread of risk during the period of cover, relate to the period after the end of the financial year.

Reinsurers' share of the provisions for claims represents the amounts expected to be received from reinsurance

companies according to the reinsurance contracts concluded. Expected future payments are discounted using an interest rate structure. The reinsurers' share is regularly assessed for impairment and written down to a lower recoverable amount.

## **Shareholders' equity**

### **Security fund reserves**

The security funds are special funds under shareholders' equity. Prior to 1989, security funds were transferred to shareholders' equity for capital adequacy and were tax-deductible.

The security funds can only be used for strengthening the technical provisions or otherwise for the benefit of policyholders and only if permitted by the Danish FSA.

### **Other reserves**

Other reserves comprise a reserve at net asset value relating to associates.

### **Proposed dividend**

Dividend forms part of shareholders' equity until the adoption at the annual general meeting. From the time of adoption, the dividend is recognised as a liability.

## **Liabilities**

### **Other subordinated loan capital**

The initial recognition of other subordinated loan capital is made at fair value less transaction costs and, subsequently, measured at amortised cost. Any difference between the proceeds (less transaction costs) and the nominal value is recognised in the income statement over the loan period based on an effective interest rate.

### **Provisions for insurance and investment contracts**

#### **Provisions for unearned premiums**

Premium provisions are calculated as the best estimate of expected payments for future insurance events covered by insurance contracts concluded.

Premiums for insurance contracts concluded comprise premiums due and those not yet due for insurance contracts for which the Group is committed on the reporting day.

Topdanmark's insurance contracts are mostly written for a 1-year period, and the provisions are calculated based on the prognosis for a combined ratio for the next 12 months. The prognosis is based on analyses of the trend in premiums, claims and expenses and for change of ownership also statistical analyses of trend in claims notification in relation to the time when the insurance contracts were written.



Expected payments are calculated at present value discounted by the volatility adjusted interest rate curve.

Best estimate of undue premiums for insurance contracts concluded is deducted, considering expected customer defection.

Changes in provisions due to a change in the interest rate curve used and amortisation are transferred to "Return and value adjustments of non-life insurance provisions".

#### **Profit margin on non-life insurance contracts**

Profit margin is the expected profit during the remaining part of the period of cover for insurance contracts concluded.

Profit margin is calculated as the difference between expected premiums for future periods of cover for insurance policies concluded and present value of the expected payments included in premium provisions.

Changes in the value due to changes in the interest rate curve used and amortisation are transferred to "Return and value adjustments of non-life insurance provisions".

The share of the risk margin related to settlement of premium provisions is deducted from the profit margin.

Profit margin for a portfolio of insurance contracts with similar risks cannot be lower than zero.

#### **Provisions for claims**

Claims provisions must cover future payments of claims incurred and their administration.

Claims provisions are assessed for each line of business, either on a claim-by-claim basis (individual provisions), or by using statistical methods (collective as well as incurred but not reported (IBNR) and incurred but not enough reported (IBNER) provisions). Claims exceeding a fixed amount, dependent on the line of business, are assessed individually, and provisions for smaller claims are assessed collectively. IBNR provisions cover expenses on post-notified large claims. IBNER provisions cover extra expenses on claims already reported for which the individually assessed provisions are not sufficient due to, for example, inadequate information at the time of assessment. The collective provisions are calculated using de Vylder's credibility model adjusted for each line of business. The IBNR and IBNER provisions are calculated using models developed in-house. In agricultural and commercial lines, claims are assessed individually. IBNR and IBNER provisions are also included in the total provision. In personal lines, claims not exceeding DKK 100,000 are assessed collectively while larger claims, and all claims on change of

ownership policies are assessed individually. IBNR and IBNER provisions are also included in the total provision. In motor and accident lines, total provisions comprise the sum of the collective and individual provisions. Individual provisions are the result of an assessment where the claims handler has assessed the total claim payment to exceed DKK 1.5m, and the case is estimated to exceed the amount paid out. Large claims and claims relating to previous years are individually assessed within personal liability in motor insurance.

Inflation is taken into account when calculating the value of the provisions as future inflation is implicitly included in a number of the statistical models used. Therefore, an expected higher future inflation rate would generally be included in the provisions with a specific time delay.

Provisions for claims in workers' compensation insurance comprise provisions for annuities and other provisions for claims and benefits. The assessment of the future annuities is based on the annuities in force including the expected wage and salary indexation, and a rate of mortality corresponding to G82 with monthly age write-downs on annuities based on the act on accidents and an adjusted G82 rate of mortality on annuities on the act on workers' compensation amended to comply with Topdanmark's experience base within death intensity for annuitants. Workers' compensation claims are often paid as the capitalised value of an annuity. The capitalisation rate at the time of capitalisation is to be calculated as a moving average of the most recent five years' interest rate on leading mortgage bonds less tax. The capitalisation rate is calculated as the forward swap rates plus 0.85% p.a. and less a deduction for tax corresponding to the base tax rate.

The assessment of other provisions for claims relating to injuries, loss of provider and expenses is based on conventional actuarial triangulation models. Due to the special conditions surrounding payments on disability claims, it is not possible to use conventional actuarial triangulation models for this type of provision. Topdanmark, therefore, uses a model developed in-house, which, among other things, takes into account the stage each claim has reached. The calculation includes an allowance for the expected wage and salary indexation.

Topdanmark has purchased derivatives partially hedging the provisions for workers' compensation against changes in future wage and price indexation. Gains and losses on these derivatives are included in claims incurred.

The provisions for claims include the amounts to cover direct and indirect expenses on settlement of the liabilities.

All provisions have been measured at present value by discounting the expected future payments using an interest rate curve determined in Solvency II (EIOPA interest rate curve). The interest rate curve is adjusted for volatility.

#### **Risk margin for non-life insurance contracts**

Risk margin is calculated as the amount which would be demanded by a purchaser of the company's insurance portfolio for taking on the risk that actual expenses deviate from best estimate relating to settlement of the insurance provisions.

Topdanmark calculates risk margin by means the "Cost of Capital" model using a cost of capital rate of 6% in addition to the risk-free interest rate.

#### **Provisions for bonuses and rebates**

Provisions for bonuses and rebates are the amounts payable to policyholders as the result of a favourable claims trend.

#### **Other provisions**

##### **Provisions for pensions and similar commitments**

Provisions for anniversary bonuses and retirement benefits are built up on an on-going basis over the period of employment. The liability is calculated taking into account the expected level of staff reduction based on the Company's experience. The liability is measured at present value by discounting the expected future payments using the interest rate structure.

#### **Deferred tax**

Deferred tax on temporary differences between the accounting, and tax value of assets and liabilities is charged in accordance with the balance sheet liability method. Deferred tax on investments in subsidiaries and associates is not included where the Group controls the timing of the reversal of the temporary difference, and where it is probable that the temporary difference will not be reversed within the foreseeable future. The calculation of deferred tax is based on the planned use of each asset and the settlement of each liability, using the tax rates expected to be in force when the deferred tax is expected to crystallise as current tax, based on the tax rates and rules in force on the financial position date.

Deferred tax on security funds comprises deferred tax on untaxed amounts transferred to the security funds under shareholders' equity. The security funds will be taxed in the proportion of 10% for every 10pp decline in technical provisions net of reinsurance from the level at 31 December 1994. A decline of 10% from the 1994 level is considered improbable as long as Topdanmark Forsikring, in which the transfers were made, continues its current operations. Therefore, the security funds will only be taxed if the insurance portfolio is disposed of, or the company ceases to conduct insurance business.

#### **Other liabilities**

A provision has been recognised in connection with the divestment of the Topdanmark Liv Holding Group to cover unwinding costs and other obligations according to the contract.

#### **Debt**

Amounts due to credit institutions and derivatives are measured at fair value. The fair value of amounts due to credit institutions usually corresponds to their nominal value. The fair value of derivatives is calculated on the same basis as financial assets.

Current tax liabilities and tax receivables, including joint tax contributions, are included in the balance sheet as calculated tax on taxable income for the year adjusted for tax on previous years' taxable income and prepaid tax on account.

Other debts are measured at amortised cost.



## Ratios

Ratios in Financial highlights and Five-year summary have been calculated in accordance with the Danish FSA's Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pensions Funds.

### Financial ratios

<b>Post-tax profit as a percentage of shareholders' equity/return on shareholders' equity (%)</b> $\frac{\text{Profit for the year} * 100}{\text{Shareholders' equity (average)}}$	<b>Dividend per share issued, proposed (DKK)</b> $\frac{\text{Proposed dividend}}{\text{Number of shares issued end of year}}$
<b>Post-tax EPS (DKK)</b> $\frac{\text{Profit for the year}}{\text{Number of shares (average)}}$	<b>Net asset value per share, diluted (DKK)</b> $\frac{\text{Shareholders' equity end of year}}{\text{Number of shares, diluted}}$
<b>Post-tax EPS diluted (DKK)</b> $\frac{\text{Profit for the year}}{\text{Number of shares (average), diluted}}$	

The average shareholders' equity is calculated as a time-weighted average. Number of shares is the number of issued shares less the number of own shares. Number of shares, diluted, is adjusted for the effect of potentially diluting share options.

### Non-life insurance ratios

<b>Gross claims ratio</b> $\frac{\text{Gross claims incurred} * 100}{\text{Gross premiums earned}}$	<b>Combined ratio</b> Gross loss ratio + net reinsurance ratio + gross expense ratio
<b>Net reinsurance ratio</b> $\frac{\text{Reinsurance result} * 100}{\text{Gross premiums earned}}$	<b>Relative run-off, net of reinsurance (%)</b> $\frac{\text{Run-off on own account} * 100}{\text{Claims provisions on own account 1 January}}$
<b>Gross expense ratio</b> $\frac{\text{Gross operating expenses} * 100}{\text{Gross premiums earned}}$	

Gross premiums earned comprise the line items "Gross premiums written", "Change in the provisions for unearned premiums", "Change in profit margin and risk margin" and "Bonuses and rebates". Gross claims incurred comprise the line items "Gross claims paid", "Change in the provisions for claims" and "Change in risk margin". Gross operating expenses comprise "Administrative expenses" and "Acquisition costs". Reinsurance result comprises reinsurer's share of the abovementioned line items.

The run-off result is due to claims provisions at the beginning of the year being settled or reassessed through the current year at amounts other than expected and provided for in last year's accounts. The run-off result, gross, is included in claims incurred regardless of income or expense. Run-off result on own account is net of reinsurance's share.

## Notes to the financial statements • Group

### Note 44. New accounting policies from 2023

- IFRS 17 Insurance contracts
- IFRS 9 Financial instruments
- Omission of Volatility Adjustment.

### High level impacts for Topdanmark

Topdanmark will apply IFRS 17 Insurance Contracts and IFRS 9 Financial instruments from 1 January 2023.

From 1 January 2023 Topdanmark will apply the EIOPA interest rate curve without any Volatility Adjustment component, which up to and including 2022 has been amended to the EIOPA interest rate curve.

As at 1 December 2022 Topdanmark Liv Holding A/S and all subsidiaries were divested of, and the activity was reclassified to discontinued operations in the 2022 accounts. The following description will mainly be focusing on the continuing business of Topdanmark.

Topdanmark's operations are non-life insurance with mainly one-year contracts, and Topdanmark will use the Premium Allocation Approach (PAA), an IFRS 17 simplified model for insurance contracts with a coverage period of one year or less.

Following the PAA, recognition and measurement are for most parts in line with current accounting policies.

The application of IFRS 9 is not expected to have any significant impacts on Topdanmark's balance sheet and result, as Topdanmark currently measures the main part of financial assets at fair value through profit or loss.

### Net result

Application of IFRS 17 and IFRS 9 are expected to have no significant impact on the net result of the Group. Omission of the VA component affected the result for 2022 by DKK 131m due to a declining effect on the claims provisions over the year.

### Shareholders' equity

Mainly due to an IFRS 17 Risk adjustment replacing the SII Risk margin and omission of the VA component on the interest rate curve for measuring the claims provisions, shareholders' equity is affected by DKK -280m in the opening balance 1 January 2022 and DKK -149m 31 December 2022.

Effect of new accounting policies (DKKm)	Shareholders' equity		Result 2022
	1/1 2022	31/12 2022	
<b>Current accounting policies</b>	7,399	6,498	2,049
Non-life IFRS 17 / IFRS 9	-91	-104	-13
Non-life VA component	-176	-45	131
Life IFRS 17 / IFRS 9	-13	0	13
Net effect after tax	-280	-149	130
<b>New accounting policies</b>	7,119	6,349	2,179

The effects are based on assessments made to date. The new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until Topdanmark finalises the Annual Report 2023.

### IFRS 17 Insurance Contracts (effective for annual periods beginning on 1 Jan 2023 or after)

IFRS 17 replaces IFRS 4 Insurance Contracts and establishes principles for the recognition, measurement, presentation, and disclosures of insurance contracts and reinsurance contracts.

The standard is applied retrospectively when practicable, and comparative information for the financial year 2022 will be restated.

### Key accounting principles

#### Scope

IFRS 17 establishes principles for the recognition, measurement, presentation, and disclosures of insurance contracts issued, reinsurance contracts issued and held and investment contracts with discretionary participation features issued.

Under IFRS 17 an insurance contract is defined as a contract under which one party, the issuer, accepts significant insurance risk from another party, the policyholder. Insurance contract service is the service that an issuer provides to a policyholder for the coverage for an insured event.

For Topdanmark, we do not expect significant changes in scope. For most insurance contracts issued by Topdanmark insurance risk is considered significant.

## Level of aggregation

Under IFRS 17, insurance contracts are aggregated into portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. Portfolios are divided into annual cohorts i.e., contracts which are not issued more than one year apart. Portfolios of insurance contracts are divided into:

- Groups of insurance contracts that are onerous on initial recognition
- Groups of insurance contracts that, on initial recognition, do not have significant possibility of becoming onerous subsequently
- Any remaining insurance contracts.

In Topdanmark, portfolios will be determined based on what reflects similar risk and managed together based on a segmentation of business or a combination of line of business and business area.

Applying PAA, onerous groups of insurance contracts are identified on the basis of facts and circumstances. Topdanmark has identified onerous contracts, but the number is limited.

## Contract boundary

The initial measurement of groups of insurance contracts includes all the future cash flows arising within the contract boundary. The contract boundary separates the expected cash flows that relate to existing insurance contracts from future insurance contracts. In determining which cash flows fall within the contract boundary, substantive rights and obligations arising from the terms of the contract, and from applicable laws and regulations, are considered.

In Topdanmark, most contracts have one-year contract boundary (until renewal date) i. e. contract has a one-year period of cover, and there are substantive rights and obligations during that period.

## Recognition

A group of insurance contracts is recognized from the earliest of the following:

- The beginning of the coverage period
- The date when the first payment from a policyholder in the group becomes due; and
- For a group of onerous contracts, when the group becomes onerous.

In Topdanmark the beginning of the coverage period and due date are coinciding. For a few groups of onerous contracts, loss components of an insignificant amount are recognised.

## Measurement

When certain eligibility criteria are met, insurers may apply a simplified approach, premium allocation approach (PAA), for the measurement of insurance contracts. PAA is eligible for insurance contracts with a period of cover of one year or less, or for contracts where the measurement based on this approach (PAA) would not differ materially from the measurement achieved under the general measurement model, which is mostly used for contracts within life insurance. Under PAA, the measurement of liability for remaining coverage is based on premiums expected to be received for the coverage period, which represents a simplification of the general measurement model.

The period of cover exceeds one year for change of ownership insurance and building defect insurance.

In Topdanmark, PAA is applied to all insurance contracts and reinsurance contracts held.

### *Insurance acquisition cashflows*

Insurance acquisition cashflows arise from underwriting and starting a group of insurance contracts. Within PAA for one-year contracts, the cashflows can be recognized as an expense when incurred, or they can be deferred over the period of cover or longer in case of renewals.

Topdanmark has chosen to expense acquisition cash flows when incurred for all one-year contracts. For multi-year contracts, the acquisition cash flows are deferred over the expected lifetime.

## Premium allocation approach (PAA)

On initial recognition of insurance contracts, the carrying amount of liability for remaining coverage (LRC) is measured at premiums initially received.

At the subsequent reporting periods, the carrying amount of LRC is increased by premiums received during the period and decreased by the amount recognised as insurance revenue representing the services provided. The carrying amount of LRC is not discounted or adjusted with the effect of financial risk as it is expected that the time between providing services and the related premium due date is not more than a year. The revenue is recognised based on the expected premium receipts allocated to the period. For majority of the insurance contracts revenue recognition is based on the passage of time i. e. allocated straight line.

Topdanmark measures the liability for incurred claims (LIC) for the group of insurance contracts at the amount of fulfilment cash flows relating to incurred claims. Fulfilment cashflows consist of three components, namely expected cash flows, discounting and risk adjustment.

The risk adjustment reflects the uncertainty about the amount and timing of cash flows arising from non-financial risk. Discounting adjusts the expected cash flows to reflect the time value of money. Topdanmark has determined the discount rate based on bottom-up approach.

Discounting effects and effects of changes in financial risks are presented as insurance finance income or expense in the income statement as Topdanmark has elected not to apply OCI options allowed under IFRS 17.

The risk adjustment will be derived through a confidence level technique based on Cost of Capital as the mathematical argumentation for the chosen confidence level.

### **Transition approach applied**

IFRS 17 is applied retrospectively unless this is impracticable. On transition to IFRS 17, a full retrospective approach and restatement of previous year's comparatives are required. However, if the application of a full retrospective approach is impracticable, then a modified retrospective approach or a fair value approach may be applied.

Topdanmark non-life applies a full retrospective approach.

For the discontinued operations in life full retrospective approach has been applied when practicable. When not practicable modified retrospective approach or fair value has been applied.

### ***IFRS 9 Financial Instruments: Recognition and Measurement (Effective for annual periods beginning on 1 January 2018 or after)***

IFRS 9 Financial Instruments standard supersedes IAS 39 Financial Instruments: Recognition and Measurement.

The new standard changes the classification and measurement of financial assets and includes a new impairment model based on expected credit losses.

IFRS 9 Financial instruments came into force on 1 January 2018. However, under certain conditions, insurance groups may postpone IFRS 9 till the implementation of IFRS 17 Insurance contracts comes into force. Topdanmark meets these conditions and has postponed the implementation of IFRS 9 to the implementation of IFRS 17 in 2023.

### ***Recognition***

The initial recognition of financial instruments in Topdanmark is changed from date of settlement to the trade date. In current practice, any fair value changes from the trade date are included in the balance sheet under derivatives. Going forward, purchased financial

assets with settlement after the balance sheet date are recognised at trading date, and the purchase price recognised as debt.

Application of IFRS 9 is expected to have no significant impact on Topdanmark's balance sheet and result.

The new accounting policies and management judgements may change until Topdanmark publishes its year-end financial statements 2023 in accordance with IFRS 9.

### ***Key accounting principles***

#### **Financial assets – classification**

Under IFRS 9, financial assets are classified as being subsequently measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss (FVTPL).

Most of Topdanmark's financial assets will be classified at fair value through profit or loss, and a limited amount of financial assets is measured at amortised cost.

The classification in fair value through profit or loss and amortised cost is basically unchanged from current classification.

The classification of financial assets into the categories is based on Topdanmark's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets (solely payments of principal and interest -criteria, SPPI). Business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Thus, the evaluation is not done at instrument level. SPPI criteria is met when financial instrument's contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However, that principal amount may change over the lifetime of the financial asset. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period, and for other basic lending risks and costs, as well as a profit margin.

A financial asset is measured at amortised cost only if the objective of the business model is to hold financial asset to collect contractual cash flows, and the contractual cash flows of the financial asset meet the SPPI criteria. Interest revenue is calculated using the effective interest rate method. Under IFRS 9, financial assets subsequently measured at amortised cost are subject to loss allowance, expected credit losses (ECL) requirements.

IFRS 9 includes an option to specifically designate a financial asset at fair value through profit or loss. Under this fair value option, an entity has an option to classify a

financial asset irrevocably at fair value through profit or loss if that eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different basis. Topdanmark is not applying this option in transition.

### Financial assets – impairment

IFRS 9 introduces a forward-looking expected credit loss (ECL) model, which replaces the model applied under IAS 39 based on incurred losses. ECL model is applied to financial assets measured at amortised cost. Impairment requirements do not apply to equity instruments or other financial instruments measured at FVTPL.

Expected credit losses reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

### Financial liabilities

The transition to IFRS 9 is not changing the measurement of financial liabilities. Topdanmark measures derivative financial liabilities at fair value through profit or loss. Financial liabilities, including subordinated loans and other financial liabilities, are subsequently measured at amortised cost using the effective interest rate method.

## Opening balance sheet 1 January 2022

The opening balance sheet amounted to DKK 119,940m and shareholders' equity DKK 7,119m. Compared with the closing balance sheet IFRS 4, DKK 120,368m, balance sheet decreased by DKK 427m, and shareholders' equity decreased by DKK 280m.

In the transition, both assets and liabilities decreased mainly due to reclassification of premium and claims receivables from receivables to insurance liabilities.

### Assets • Group

(DKKm)	31 Dec 2021	1 Jan 2022	Change
<b>INTANGIBLE ASSETS</b>	1,641	1,641	0
<b>INVESTMENT ASSETS</b>	46,099	46,165	66
<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS</b>	68,149	68,149	0
Reinsurance asset	677	692	15
Receivables from policyholders	313	0	-313
Receivables from insurance companies	105	0	-105
Receivables from associates and joint ventures	227	227	0
Other receivables	311	311	0
<b>TOTAL RECEIVABLES</b>	1,633	1,230	-403
<b>OTHER ASSETS</b>	1,302	1,212	-90
<b>PREPAYMENTS AND ACCRUED INCOME</b>	641	641	0
<b>TOTAL ASSETS</b>	120,368	119,940	-427

### Shareholders' equity and liabilities • Group

(DKKm)	31 Dec 2021	1 Jan 2022	Change
<b>SHAREHOLDERS' EQUITY</b>	7,399	7,119	-280
<b>SUBORDINATED LOAN CAPITAL</b>	1,900	1,900	0
<b>PROVISIONS FOR INSURANCE CONTRACTS</b>	101,695	101,872	177
<b>PROVISIONS FOR INVESTMENT CONTRACTS</b>	5,000	5,000	0
<b>PROVISIONS</b>	428	325	-103
<b>DEPOSITS RECEIVED FROM REINSURERS</b>	11	11	0
<b>DEBT</b>	3,829	3,607	-222
<b>ACCRUALS AND DEFERRED INCOME</b>	108	108	0
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	120,368	119,940	-427

## Impact on comparative year 2022

From early 2022 and during 2022, Topdanmark has been calculating the comparative figures for 2022. Based on the calculations, Topdanmark Group's balance sheet end of 2022 was reduced by DKK 422m, and the impact on shareholders' equity amounted to DKK -149m.

## Balance sheet 31 December 2022

### Assets

#### Derivatives/Other assets

A positive fair value of inflation swaps, which is currently included in other assets, is reclassified to derivatives under investment assets.

#### Reinsurance asset

Reinsurers' share of provisions for unearned premiums and reinsurers' share of claims provisions are added into the line reinsurance asset. Reinsurers' share of risk adjustment related to claims is added.

Receivables and debt related to reinsurance are restated to the reinsurance asset.

#### Receivables from policyholders and receivables from insurance companies.

Receivables are reclassified to insurance provisions and the reinsurance asset.

## Assets • Group

(DKKm)	IFRS 4 31 Dec 2022	IFRS 17 31 Dec 2022	Change
<b>INTANGIBLE ASSETS</b>	1,314	1,314	0
Operating equipment	67	67	0
Owner-occupied properties	765	765	0
<b>TOTAL TANGIBLE ASSETS</b>	832	832	0
Equity investments in associates and joint ventures	53	53	0
Total investments in associates and joint ventures	53	53	0
Equity investments	1,006	1,006	0
Bonds	13,989	13,989	0
Loans guaranteed by mortgages	5	5	0
Deposits with credit institutions	4,044	4,044	0
Derivatives	9	171	161
Total other financial investment assets	19,054	19,215	161
<b>TOTAL INVESTMENT ASSETS</b>	19,107	19,269	161
Reinsurance asset	526	591	64
Receivables from policyholders	196	0	-196
Receivables from insurance companies	262	0	-262
Other receivables	175	185	10
<b>TOTAL RECEIVABLES</b>	1,159	776	-383
Deferred tax assets	88	49	-39
Liquid funds	61	61	0
Other	178	16	-161
<b>TOTAL OTHER ASSETS</b>	326	126	-200
Accrued interest and rent	99	99	0
Other prepayments and accrued income	188	188	0
<b>TOTAL PREPAYMENTS AND ACCRUED INCOME</b>	287	287	0
<b>TOTAL ASSETS</b>	23,024	22,603	-422

## Shareholders' equity and liabilities

### Provisions for insurance contracts

All the current insurance provisions line items are presented in two lines: Liability for Remaining Coverage (LRC) and Liability for Incurred Claims (LIC).

The carrying value of the provisions are affected upwards by an IFRS 17 Risk adjustment replacing the SII Risk margin, omission of the VA component and a reclassification of debt relating to direct insurance operations.

The provisions are affected downwards by reclassification of receivables from policyholders and receivables from insurance companies.

### Debt relating to reinsurance operations

is reclassified to reinsurance asset.

## Shareholders' equity and liabilities • Group

(DKKm)	IFRS 4 31 Dec 2022	IFRS 17 31 Dec 2022	Change
Share capital	90	90	0
Revaluation reserve	0	0	0
Security fund	1,090	1,090	0
Other reserves	46	46	0
Total reserves	1,137	1,137	0
Profit carried forward	457	308	-149
Proposed dividend	4,815	4,815	0
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>6,498</b>	<b>6,349</b>	<b>-149</b>
<b>OTHER SUBORDINATED LOAN CAPITAL</b>	<b>1,100</b>	<b>1,100</b>	<b>0</b>
Liability for remaining coverage	2,389	2,254	-135
Liability for incurred claims	10,890	10,981	91
<b>TOTAL PROVISIONS FOR INSURANCE CONTRACTS</b>	<b>13,279</b>	<b>13,235</b>	<b>-44</b>
Pensions and similar commitments	20	20	0
Deferred tax liabilities	3	275	272
Deferred tax on security funds	362	0	-362
Other liabilities	361	361	0
<b>TOTAL PROVISIONS</b>	<b>745</b>	<b>656</b>	<b>-89</b>
Debt relating to direct insurance operations	18	0	-18
Debt relating to reinsurance operations	121	0	-121
Amounts due to credit institutions	171	171	0
Current tax liabilities	108	108	0
Derivatives	236	236	0
Other debt	698	698	0
<b>TOTAL DEBT</b>	<b>1,353</b>	<b>1,213</b>	<b>-140</b>
<b>ACCRUALS AND DEFERRED INCOME</b>	<b>49</b>	<b>49</b>	<b>0</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>23,024</b>	<b>22,603</b>	<b>-422</b>



## Income statement 2022

The Income statement according to IFRS 17 is very much in line with current presentation of non-life results. Compared with current accounting policies, IFRS 17 requires only a few changes to recognition and measurement, and a limited number of reclassifications.

### **Insurance revenue** (Gross premium income):

Recognition of insurance revenue is continued with three changes:

#### ***Bonuses and premium rebates***

Currently, bonuses and premium rebates are presented in a separate line in the income statement but included in premium income when calculating the ratios for claims, costs, and the combined ratio.

Under IFRS 17, bonuses and premium rebates are included in insurance service expenses.

#### ***Discounting effects and interest accrete***

Currently, discounting of the premium provisions and accretion of interest on the profit margin have affected premium income and the investment result in opposite directions.

Under IFRS 17, liability for remaining coverage (premium provisions and profit margin) will not be discounted, except for loss components, and no interest will be accreted.

#### ***Loss components***

Loss components (provisions for unexpired risk) are part of liability for remaining coverage (premium provisions), and changes are currently included in premium income.

Under IFRS 17, in the income statement, loss components are reclassified to insurance service expenses.

### ***Insurance service expenses (claims incurred and operating expenses)***

Gross claims incurred and gross operating expenses under IFRS 17 are presented in one line, insurance service expenses, with details to be disclosed in the notes.

IFRS 17 introduces a few changes to classification within claims and operating expenses:

#### ***Wage indexation of annuities and inflation swaps***

Changes to expected wage indexation of the provisions for annuities (workers' compensation) are reclassified from claims incurred to the investment result (insurance finance income).

Inflation swaps held for the purpose of reducing the effect of inflation are reclassified from claims incurred to investment income.

#### ***Education and development of new products***

Costs not attributable to the insurance portfolios are reclassified from operating expenses to other expenses outside the insurance technical result.

#### ***Acquisition costs***

Following the simplified model PAA, acquisition costs for 1-year contracts can be expensed when incurred, or they can be recognised as an asset and expensed over the expected lifetime of the insurance contract including renewals. Topdanmark has chosen to continue the current practice and expense acquisition costs when incurred. However, an asset for acquisition costs will be recognised for a minor portfolio of multi-year contracts.

#### ***Interest rate curve, VA component***

The omission of the VA component affects the insurance service expenses negatively as the present value of claims incurred increases due to lower interest rates.

### ***Reinsurance result***

No material changes will affect the reinsurance result.

### ***Net investment result***

#### ***Inflation swaps***

The result from inflation swaps held for the purpose of reducing the effect of inflation is restated from claims incurred to investment income and included in value adjustments.

#### ***Wage indexation of annuities***

Changes to expected wage indexation of the provisions for annuities (workers' compensation) are restated from claims incurred to insurance finance income.

### ***Other expenses***

#### ***Education and development of new products***

Costs not attributable to the insurance portfolios are restated from operating expenses to other expenses.

## Income statement • Group

(DKKm)	IFRS 4 Full year 2022	IFRS 17 Full year 2022	Change
Insurance revenue	9,903	9,898	-5
Insurance service expenses	-7,796	-7,851	-55
Reinsurance result	-276	-272	4
<b>Insurance service result</b>	<b>1,831</b>	<b>1,774</b>	<b>-56</b>
Interest income and dividends etc.	321	321	0
Value adjustments	-1,637	-1,320	317
Interest charges	-43	-43	0
Expenses on investment activities	-63	-63	0
<b>Net investment income</b>	<b>-1,422</b>	<b>-1,105</b>	<b>317</b>
Insurance finance income insurance contracts	924	869	-55
Insurance finance income reinsurance contracts	-8	-16	-8
<b>Net investment result</b>	<b>-506</b>	<b>-252</b>	<b>254</b>
Other income	8	8	0
Other expenses	-93	-148	-55
<b>PROFIT BEFORE TAX, CONTINUING OPERATIONS</b>	<b>1,240</b>	<b>1,382</b>	<b>143</b>
Tax, continuing operations	-280	-305	-25
<b>PROFIT AFTER TAX, CONTINUING OPERATIONS</b>	<b>960</b>	<b>1,078</b>	<b>118</b>
Profit after tax, discontinued operations	1,089	1,102	13
<b>PROFIT</b>	<b>2,049</b>	<b>2,179</b>	<b>130</b>

### Financial Key Performance Indicators

While retaining the familiar IFRS 4 terminology for the KPIs, their calculation will change slightly. When comparing IFRS 17 and IFRS 4, premiums will be higher under IFRS 17 as the bonuses and premium rebates will be stripped out from “insurance revenue”. On the other hand, reversing the discounting effects and interest accrete will reduce premium income.

The bonuses and premium rebates stripped out from premiums will instead appear within claims. Further, omission of the VA component leads to higher claims, both affecting the claims ratio.

Reclassification of certain education and development costs from the operating costs decreases the expense ratio.

The net effect of these changes leads to an increase in the combined ratio for 2022 from 81.8 to 82.4.

(%)	IFRS 4 Full year 2022	IFRS 17 Full year 2022	Change
Gross claims ratio	62.6	63.7	1.1
Net reinsurance ratio	2.8	2.8	0.0
Claims ratio, net of reinsurance	65.4	66.5	1.1
Gross expense ratio	16.4	15.9	-0.5
Combined ratio	81.8	82.4	0.6
Combined ratio excl. run-off profits	83.3	83.9	0.6

As the effect of wage indexation on workers’ compensation, and the effect of inflation swaps, which are reclassified from claims incurred match each other for full year 2022, there is no effect on the ratios.

However, through the quarters of 2022 wage indexation and inflation swaps deviate, and the restated quarterly KPIs are affected substantially.

Quarterly key ratios for 2022 will be available before publication of the Q1 2023 Report.

# **Annual Financial Statements - Parent company**

## Income statement • Parent company

(DKK m)	Note	2021	2022
Income from subsidiaries	1	2,197	2,098
Interest income and dividends etc.		0	3
Value adjustments	2	-7	-1
Interest charges		-11	-11
<b>Total investment return</b>		<b>2,179</b>	<b>2,088</b>
Other expenses	3	-52	-50
<b>PRE-TAX PROFIT</b>		<b>2,127</b>	<b>2,039</b>
Taxation	4	11	10
<b>PROFIT FOR THE YEAR</b>		<b>2,138</b>	<b>2,049</b>
Proposed appropriation of profit for the year:			
Dividend		3,105	4,815
Transfer to net revaluation reserve at net asset value		2,197	-410
Transfer from profit carried forward		-3,164	-2,356
		<b>2,138</b>	<b>2,049</b>

## Statement of comprehensive income • Parent company

Profit for the year	2,138	2,049
Other comprehensive income from subsidiaries	0	0
Other comprehensive income	0	0
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>2,138</b>	<b>2,049</b>

## Balance sheet • Parent company

(DKK m)	Note	2021	2022
<b>Assets</b>			
Operating equipment	5	3	3
<b>TOTAL TANGIBLE ASSETS</b>		3	3
Equity investments in subsidiaries	6	7,169	6,235
Total investment in subsidiaries		7,169	6,235
Equity investments		1	1
Total other financial investment assets		1	1
<b>TOTAL INVESTMENT ASSETS</b>		7,170	6,236
Receivables from subsidiaries		998	833
Other receivables		62	4
<b>TOTAL RECEIVABLES</b>		1,059	837
Liquid funds		1	20
<b>TOTAL OTHER ASSETS</b>		1	20
<b>TOTAL ASSETS</b>		8,233	7,095
<b>Shareholders' equity and liabilities</b>			
Share capital	7	90	90
Other reserves		3,440	0
Total reserves		3,440	0
Profit carried forward		1,069	1,955
Proposed dividend		3,105	4,815
<b>TOTAL SHAREHOLDERS' EQUITY</b>		7,705	6,860
<b>OTHER SUBORDINATED LOAN CAPITAL</b>	8	400	0
Amounts due to subsidiaries		35	49
Current tax liabilities		83	108
Other debt		11	78
<b>TOTAL DEBT</b>		129	235
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		8,233	7,095
Related parties	9		
Own shares	10		
Contingent liabilities	11		
Other note disclosures	12		
Accounting policies	13		

## Statement of changes in equity • Parent company

(DKKmn)

	Share capital	Other reserves	Profit carried forward	Proposed dividend	Total
<b>2021</b>					
Shareholders' equity at beginning of period	90	3,067	2,228	1,800	7,185
Profit for the year		2,197	-3,164	3,105	2,138
Other comprehensive income in subsidiaries		0			0
Total comprehensive income for the year		2,197	-3,164	3,105	2,138
Dividend paid				-1,800	-1,800
Dividend, own shares			48		48
Dividends received from subsidiaries		-1,872	1,872		0
Other movements in capital of subsidiaries		49	25		73
Share-based payments			10		10
Exercise of share options			50		50
Transactions with owners		-1,823	2,005	-1,800	-1,619
<b>Shareholders' equity at end of period</b>	<b>90</b>	<b>3,440</b>	<b>1,069</b>	<b>3,105</b>	<b>7,705</b>
<b>2022</b>					
Shareholders' equity at beginning of period	90	3,440	1,069	3,105	7,705
Profit for the year		-410	-2,356	4,815	2,049
Other comprehensive income in subsidiaries		0			0
Total comprehensive income for the year		-410	-2,356	4,815	2,049
Dividend paid				-3,105	-3,105
Dividend, own shares			65		65
Dividends received from subsidiaries		-3,100	3,100		0
Other movements in capital of subsidiaries		69	0		69
Share-based payments			10		10
Exercise of share options			67		67
Transactions with owners		-3,031	3,242	-3,105	-2,894
<b>Shareholders' equity at end of period</b>	<b>90</b>	<b>0</b>	<b>1,955</b>	<b>4,815</b>	<b>6,860</b>

## Notes to the financial statements • Parent company

(DKKm)	2021	2022
<b>Note 1. Income from subsidiaries</b>		
Topdanmark Forsikring A/S	2,170	2,098
Topdanmark Kapitalforvaltning A/S (until 30 June, 2021)	24	0
Topdanmark Invest A/S	3	0
<b>Income from subsidiaries</b>	<b>2,197</b>	<b>2,098</b>
<b>Note 2. Value adjustments</b>		
Equity investments	-7	-1
<b>Value adjustments</b>	<b>-7</b>	<b>-1</b>
<b>Note 3. Other expenses</b>		
Holding expenses	52	50
<b>Other expenses</b>	<b>52</b>	<b>50</b>
<b>Note 4. Taxation</b>		
Current tax	12	10
Prior year adjustment	-1	0
<b>Taxation (income)</b>	<b>11</b>	<b>10</b>
Pre-tax profit excl. income from subsidiaries	-70	-59
Calculated tax on profit for the year, 22%	15	13
Adjusted for the tax effect of:		
Non-deductible expenses / income not liable to tax	-2	-2
Tax in subsidiaries	-1	0
Prior year adjustment	-1	0
	11	10
<b>Note 5. Operating equipment</b>		
Cost	3	3
<b>Operating equipment</b>	<b>3</b>	<b>3</b>
<b>Note 6. Equity investments in subsidiaries</b>		
Topdanmark Forsikring A/S	7,114	6,181
Topdanmark Invest A/S	54	54
<b>Equity investments in subsidiaries</b>	<b>7,169</b>	<b>6,235</b>
For detailed information please see note 40 to the financial statements of the Group.		
<b>Note 7. Share capital</b>		
Each of Topdanmark's 90,000,000 shares has a nominal value of DKK 1 and carries one vote.		
No share enjoys any special rights. The shares are freely negotiable. All shares are fully paid.		



## Notes to the financial statements • Parent company

(DKK m)

### Note 8. Other subordinated loan capital

Topdanmark redeemed the subordinated loan capital in 2022.	2021	
Principal	DKK 400m	
Date of issue	November 2017	
Maturity	Bullet	
If permitted by the Danish FSA, the debtor can give notice of termination from	23 November 2022	
Interest rate	Cibor 3 months +275bp	
	2021	2022
Carrying value	400	-
Fair value (level 2)	400	-
Interest charges	10	10

### Note 9. Related parties

Possessing an ownership interest of 49.34% of the shares outstanding, Sampo plc, Fabianinkatu 27, Helsinki, Finland has a controlling interest in Topdanmark A/S.

Related parties with material influence comprise the Board of Directors, the Executive Board and their related parties.

Remuneration and shareholdings in Topdanmark appear from note 31 to the financial statements of the Group.

If P&C Insurance Ltd holds:

Subordinated notes in Topdanmark A/S	133	0
Expenses charged from subsidiaries	38	36
Dividends received from subsidiaries	1,872	3,100

Average effective interest rate on Group internal balances is 0.37% (2021: 0.01%).

In 2021, Topdanmark A/S transferred Topdanmark Kapitalforvaltning A/S to Topdanmark Livsforsikring A/S at fair value corresponding to net asset value.

### Note 10. Own shares

The number of own shares held by the parent company appear from note 37 to the financial statements of the Group.

### Note 11. Contingent liabilities

All companies in the Topdanmark Group and other Danish companies and affiliates 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.

### Note 12. Other disclosures

The five-year summary, in accordance with Section 91(a) of the Danish Executive Order on Financial Reports for Insurance Companies, is included in financial highlights.

Risk disclosures in accordance with Section 91(b) are included in "Management's review" in "Risk management" and in note 42 "Risk factors".

There have been no events in the period from 31 December 2022 until the presentation of the financial statements which could change the assessment of the Annual Report.

## Notes to the financial statements • Parent company

### Note 13. Accounting policies

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The annual financial statements of the parent company Topdanmark A/S have been prepared in accordance with the Danish Financial Business Act, including the executive order issued by the Danish FSA on financial reports for insurance companies and multi-employer occupational pension funds.

The accounting policies remain unchanged from 2021.

The company's accounting policies for recognition and measurement are in accordance with the Group's accounting policies with the following amendment.

Equity investments in subsidiaries are recognised and measured according to the equity method. If the net asset value exceeds the recoverable amount, the investment is written down to this lower amount. The share of the post-tax results of subsidiaries is included in the income statement under income from subsidiaries less any write-downs. Where investments in subsidiaries are revalued to net asset value, the net revaluation reserve is included in shareholders' equity. The share of the changes in other comprehensive income items and equity of subsidiaries is included directly in other comprehensive income items and shareholders' equity respectively.

The net asset value of subsidiaries is calculated without providing for deferred tax on security funds, unless it is probable that a situation creating such a tax liability will arise within the measurable future.

#### Other

Generally, all the amounts in the report are disclosed in whole numbers of DKKm. The amounts have been rounded, and consequently the sum of the rounded amounts and totals may differ slightly.

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# Disclaimer

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

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

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

# Statement by Management on the Annual Report

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Topdanmark A/S for 2022.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU, and the annual financial statements for the parent company are presented in accordance with the Danish Financial Business Act. Further, the Annual Report is presented in accordance with additional Danish disclosure requirements for listed financial services companies.

In our opinion, the consolidated financial statements and annual financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2022 as well as of the Group's and the parent company's

activities and the Group's cash flow for the financial year 1 January to 31 December 2022.

We believe that the management review contains a fair review of the development of 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.

In our opinion, the annual report of Topdanmark A/S for the financial year 1 January to 31 December 2022 with the file name 549300PP3ULLFOSQRK46-2022-12-31-en is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend the Annual Report for adoption at the Annual General Meeting.

Ballerup, 23 February 2023

## Executive Board:

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Peter Hermann  
(CEO)

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Lars Kufall Beck

## Board of Directors:

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Ricard Wennerklint  
(Chairman)

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Jens Aaløse  
(Deputy Chairman)

---

Elise Bundgaard

---

Maria Hjorth

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Mette Jensen

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Cristina Lage

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Petri Niemisvirta

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Michael Noer

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Morten Thorsrud

# Independent auditor's report

To the shareholders of Topdanmark A/S

## Report on the audit of the consolidated financial statements and parent company financial statements

### Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Group's and Parent Company's operations and cash flows for the Group for the financial year 1 January - 31 December 2022. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the Board or Directors and the Audit Committee.

### Audited financial statements

Topdanmark A/S' consolidated financial statements and parent company financial statements for the financial year 1 January - 31 December 2022 comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows for the Group and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark.

Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services, as referred to in Article 5(1) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

We were appointed auditors of Topdanmark A/S for the first time on 25 March 2021 for the financial year 2021. We have been re-appointed at the annual general meeting in 2022 for the financial year ending 31 December 2022.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the 2022 financial year. These matters were addressed in the context of our audit of the consolidated financial statements and parent company financial statements as a whole, and in the forming of our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided on that context.

### Key audit matter

### How our audit addressed the key audit matter

#### Measurement of Provisions for insurance and investment contracts

##### Subjective valuation and inherent uncertainty

Insurance and investment contract provisions represent the largest liability for the Group.

Total provisions for insurance and investment contracts amount to DKK 13,279 million at 31 December 2022 (2021: DKK 13,977 million).

The measurement of these liabilities are highly judgmental because they require a number of Management estimates to be made with high estimation uncertainty related to the expected future cash flows.

The expected future cash flows include among other things the following significant Management estimates:

- Future inflation and wage rate development (workers' compensation)
- Expected future payments for claims that occurred before the balance sheet date and expected closing settlement of claims, especially related to workers' compensation, accident and liability.

The interest rate curve applied in measuring the provisions for insurance and investment contracts also have a significant impact on the measurement of the liabilities.

With the assistance of our actuarial specialists, our procedures included:

##### Assessment of control environment:

We have assessed the provisioning process, including the governance hereof. Our assessment has included evaluating the qualifications and experience of those responsible for reviewing the provisions and examining the output of the reviews by assessing the scope and depth of these reviews.

Our evaluation of the methodologies, key assumptions and estimates for the most significant and subjective provisions has also supported our assessment of the quality of the Group's provisioning process.

##### Test of controls:

Evaluation of design and implementation and testing of effectiveness of key controls that ensure the integrity and completeness of the data used in the actuarial provisioning process including both current and prior year provision data.

We also compared samples of individual claims provisions to appropriate documentation in order to test the valuation of individual claims provisions.

##### Replications and independent re-estimation:

We have carried out replications and independent re-estimations of the gross claims provisions covering the lines of business with the most material risks.

A replication of the provisions is performed by applying identical methods and assumptions as the Group uses in our internal reserving tool.

Independent re-estimation is performed by calculating the level of the provisions using KPMG's own parameters and assumptions.

## Key audit matter

The determination and application of the methodology and models and performance of the calculations are also complex.

Based on the above we consider the audit of the following part of the provisions for insurance and investment contracts to be a key audit matter:

- Provisions for claims (excluding claims handling provision)
- Provisions for unearned premiums
- Profit margin
- Risk margin.

Information on provisions for insurance and investment contracts is disclosed in notes 21 and 25. In addition, specified risks, assumptions, etc., related to the estimates of the insurance and investment contract provisions are described in "Provisioning risk" in note 42 Risk Factors and in "Accounting estimates and judgements" in note 43 Accounting policies.

### Completeness and accuracy of data

The valuation of the insurance contract provisions depends on complete and accurate data covering the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims provisions. If the data used in calculating insurance liabilities or for forming judgements of key assumptions is not complete and accurate, then material misstatements to the valuation of insurance liabilities may arise.

## How our audit addressed the key audit matter

### Sector experience and benchmarking:

Using our sector knowledge and experience, we assessed the Group's applied provision methodologies and assumptions used on probability of mortality, disability, reactivation, and expected loss experience by comparing with the Group's historical experience and market practice. Our assessment focused on the largest changes compared to last year including the run-off results.

### Test of completeness and accuracy of data:

We have tested reconciliations between the claims data recorded in the insurance systems and the data used in the actuarial provision calculations to test completeness and accuracy of data used.



## Key audit matter

### Measurement of unlisted investments

Unlisted investments amount to DKK 849.7 million at 31 December 2022 (2021: DKK 1,387.8 million), corresponding to 4.4% of the Group's total investment assets at 31 December 2022 (2021: 8.9%). Unlisted investments include among other things, owner-occupied properties, unlisted bonds, derivatives and Collateralized Loan Obligations (CLO's).

Measurement of unlisted investments involves Management estimates which materially affect the carrying amount.

We consider the audit of the following unlisted investments to be a key audit matter, due to the high degree of estimation uncertainty associated with the valuation of:

- Owner-occupied properties
- Unlisted bonds
- CLO's / CDO's.

Information on unlisted investments is disclosed in notes 13 and 32.

In addition, specified judgements, assumptions, etc., related to the measurement of unlisted investments are described in "Accounting estimates and judgements" in note 43 Accounting policies.

## How our audit addressed the key audit matter

With the assistance of our valuation specialists, our procedures included:

### Test of controls:

We have assessed key controls in the valuation processes for owner-occupied properties, unlisted bonds, CLO's and derivative instruments. This has included testing controls related to recording and monitoring market information and valuation reports obtained from external parties.

### Test of valuations:

Our audit has included assessing and testing models, methods, assumptions and data applied by Management in connection with the measurement of the fair value of unlisted investments.

In addition, we have tested and verified the assumptions and data used in the calculations of fair values to underlying documentation on a sample basis.

## Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements and the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management's review.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed financial institutions and the parent company financial statements in accordance with the Danish Financial Business Act and for such internal control that Management determines is necessary to enable the preparation of the consolidated financial statements and the parent company financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the parent company financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and parent company financial statements of Topdanmark A/S we performed procedures to express an opinion on whether the annual report of Topdanmark A/S for the financial year 1 January - 31 December 2022 with the file name 549300PP3ULLFOSQRK46-2022-12-31-en is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements, including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the consolidated financial statements, including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited consolidated financial statements.

In our opinion, the annual report of Topdanmark A/S for the financial year 1 January - 31 December 2022 with the file name 549300PP3ULLFOSQRK46-2022-12-31-en is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 23 February 2023

### KPMG

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98

**Anja Bjørnholt Lüthcke**  
**State Authorised**  
**Public Accountant**  
**mne26779**

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**Topdanmark** 