

TOPDANMARK INTERIM REPORT FOR Q1 2020

24 April 2020 Announcement No. 07/2020

Key features

Q1 2020

- Post-tax profit of DKK 193m (loss) (Q1 2019: DKK 439m)
- EPS was DKK 2.2 (loss) (Q1 2019: DKK 5.1)
- Combined ratio: 89.8 (Q1 2019: 80.1)
- Combined ratio excluding run-off: 91.9 (Q1 2019: 87.3)
- Premiums increased 2.4% in non-life insurance and 10.5% in life insurance
- Profit on life insurance was DKK 49m (loss) (Q1 2019: DKK 111m)
- After return and revaluation of non-life insurance provisions, the investment return was a loss of DKK 432m (Q1 2019: DKK 18m).

Model profit forecast for 2020

- Due to the COVID-19 situation, on 23 March, Topdanmark suspended the profit forecast for 2020 until the market situation is again sufficiently stable to assess the impact of this unusual situation
- The situation is still subject to a great deal of uncertainty as Topdanmark's business is influenced by actions taken by third parties like the Danish government
- Given the considerable higher level of uncertainty, the assumed combined ratio is about 90 excluding run-off in Q2-Q4 2020 according to Topdanmark's profit forecast model. This is unchanged compared with the assumed combined ratio for 2020 as announced in 2019
- The slowdown in the Danish GDP in 2020 due to COVID-19 will reduce the assumed premium growth for 2020. Topdanmark now assumes premium growth in non-life of 0-2.9% in 2020 compared with the guidance in 2019 of about 2.9%
- The model post-tax profit forecast for 2020 amounts to DKK 450-650m, excluding run-off in Q2-Q4 2020. The model profit forecast for 2020 in 2019 was DKK 950-1,050m excluding run-off in 2020.

Postponement of half of the dividend for 2019

- As a consequence of the COVID-19 situation, only DKK 8.5 of the previously announced dividend of DKK 17 per share was paid out in connection with the AGM on 2 April 2020. When the situation is back to normal, the Board of Directors has the option to distribute partly or in full the remaining DKK 8.5 of the previously announced dividend of DKK 17 per share as extraordinary dividend. If so, this extraordinary dividend will be paid out later in 2020 or after the ordinary general meeting in 2021.

Other events

- Topdanmark has announced an ambition of being CO2 neutral in 2030.

Webcast

In a [webcast](#), Group Communications and IR Director, Steffen Heegaard, will present the financial highlights and comment on the forecast.

Conference call

A conference call will be held today at 15:30 (CET) where Peter Hermann, CEO and Lars Thykier, CFO will be available for questions based on the interim report and the webcast. The call will be conducted in English.

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

DK dial-in-number: +45 78 15 01 08

SE dial-in-number: +46 851 999 383

UK dial-in-number: +44 333 300 9274

US dial-in-number: +1 833 249 8403

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

Please direct any queries to:

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Contents

Management's review

- 1 Key features
- 3 Financial highlights
- 4 Impact of the COVID-19 situation
- 4 Results for Q1 2020
- 5 Non-life insurance
- 8 Life insurance
- 8 Investment activities
- 10 Solvency calculation and capital requirements
- 10 Parent company etc.
- 10 Taxation
- 10 Profit forecast model
- 12 Dividend
- 12 Ambition of becoming CO2 neutral in 2030
- 12 Financial calendar
- 12 Disclaimer
- 13 Accounting policies

Financial statements for Q1 2020 – Group

- 14 Income statement
- 15 Statement of comprehensive income
- 16 Assets
- 17 Shareholders' equity and liability
- 18 Cash flow statement
- 19 Statement of changes in equity
- 20 Segment information
- 21 Notes to the financial statements

Financial statements for Q1 2020 – Parent company

- 23 Income statement
- 23 Statement of comprehensive income
- 23 Balance sheet

24 Statement by Management

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Financial highlights

(DKKm)	Full year 2019	Q1 2019	Q1 2020
Premiums earned:			
Non-life insurance	9,397	2,333	2,390
Life insurance	11,106	2,797	3,090
	20,502	5,130	5,480
Results:			
Non-life insurance	1,601	445	(201)
Life insurance	327	111	(49)
Parent company etc.	60	8	8
Pre-tax profit	1,987	564	(242)
Tax	(441)	(125)	49
Profit	1,547	439	(193)
Run-off profits, net of reinsurance	433	168	50
Shareholders' equity of parent company			
at 1 January	6,322	6,322	6,703
Profit	1,547	439	(193)
Dividend paid	(1,350)	0	0
Dividend own shares	50	0	0
Share-based payments	148	66	36
Other movements in shareholders' equity	(14)	0	0
Shareholders' equity of parent company end of period	6,703	6,827	6,547
Deferred tax on security funds	(306)	(306)	(306)
Shareholders' equity of Group end of period	6,397	6,521	6,241
Total assets, parent company	7,274	7,402	7,235
Total assets, Group	98,442	91,735	93,704
Provisions for insurance and investment contracts:			
Non-life insurance	16,175	18,191	17,850
Life insurance	70,603	61,674	64,424
Financial ratios (parent company)			
Post-tax profit as a % of shareholders' equity	24.8	6.7	(2.9)
Post-tax EPS (DKK)	17.8	5.1	(2.2)
Post-tax EPS, diluted (DKK)	17.7	5.1	(2.2)
Dividend per share issued, proposed (DKK)	17.0	-	-
Net asset value per share, diluted (DKK)	76.7	78.4	75.1
Listed share price end of period	328.4	332.4	274.0
Number of shares end of period ('000)	87,067	86,683	87,187
Average number of shares ('000)	86,824	86,558	87,127
Average number of shares, diluted ('000)	87,229	86,954	87,127
Ratios non-life insurance			
Gross loss ratio	65.1	61.2	70.8
Net reinsurance ratio	2.5	1.8	1.7
Claims trend	67.6	63.0	72.5
Gross expense ratio	16.0	17.1	17.2
Combined ratio	83.7	80.1	89.8
Combined ratio excl. run-off profits	88.3	87.3	91.9

Impact of the COVID-19 situation

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 (a solvency cover of 205 in Q1 2020).

Basically, the development of Topdanmark's business depends on growth in society, and, naturally, there will be a slowdown due to the current lower activity in Denmark. Some product lines will be affected by lower profitability as well, but the major part of Topdanmark's business is only expected to be impacted to a small degree. Among the product lines that are affected are travel insurance and income protection insurance. However, the additional losses from these product lines will to some extent be outbalanced by higher profitability in product lines that benefit from the situation e.g. motor, accident and contents insurance. In the long term and harder to estimate, the higher unemployment rate will probably have a negative impact on workers' compensation and illness and accident, because it will be more difficult for the injured to return to work. Health insurance will probably be affected by more customers demanding private hospital treatment due to lack of capacity in the public sector.

On balance, the outbreak of COVID-19 is not expected to have a substantial impact on Topdanmark's underwriting result for 2020, cf. "profit forecast model" on page 11.

However, the negative financial markets in connection with the COVID-19 situation have had a substantial negative impact on Topdanmark's investment return and the result of life insurance, cf. page 11.

All in all, Topdanmark's post-tax profit according to the model profit forecast for 2020 is DKK 450m lower compared with the previous profit forecast for 2020 in the Annual Report 2019.

Topdanmark has very flexible staff, and it took less than a week from the exercise was started until Topdanmark was successfully transformed into an almost fully virtual organisation. More than 2,200 of Topdanmark's 2,300 employees are working remotely now. Nonetheless, all customer inquiries have been answered with low response times, digitally or personally by telephone or via Skype. All vital business projects have kept momentum.

Topdanmark's online claims handling platform has been increasingly used by customers during COVID-19. For example, the overall share of digital claims handling increased from 64% in 2019 to 70% in April 2020, and to 74% within travel insurance. Also the use of chatbot services tripled when the amount of customer inquiries within travel insurance peaked.

Companies with strong business models are usually the winners in circumstances like the COVID-19 situation. Topdanmark has been well prepared for this abrupt change in the business environment. Thus Topdanmark will be well positioned as the Danish society gradually opens again.

Results for Q1 2020

Topdanmark's post-tax profit for Q1 2020 was DKK 193m (loss) (Q1 2019: DKK 439m).

Pre-tax profit was DKK 242m (loss) (Q1 2019: DKK 564m).

The technical result decreased by DKK 221m to DKK 244m. The decrease is caused by lower run-off (DKK 118m), COVID-19 related issues (DKK 14m) and by a higher level of weather-related claims (DKK 52m) and more rain claims (DKK 20m).

The investment return adjusted for return and revaluation on non-life insurance provisions decreased by DKK 425m to DKK 445m (loss). The investment return was impacted by the negative equity and CLO markets due to COVID-19 (DKK 311m (loss)). Furthermore, the turmoil in the Danish mortgage market resulted in substantial spread widening during Q1 2020 impacting the portfolio of Danish mortgage bonds which is used for hedging the provisions.

The profit on life insurance decreased by DKK 160m to DKK 49m (loss) due to a negative investment return of DKK 71m.

Trend in profit (DKKm)	Full year 2019	Q1 2019	Q1 2020
Non-life insurance			
- Technical result	1,534	465	244
- Investment return after return and revaluations of non-life insurance provisions etc.	66	(20)	(445)
Profit on non-life insurance	1,601	445	(201)
Life insurance	327	111	(49)
Parent company etc.	60	8	8
Pre-tax profit	1,987	564	(242)
Tax	(441)	(125)	49
Profit	1,547	439	(193)

Non-life insurance Premiums earned

Premiums earned increased by 2.4% to DKK 2,390m.

The private segment accounted for a 1.5% increase, and the SME segment accounted for a 3.6% increase. In both segments Topdanmark continues to have a net inflow of customers in the Topdanmark brand.

In the private segment, premiums were negatively impacted by the termination of the distribution agreement with Danske Bank at the end of H1 2019. However, the new distribution agreement with Nordea starting 1 January 2020 has been off to a good start.

Topdanmark continues to assume that the change in distribution partners will have a negative impact of approx. 0.5pp on Topdanmark's total non-life premium growth in 2020.

From 2021, it is expected that the Nordea agreement will compensate fully for the terminated distribution agreement with Danske Bank in terms of premiums.

Claims trend

The claims trend was 72.5 in Q1 2020 up from 63.0 in Q1 2019.

The run-off, net of reinsurance, was DKK 50m (Q1 2019: DKK 168m), representing a 4.9pp negative impact on the claims trend. Run-off was primarily generated in motor third-party liability, illness and accident and in workers' compensation, whereas run-off losses were generated within motor own damage, property, professional liability, and income protection insurance.

In Q1 2020, weather-related claims amounted to DKK 65m (Q1 2019: DKK 13m), representing 2.2pp deterioration of the claims trend. Thereby, the level of weather-related claims was DKK 15m above the normal level of DKK 50m.

Q1 2020 was impacted by a higher level of large-scale claims, primarily fires (claims exceeding DKK 5m by event after refund of reinsurance) increasing from DKK 34m in Q1 2019 to DKK 42m in Q1 2020, representing a 0.3pp deterioration of the claims trend. The large-scale claims were DKK 17m above the normal quarterly level of DKK 25m.

Claims trend	Q1	Q1
	2019	2020
Claims trend	63.0	72.5
Run-off	7.2	2.1
Weather-related claims	(0.6)	(2.7)
Large-scale claims	(1.5)	(1.8)
Other	0.5	1.0
Claims before run-off, weather, large-scale claims and other	68.7	71.1
Rain	0.0	(0.8)
Discounting	0.0	(0.8)
COVID-19	0.0	(0.5)
Underlying claims trend	68.7	69.0

The claims trend adjusted for run-off, weather-related claims, large-scale claims and other positions including change of risk margin deteriorated by 2.5pp to 71.1 in Q1 2020.

Compared with Q1 2019, the adjusted claims trend was negatively impacted by a higher claims trend on travel insurance due to COVID-19 (1.5pp).

COVID-19 also impacted other lines of business negatively such as income protection insurance (0.2pp).

On the other hand, COVID-19 improved the claims trend on motor (0.8pp), contents insurance and accidents (0.4pp) due to a lower level of activity in society.

The claims trend in the private segment was negatively impacted by many smaller water claims on houses owing to a record high level of rain. Claims related to the higher level of rain impacted the claims trend negatively by 0.8pp.

The claims trend was negatively impacted by the lower interest rates. The discounting effect (movements in the yield curve used for discounting the provisions) was 0.8pp compared with Q1 2019.

The underlying claims trend, which is adjusted for the extraordinary rain claims in Q1 2020, discounting and COVID-19 impact, deteriorated 0.3pp to 69.0.

This is due to a higher level of claims on burst water pipes (0.5pp) and fire (0.5pp) in the private segment. Opposite, the claims trend improved in the SME segment (0.7pp).

Expense ratio

The expense ratio is 17.2, up from 17.1 in Q1 2019.

The general trend of wages and salaries and the increase in pay roll tax from 15.0% in 2019 to 15.2% in 2020 impacted the combined ratio by 0.4pp.

Normally, the expense ratio is higher in Q1 than in the subsequent quarters due to higher sales commissions and fewer holidays taken in Q1. In Q1 2020, the expense ratio was further impacted by costs in relation to transforming Topdanmark into a virtual organisation.

Combined ratio

The combined ratio was 89.8 in Q1 2020 (Q1 2019: 80.1). Excluding run-off, the combined ratio was 91.9 (Q1 2019: 87.3).

Financial highlights – Non-life insurance (DKKm)	Full year 2019	Q1 2019	Q1 2020
Gross premiums earned	9,397	2,333	2,390
Claims incurred	(6,121)	(1,428)	(1,692)
Expenses	(1,507)	(398)	(412)
Net reinsurance	(234)	(42)	(41)
Technical result	1,534	465	244
Investment return after return and revaluations of non-life insurance provisions	64	(22)	(448)
Other items	2	2	3
Profit on non-life insurance	1,601	445	(201)
Run-off profits, net of reinsurance	433	168	50
Gross loss ratio	65.1	61.2	70.8
Net reinsurance ratio	2.5	1.8	1.7
Claims trend	67.6	63.0	72.5
Gross expense ratio	16.0	17.1	17.2
Combined ratio	83.7	80.1	89.8
Combined ratio excl. run-off profits	88.3	87.3	91.9

Segment reporting

Private

The private segment offers policies to individual households in Denmark.

Premiums earned increased by 1.5% to DKK 1,304m. The segment was negatively impacted by the termination of the distribution agreement with Danske Bank at the end of H1 2019. The new distribution agreement with Nordea does not yet fill up the gap from Danske Bank.

The technical result was DKK 170m in Q1 2020, representing a decrease of DKK 70m compared to Q1 2019.

The claims trend deteriorated 5.9pp to 71.0. Adjusted for run-off, the claims trend deteriorated 4.6pp.

Compared with Q1 2019, the claims trend was negatively impacted by weather-related claims and many small water claims on houses owing to a record-high level of rain. The COVID-19 outbreak especially impacted claims on travel insurance and income protection insurance

where the provisions have been increased. Furthermore, the adjusted claims trend was impacted by the lower level of interest rates, by burst water pipes and by a higher level of fire claims.

On the other hand, the result was favourably impacted by an improved claims trend for motor, contents insurance and accidents primarily due to the lower level of activity in society.

Run-off of DKK 66m was DKK 15m lower than in Q1 2019 corresponding to a negative impact on the claims trend of 1.2pp.

The expense ratio improved to 16.0 from 16.2 in Q1 2019.

The combined ratio was 87.0 in Q1 2020 (Q1 2019: 81.3).

Excluding run-off, the combined ratio was 92.0 (Q1 2019: 87.6).

Private (DKK m)	Full year 2019	Q1 2019	Q1 2020
Gross premiums earned	5,114	1,284	1,304
Claims incurred	(3,555)	(800)	(914)
Expenses	(802)	(208)	(209)
Net reinsurance	(70)	(37)	(12)
Technical result	686	240	170
Run-off profits, net of reinsurance	221	81	66
Gross loss ratio	69.5	62.3	70.1
Net reinsurance ratio	1.4	2.9	0.9
Claims trend	70.9	65.1	71.0
Gross expense ratio	15.7	16.2	16.0
Combined ratio	86.6	81.3	87.0
Combined ratio excl. run-off profits	90.9	87.6	92.0

SME

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

Premiums earned increased by 3.6% to DKK 1,091m. Topdanmark continues to have positive momentum in sales to small and medium-sized businesses (SMEs) and agricultural businesses.

The technical result decreased by DKK 151m to DKK 74m in Q1 2020. Run-off was negative by DKK 16m in Q1 2020 (Q1 2019: DKK 87m) explaining DKK 103m of the decrease. Run off in Q1 2019 was characterised by an unusual high provision release on workers' compensation.

The claims trend deteriorated by 14.0pp to 74.5. The decline mainly derives from lower run-off on workers' compensation and property (9.4pp) and weather-related claims (3.7pp). Furthermore, the claims trend was impacted by the lower level of interest rates.

Compared with Q1 2019, there was a higher level of large-scale claims (0.7pp), primarily fires. Furthermore, the claims trend in the agricultural segment was at a more normal level compared with an unusual low claims trend in Q1 2019. Nonetheless the total claims trend in Q1 2020 has been better than forecasted.

The general claims trend improved by 1.4pp.

The expense ratio was 18.7 compared with 18.1 in Q1 2019 affected by changes in the sales force.

The combined ratio deteriorated to 93.2 in Q1 2020 (Q1 2019: 78.6). It should be mentioned that the result in Q1 2019 was exceptionally good.

Excluding run-off, the combined ratio was 91.7 in Q1 2020 (Q1 2019: 86.9).

SME (DKK m)	Full year 2019	Q1 2019	Q1 2020
Gross premiums earned	4,302	1,053	1,091
Claims incurred	(2,583)	(632)	(783)
Expenses	(707)	(190)	(204)
Net reinsurance	(164)	(5)	(30)
Technical result	848	225	74
Run-off profits, net of reinsurance	212	87	(16)
Gross loss ratio	60.0	60.1	71.8
Net reinsurance ratio	3.8	0.5	2.7
Claims trend	63.8	60.5	74.5
Gross expense ratio	16.4	18.1	18.7
Combined ratio	80.3	78.6	93.2
Combined ratio excl. run-off profits	85.2	86.9	91.7

Life insurance

The result from life insurance was a loss of DKK 49m (Q1 2019: DKK 111m).

Profit on life insurance activities comprises the profit on life insurance plus the investment return of Topdanmark Liv Holding. These profits are calculated in accordance with the stated policy for the calculation of profit for the life insurance company: see www.topdanmark.com → About Topdanmark → Business → Life insurance → [Policy for the calculation of profit in life insurance.](#)

Result of life insurance (DKKm)	Full year 2019	Q1 2019	Q1 2020
Investment return on shareholders' equity	186	56	(71)
Sales and administration	(22)	1	(19)
Insurance risk	23	19	3
Risk return on shareholders' equity	141	36	37
Profit on life insurance	327	111	(49)

Developments in Q1 2020

Compared with Q1 2019, the loss in Q1 2020 for life insurance primarily derives from investment return on shareholders' equity. The investment return on shareholders' equity was DKK 71m (loss) in Q1 2020 (Q1 2019: DKK 56m) and was impacted by the situation on the financial markets due to COVID-19.

The result of sales and administration decreased by DKK 20m to DKK 19m (loss) derived from costs connected to the implementation of the new life administration system launched in April 2019. The insurance risk result has decreased by DKK 16m to DKK 3m. The insurance risk result may fluctuate from one quarter to the next.

Trend in premiums

Gross premiums increased by 10.5% to DKK 3,090m in Q1 2020, of which premiums on unit-linked pension schemes were DKK 2,838m, representing an 18.9% increase compared with Q1 2019.

Regular premiums increased by 3.6% to DKK 883m in Q1 2020. Single premiums were DKK 2,207m in Q1 2020, representing a 13.5% increase compared with Q1 2019.

Investment activities Topdanmark Group excl. life insurance

The investment return of the Topdanmark Group excluding life insurance was a loss of DKK 478m in Q1 2020 (Q1 2019: DKK 435m). Return and revaluation of non-life insurance provisions were DKK 46m in Q1 2020 (Q1 2019: loss of DKK 418m).

The return on investment after return and revaluation of non-life insurance provisions was a loss of DKK 432m and thus DKK 485m lower than the assumed return for the quarter, when calculated using Topdanmark's forecast model at the beginning of 2020. The lower return should be seen in the light of the ongoing corona virus pandemic which not only has caused severe setbacks in the global equity markets but has also induced stress in the Danish mortgage bond market.

In Q1 2020, losses on Danish and foreign equities were DKK 223m and thus the primary loss driver. CLOs suffered from the sharp shift in uncertainty on credit markets and together with the Danish mortgage bond portfolio were the other loss contributor.

The Danish mortgage bond market is dominated by AAA bonds where spreads to swaps in March widened much faster and further than during the financial crisis a decade ago. Despite some easing of tensions up to the end of the quarter and a significant rise in the Danish VA, the losses from the assets hedging the interest sensitivity of the provisions, dominated their revaluations by a wide margin. By the end of Q1, the expected return of the mortgage bond portfolio has improved significantly.

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

The investment return in Q1 2020 on the most significant classes of assets is shown in the table below:

Investment return	Portfolio 31 March							
	2019		2020		Return Q1 2019		Return Q1 2020	
	(DKKbn)		(DKKbn)		(DKKm)	%	(DKKm)	%
Danish equities	0.3	0.2	26	11.3	(49)	(17.2)		
Foreign equities	0.7	0.6	81	13.4	(174)	(22.3)		
Unlisted equities and hedge funds	0.3	0.4	0	0.1	6	1.8		
Government and mortgage bonds	18.4	17.8	265	1.6	(190)	(1.1)		
Credit bonds	0.0	0.0	2	4.7	0	0.0		
Index linked bonds	0.3	0.3	8	3.1	2	0.6		
CLOs	0.6	0.5	3	0.5	(94)	(16.3)		
Properties	1.2	1.3	38	3.2	12	1.0		
Money markets etc.	1.5	1.6	3	0.1	(1)	(0.1)		
Subordinated loan capital	(1.7)	(1.7)	(12)	(0.7)	(11)	(0.6)		
	21.5	20.9	415	2.1	(499)	(2.4)		
Asset management			20		21			
Investment return			435		(478)			
Return and revaluations of non-life insurance provisions			(418)		46			
Investment return after return on non-life insurance provisions			18		(432)			

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

The equity exposure was DKK 897m pre-tax excluding associated companies but including the impact of derivatives. The equity portfolios are well diversified with no large individual positions.

The composition of the portfolios is based on OMXCCAP for Danish equities, representing approx. 28% of the portfolio as at 31 March 2020, and the foreign portfolios are based on MSCI World DC in the original currency for foreign equities.

The class "Unlisted equities and hedge funds" includes private equity positions (DKK 47m) and positions in hedge funds where the investment mandates aim at positioning in the credit market (DKK 222m).

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

The class of "Government and mortgage bonds" comprises primarily Danish government and mortgage bonds. The interest rate sensitivity of this asset class is to a significant extent equivalent to the total interest rate sensitivity of the technical provisions in Topdanmark Forsikring, and the illness and accident provisions in Topdanmark Livsforsikring (the life insurance company). Consequently, the return on "Government and mortgage bonds" should be assessed in connection with return and revaluation of non-life insurance provisions. However, as mentioned above, the balance in interest sensitivity does not ensure a good match between assets and liabilities in turbulent times when asset prices are impacted by product specific dislocations.

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

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

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

The property portfolio mainly comprises owner-occupied property (DKK 836m). The properties are valued in accordance with the rules of the Danish FSA (Danish Financial Supervisory Authority) i.e. at market value taking into account the level of rent and the terms of the tenancy agreements. 98% of the property portfolio is currently let when adjusting for properties under construction or being converted for other purposes.

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

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

Topdanmark uses the Solvency II discount curve with volatility adjustment (VA) for assessing insurance provisions. The VA component comprises a corrective element for the development in pricing of Danish mortgage bonds, as well as a corrective element for the development in pricing of European business credits. The

VA component was 19bp at the beginning of the year and 57bp by the end of Q1 2020.

Solvency calculation and capital requirements

Solvency II gives the companies the opportunity to fully or partially develop their own internal risk model for solvency calculation. Topdanmark uses 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 Topdanmark's solvency calculations.

Own funds

Principal elements of own funds:

Shareholders' equity

- Proposed dividend

+ Deferred tax on security funds

+ Profit margin

- Intangible assets

+ Tax effect

+ Usable share, subordinated loan tier 1

(max. 20% of tier 1-capital)

+ Usable share, subordinated notes (max. 50% of SCR)

Own funds

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

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

- DKK 500m, call as at 11 December 2020, expiry in 2025
- DKK 850m, call as at 11 June 2021, expiry in 2026.

Solvency cover (DKKm)	2017	2018	2019	Q1 2019	Q1 2020
Own funds	6,370	6,509	6,660	7,020	7,188
Solvency requirement	3,116	3,322	3,773	4,034	3,512
Solvency cover (%)	204	196	177	174	205

If circumstances allow, the Board of Directors has the option to payout an extraordinary dividend of up to DKK 8.5 later in the year or in connection with the Annual General Meeting in 2021. This dividend has not been deducted from the own funds.

Parent company, etc.

The parent company, Topdanmark, does not perform any independent activities. The profit of the parent company etc. includes the profits of subsidiaries not within the insurance business (primarily Topdanmark Asset Management), financial costs and other expenses.

The profit of the parent company was unchanged with DKK 8m in Q1 2020.

Taxation

Due to the negative pre-tax profit of DKK 242m the tax charge in Q1 2020 was positive by DKK 49m.

Profit forecast model

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

Therefore, set out at www.topdanmark.com → 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 model investment return forecast is not based on a specific estimate of the expected investment return for the rest of the year, but solely on a long-term standard assumption regarding the return.

In the Annual Report 2019, it was stated that Topdanmark's post-tax model profit forecast for 2019 was DKK 950-1,050m.

On 23 March 2020, the profit forecast was suspended due to the COVID-19 situation (Announcement No. 05/2020).

In the announcement dated 23 March 2020, it was stated that "given the current volatile situation, Topdanmark has suspended the profit forecast for 2020 until the market situation is again sufficiently stable to assess the impact of this unusual situation. The development in the year to date is expected to have a negative impact on the result for all of 2020. Hence the post-tax result excluding run-offs is likely to be lower than the profit forecast for 2020 which was announced in the Annual Report 2019 (Announcement No. 03/2020). In this, Topdanmark's post-tax profit forecast for 2020 was DKK 950-1,050m, excluding run-off."

Non-life insurance

In the Annual Report 2019, the profit forecast for 2020 was based on an assumed pre-tax profit in non-life insurance of DKK 1,040-1,140m. This model profit forecast was based on the following assumptions:

- Premium growth for 2020 at about the same level as the premium growth in 2019 which was 2.9%
- Weather-related claims of DKK 170m, DKK 50m of them related to Q1 2020
- Combined ratio for 2020 unchanged at about 90, excl. run-off

- A level of interest corresponding to the interest rate curve on 30 December 2019
- An annual 7.0% return on equities and unchanged foreign exchange rates from the level on 30 December 2019.

After the model profit forecast for 2020 was published in the Annual Report for 2019, the following assumptions have changed:

- In Q1 2020, there was run-off of DKK 50m, corresponding to a 0.5pp improvement of the combined ratio
- Weather-related claims were DKK 65m in Q1 2020, which is DKK 15m higher than assumed, corresponding to a 0.2pp deterioration of the combined ratio for 2020
- The extent of large-scale claims was DKK 42m in Q1 2020 which is DKK 17m higher than assumed, corresponding to a 0.2pp deterioration of the combined ratio
- Due to COVID-19, the combined ratio will be negatively impacted by an increased claims trend on travel insurance. But also, health insurance, insurance against loss of earnings capacity, income protection insurance, and workers' compensation will be negatively impacted by COVID-19. On the other hand, the combined ratio is expected to be positively impacted by the reduction in social activities which is expected to cause a decreasing claims trend on motor and contents insurance due to lower levels of traffic intensity and burglaries
- The impact of COVID-19 on the combined ratio for 2020 depends on actions taken by third parties like the Danish government. Therefore, the net impact on the combined ratio for Topdanmark is subject to great uncertainty but together is assumed to be negative by 0.5-1.0pp
- Changes in interest rates (the discount curve) have had a negligible impact on the guidance for 2020 in the Annual Report for 2019
- The general claims trend in the SME segment, excluding the events mentioned above, performed better than assumed in Q1 2020 and represented an improvement of approx. 0.3pp
- From 30 December 2019 until 31 March 2020, the pre-tax investment return was DKK 485m lower than assumed.

The assumed combined ratio for 2020 is unchanged about 90, excluding run-off in Q2-Q4 2020.

COVID-19 will also have a negative impact on the premium growth for 2020. The premium income is positively correlated with the development in GDP. Depending on the actions taken by third parties and especially the Danish government, GDP in Denmark is expected to decrease significantly in 2020.

In the Annual Report 2019, the assumed premium growth for 2020 was at about the same level as the premium growth in 2019 which was 2.9%.

Due to COVID-19, the guidance on premium income in 2020 is subject to a great deal of uncertainty. The premium level will depend on the pace of the reopening of society, and the premium can be adjusted retroactively due to e.g. adjustment of earlier reported workforce (workers' compensation), turn over (business interruption insurance), and as a consequence of bankruptcies etc. However, it is assumed that premium growth for 2020 will be between 0% and 2.9% (the latter being the level for premium growth in 2019).

The overall assumed pre-tax result for non-life insurance is DKK 530-750m exclusive of run-off in the remaining three quarters of 2020.

Life insurance

Topdanmark continues to assume an increase in regular premiums of about 0% in 2020. At this time of the year, it is pointless to make assumptions about the level of single premiums.

In the Annual Report for 2019, Topdanmark assumed a pre-tax profit on life insurance of DKK 140-170m in 2020, based on the following assumptions:

- A development in regular premiums of about 0%
- Full recognition as income of risk return for shareholders' equity from all interest rate groups
- No profit from the shadow account.

These assumptions are unchanged, but based on the development in Q1 2020:

- The assumed investment return for 2020 is DKK 100m lower than previously assumed.

Overall, the assumed pre-tax profit on life insurance has thereby deteriorated to DKK 0-50m. The result is very sensitive to fluctuations particularly in the investment return. The risk return and shadow account will not be finally calculated until the preparation of the Annual Report for 2020.

Parent company

The profit forecast model for the parent company plus subsidiaries outside of the insurance group assumes a pre-tax profit of DKK 40-50m.

Taxation

Given a corporation tax rate of 22%, the tax charge is expected to be DKK 120-200m.

Total Group profit

Topdanmark's overall post-tax model profit forecast for 2020 has been adjusted from DKK 950-1,050m to DKK 450-650m, representing an EPS of DKK 6.3. The

assumed profit is exclusive of run-off in the remaining three quarters of 2020.

Due to COVID-19, the forecast is subject to a great deal of uncertainty as Topdanmark's business is influenced by actions taken by third parties, especially the Danish government.

The profit forecast model is based on the assumption of an annual 7.0% return on equities, and unchanged foreign exchange rates from the level of 31 March 2020. Furthermore, it is assumed that the return on interest-bearing assets hedging the discounted provisions is exactly sufficient to cover discounting and revaluation of the provisions, while the return on the remaining interest-bearing assets is assumed to be 1.65% (risk-free interest rate plus 2.0pp).

Profit forecast 2020 (DKKm)	Results		Forecast 2020		Forecast 2020	
	2019		30 December 2019		31 March 2020	
Non-life insurance						
- Technical result	1,534	950	-	1,000	900	-
- Investment return after return and revaluations of non-life insurance provisions etc.	66	90	-	140	(370)	-
Profit on non-life insurance	1,601	1,040	-	1,140	530	-
Life insurance	327	140	-	170	0	-
Parent company etc.	60	40	-	50	40	-
Pre-tax profit	1,987	1,220	-	1,360	570	-
Taxation	(441)	(270)	-	(310)	(120)	-
Profit for the year	1,547	950	-	1,050	450	-

Dividend

As stated on 23 March 2020 (Announcement No. 05/2020), it is Topdanmark's dividend policy that capital not necessary to maintain operations will be distributed to the shareholders, and that accumulation of unnecessary excess capital will be avoided. But at the same time, it is Topdanmark's policy to behave prudently and avoid unnecessary risks.

As a consequence of the volatile situation due to the COVID-19 situation and the lower assumed result for 2020, only half of the previously announced dividend of DKK 8.5 per share was paid out as dividend after the Annual General Meeting on 2 April 2020.

When the situation is back to normal, the Board of Directors has the option of distributing up to the remaining DKK 8.5 of the announced dividend of DKK 17 per share as extraordinary dividend. If so, this would be later in 2020 or at the ordinary general meeting in 2021.

Ambition of becoming CO2 neutral in 2030

Topdanmark wants to support society's efforts in limiting climate change. Topdanmark supports the Paris Agreement and thus support the Danish government's target of a 70% CO2 reduction in 2030. Therefore, Topdanmark has set the ambitious goal of becoming CO2 neutral in 2030. Find more information on Topdanmark's CO2-ambitions in the CSR-report on www.topdanmark.com → Investors → Reports and Presentations → [CSR Reports](#)

Financial calendar

2020 Half-year Report	17 July 2020
Q1-Q3 2020 Interim Report	23 Oct 2020
Announcement of 2020 Annual Results	22 Jan 2021
Deadline for submitting items for AGM agenda	10 Feb 2021
2020 Annual Report	18 Feb 2021
AGM	25 Mar 2021
Q1 2021 Interim Report	26 Apr 2021

Disclaimer

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

Many factors may cause significant deviation from the forecasts and assumptions set out in the interim report. Such factors could be, for example, cyclical movements, changes in the financial markets, the financial effect of unexpected events like acts of terror or exceptional weather conditions, changes in Danish

and EU rules, competitive factors in the insurance industry, and trends in the reinsurance market. See also: www.topdanmark.com → Investor → [Risk management](#).

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

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

Accounting policies

The announcement of the Q1 2020 interim report has been prepared in accordance with IAS 34 on interim reports for listed companies and additional Danish disclosure requirements on interim reports for listed financial services companies.

The results of the parent company have been prepared in accordance with the executive order on financial reports presented by insurance companies and lateral pension funds issued by the Danish FSA.

Topdanmark has implemented those IFRS standards and interpretations taking effect from 2020. None of these will affect recognition or measurement in 2020.

Accounting estimates and judgements

As described under Accounting policies in the Annual Report 2019, management makes a number of estimates and judgements in connection with the financial reporting.

In regard to the interim report and due to the current situation with COVID-19, management has assessed that, in general, the markets for structured credit products (CLOs) could not as at 31 March 2020 be defined as being active in accordance with the definition in IFRS 13. Therefore, according to the applied accounting policies, these assets are transferred from level 2 to level 3. Please see Note 3 in this interim report for further information.

This announcement has not been audited nor subjected to review.

Income statement • Group

(DKK)m	Note	Full year 2019	Q1 2019	Q1 2020
NON-LIFE INSURANCE				
Gross premiums written		9,494	4,342	4,430
Ceded reinsurance premiums		(609)	(376)	(344)
Change in the provisions for unearned premiums		1	(1,935)	(2,017)
Change in profit margin and risk margin		(32)	(59)	(16)
Change in the reinsurers' share of the provisions for unearned premiums		4	216	203
Premiums earned, net of reinsurance		8,858	2,188	2,255
Claims paid		(6,503)	(1,576)	(1,757)
Reinsurance cover received		345	45	58
Change in the provisions for claims		376	139	44
Change in risk margin		18	11	24
Change in the reinsurers' share of the provisions for claims		(53)	53	23
Claims incurred, net of reinsurance	1	(5,817)	(1,327)	(1,608)
Bonuses and rebates		(66)	(15)	(7)
Acquisition costs		(949)	(254)	(261)
Administrative expenses		(534)	(138)	(145)
Reinsurance commission and share of profits		78	20	19
Insurance operating expenses, net of reinsurance		(1,405)	(372)	(387)
TECHNICAL RESULT FROM NON-LIFE INSURANCE		1,571	475	253
LIFE INSURANCE				
Gross premiums written	2	11,106	2,797	3,090
Ceded reinsurance premiums		(1)	(0)	(0)
Premiums, net of reinsurance		11,105	2,797	3,090
Allocated investment return, net of reinsurance		8,357	3,723	(7,777)
Pension return tax		(1,094)	(223)	194
Claims and benefits paid		(4,133)	(1,279)	(1,547)
Reinsurance cover received		4	1	0
Claims and benefits paid, net of reinsurance		(4,129)	(1,279)	(1,547)
Change in the life insurance provisions		(13,759)	(4,876)	6,110
Change in the reinsurers' share		(4)	(2)	(0)
Change in the life insurance provisions, net of reinsurance		(13,763)	(4,878)	6,110
Change in profit margin		(61)	(21)	34
Acquisition costs		(166)	(33)	(47)
Administrative expenses		(319)	(75)	(92)
Insurance operating expenses, net of reinsurance		(485)	(108)	(139)
TECHNICAL RESULT FROM LIFE INSURANCE		(71)	12	(35)

Income statement • Group

(DKKm)	Full year 2019	Q1 2019	Q1 2020
NON-TECHNICAL ACTIVITIES			
Technical result from non-life insurance	1,571	475	253
Technical result from life insurance	(71)	12	(35)
Income from associates	165	18	16
Income from investment properties	135	18	40
Interest income and dividends etc.	2,301	481	542
Revaluations	7,029	3,741	(8,819)
Interest charges	(78)	(19)	(32)
Expenses on investment activities	(53)	(14)	(20)
Total investment return	9,499	4,226	(8,273)
Return and revaluations of non-life insurance provisions	(616)	(418)	46
Investment return transferred to life insurance business	(8,357)	(3,723)	7,777
Other income	19	5	3
Other expenses	(57)	(13)	(12)
PRE-TAX PROFIT	1,987	564	(242)
Taxation	(441)	(125)	49
PROFIT FOR THE PERIOD	1,547	439	(193)
EPS (DKK)	17.8	5.1	(2.2)
EPS, diluted (DKK)	17.7	5.1	(2.2)

Statement of comprehensive income • Group

Profit for the period	1,547	439	(193)
Items which cannot subsequently be reclassified as profit or loss:			
Revaluation / Reversed revaluation on non-occupied properties	(18)	0	0
Taxation	4	0	(0)
Other comprehensive income	(14)	0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,533	439	(192)

Assets • Group

(DKK)m	31 December 2019	31 March 2019	31 March 2020
INTANGIBLE ASSETS	1,291	1,159	1,336
Operating equipment	113	112	112
Owner-occupied properties	834	853	836
TOTAL TANGIBLE ASSETS	948	965	949
Investment properties	4,034	3,672	4,097
Equity investments in associates	1,668	1,538	1,661
Total investments in associates	1,668	1,538	1,661
Equity investments	5,087	5,976	4,376
Unit trusts	6	7	2
Bonds	43,632	40,218	43,125
Loans guaranteed by mortgages	6	6	6
Deposits with credit institutions	2,745	3,177	2,752
Derivatives	198	97	460
Total other financial investment assets	51,675	49,482	50,721
TOTAL INVESTMENT ASSETS	57,376	54,693	56,479
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	36,104	31,885	31,667
Reinsurers' share of the provisions for unearned premiums	95	278	265
Reinsurers' share of the life insurance provisions	12	15	12
Reinsurers' share of the provisions for claims	478	583	500
Total reinsurers' share of provisions	585	876	776
Receivables from policyholders	265	394	461
Receivables from insurance companies	151	94	67
Receivables from associates	286	360	266
Other receivables	225	258	407
TOTAL RECEIVABLES	1,512	1,982	1,976
Current tax assets	0	0	62
Deferred tax assets	25	17	71
Liquid funds	550	327	359
Other	28	77	118
TOTAL OTHER ASSETS	603	421	610
Accrued interest and rent	388	349	373
Other prepayments and accrued income	219	281	314
TOTAL PREPAYMENTS AND ACCRUED INCOME	607	630	687
TOTAL ASSETS	98,442	91,735	93,704

Shareholders' equity and liabilities • Group

(DKK m)	Note	31 December 2019	31 March 2019	31 March 2020
Share capital		90	90	90
Revaluation reserve		0	14	0
Security fund		1,146	1,146	1,146
Other reserves		72	69	75
Total reserves		1,218	1,215	1,221
Profit carried forward		3,559	3,852	4,165
Proposed dividend		1,530	1,350	765
TOTAL SHAREHOLDERS' EQUITY		6,397	6,521	6,241
OTHER SUBORDINATED LOAN CAPITAL		1,747	1,746	1,748
Provisions for unearned premiums		1,849	3,787	3,846
Profit margin, non-life insurance contracts		838	850	864
With-profit products		23,618	23,660	22,695
Unit-linked products		46,656	37,725	41,433
Total life insurance provisions		70,274	61,385	64,129
Profit margin, life insurance and investment contracts		329	289	295
Provisions for claims		13,071	13,142	12,775
Risk margin, non-life insurance contracts		253	269	228
Provisions for bonuses and rebates		163	143	137
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		86,778	79,865	82,275
Pensions and similar commitments		30	27	29
Deferred tax liabilities		71	87	72
Deferred tax on security funds		306	306	306
TOTAL PROVISIONS		407	420	407
DEPOSITS RECEIVED FROM REINSURERS		69	82	70
Debt relating to direct insurance operations		194	100	161
Debt relating to reinsurance operations		26	171	138
Amounts due to credit institutions		155	839	501
Current tax liabilities		27	12	0
Derivatives		679	762	983
Other debt		1,867	1,116	1,053
TOTAL DEBT		2,949	2,999	2,834
ACCRUALS AND DEFERRED INCOME		94	101	129
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		98,442	91,735	93,704
Financial assets and liabilities	3			
Contingent liabilities	4			
Related parties	5			

Cash flow statement • Group

(DKK)m	Full year 2019	Q1 2019	Q1 2020
Cash flow from operations			
Gross premiums	9,410	4,195	4,288
Claims	(6,433)	(1,616)	(1,800)
Expenses	(1,373)	(294)	(314)
Reinsurance ceded	(162)	(71)	(63)
Cash flow from non-life insurance	1,443	2,212	2,111
Gross premiums	10,942	2,609	3,088
Claims and benefits	(4,138)	(1,275)	(1,644)
Pension return tax	(122)	(120)	(833)
Expenses	(457)	(101)	(139)
Reinsurance ceded	32	45	12
Cash flow from life insurance	6,257	1,158	484
Cash flow from insurance activities	7,700	3,371	2,595
Payments on investment contracts	264	258	35
Interest income and dividends etc.	2,347	423	556
Interest charges etc.	(133)	(32)	(49)
Corporation tax	(414)	(91)	(89)
Other items	42	41	(186)
Cash flow from operations	9,805	3,970	2,862
Investments			
Intangible assets, operating equipment	(291)	(74)	(73)
Properties	(467)	(33)	(26)
Dividends from associates	175	158	25
Equity investments	1,412	29	(39)
Unit trusts	7	3	(3)
Bonds	(8,717)	(4,814)	(331)
Loans	(1)	(3)	0
Derivatives	(279)	(106)	(107)
Investment assets related to unit-linked products	(1,765)	(911)	(2,886)
Balances with associates	80	5	20
Investments	(9,846)	(5,747)	(3,422)
Financing			
Dividend paid	(1,300)	0	0
Exercise of share options	88	47	21
Amounts due to credit institutions	(87)	596	346
Financing	(1,299)	644	366
Change in cash and cash equivalents	(1,340)	(1,134)	(194)
Cash and cash equivalents at 1 January	4,634	4,634	3,294
Revaluation of cash and cash equivalents	0	5	11
Cash and cash equivalents end of period	3,294	3,505	3,111
Cash and cash equivalents comprise:			
Liquid funds	550	327	359
Deposits with credit institutions	2,745	3,177	2,752
	3,294	3,505	3,111

The majority of the Group's companies are subject to the relevant legislation on insurance business. Consequently, there are certain restrictions on lending and placement of money.

Statement of changes in equity • Group

(DKKm)

	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Total
2019							
Shareholders' equity at 31 December previous year	90	14	1,146	67	3,349	1,350	6,016
Profit for the year				5	12	1,530	1,547
Other comprehensive income		(14)					(14)
Total comprehensive income for the year		(14)		5	12	1,530	1,533
Dividend paid						(1,350)	(1,350)
Dividend, own shares					50		50
Share-based payments					62		62
Exercise of share options					88		88
Taxation					(1)		(1)
Other transactions					198	(1,350)	(1,152)
Shareholders' equity at 31 December 2019	90	0	1,146	72	3,559	1,530	6,397
Q1 2019							
Shareholders' equity at 31 December previous year	90	14	1,146	67	3,349	1,350	6,016
Profit for the period				1	438		439
Other comprehensive income							0
Total comprehensive income for the period				1	438		439
Share-based payments					19		19
Exercise of share options					47		47
Other transactions					66		66
Shareholders' equity at 31 March 2019	90	14	1,146	69	3,852	1,350	6,521
Q1 2020							
Shareholders' equity at 31 December previous year	90	0	1,146	72	3,559	1,530	6,397
Reduction of proposed dividend previous year					765	(765)	0
Profit for the year				3	(195)		(193)
Other comprehensive income							0
Total comprehensive income for the year				3	(195)		(192)
Share-based payments					20		20
Exercise of share options					21		21
Taxation					(5)		(5)
Other transactions					36		36
Shareholders' equity at 31 March 2020	90	0	1,146	75	4,165	765	6,241

Segment information • Group

Income statement

(DKKm)	Private	SME	Elimin- ated	Non-life	Life	Parent etc.	Elimin- ated	Group
Q1 2019								
Non-life insurance								
Gross premiums earned	1,284	1,053	(5)	2,333				2,333
Claims incurred	(800)	(632)	4	(1,428)			3	(1,425)
Expenses	(208)	(190)	1	(398)			7	(392)
Net reinsurance	(37)	(5)	0	(42)				(42)
Technical result from non-life insurance	240	225	(0)	465			10	475
Life insurance								
Gross premiums written					2,797			2,797
Allocated investment return					3,723			3,723
Pension return tax					(223)			(223)
Benefits and change in provisions					(6,176)			(6,176)
Expenses					(110)		2	(108)
Net reinsurance					(1)			(1)
Technical result from life insurance					11		2	12
Total investment return				417	3,752	18	38	4,226
Pension return tax non-life insurance				(21)	21			0
Return and revaluations of non-life insurance provisions				(418)				(418)
Transferred to technical result					(3,723)			(3,723)
Other items				2	50	(10)	(49)	(7)
Pre-tax profit				445	111	8	0	564
Taxation								(125)
Profit								439
Q1 2020								
Non-life insurance								
Gross premiums earned	1,304	1,091	(5)	2,390				2,390
Claims incurred	(914)	(783)	5	(1,692)			3	(1,689)
Expenses	(209)	(204)	0	(412)			6	(406)
Net reinsurance	(12)	(30)	(0)	(41)				(41)
Technical result from non-life insurance	170	74	(0)	244			9	253
Life insurance								
Gross premiums written					3,090			3,090
Allocated investment return					(7,777)			(7,777)
Pension return tax					194			194
Benefits and change in provisions					4,597			4,597
Expenses					(141)		1	(139)
Technical result from life insurance					(36)		1	(35)
Total investment return				(497)	(7,848)	19	53	(8,273)
Pension return tax non-life insurance				3	(3)			0
Return and revaluations of non-life insurance provisions				46				46
Transferred to technical result					7,777			7,777
Other items				3	61	(10)	(63)	(9)
Pre-tax profit				(201)	(49)	8	0	(242)
Taxation								49
Profit								(193)

Notes to the financial statements • Group

(DKKm)	Full year 2019	Q1 2019	Q1 2020
Note 1. Claims incurred, net of reinsurance - Non-life insurance			
Run-off result:			
Gross business	388	118	36
Reinsurance ceded	45	50	14
Run-off result, net of reinsurance (profit)	433	168	50

Note 2. Gross premiums written - Life insurance

Individual policies	295	65	56
Policies w hich are part of a tenure	2,711	673	716
Group life	269	114	111
Regular premiums	3,275	852	883
Individual policies	2,179	519	1,255
Policies w hich are part of a tenure	5,652	1,426	951
Single premiums	7,831	1,945	2,207
Gross premiums	11,106	2,797	3,090

Note 3. Financial assets and liabilities

Fair value measurement

Fair value is the price w hich w ould be achieved on the sale of an asset or paid for the transfer of a liability in a normal transaction betw een the market players at the time of measurement.

The IFRS defines a hierarchy of three levels for measurement of fair value:

Level 1

The calculation at fair value is based on the listed prices of transactions in active markets. If there is an active market for listed equity investments, bonds, derivatives etc., the measurement is generally based on the closing price end of year.

Level 2

If there is no closing price, another public price is used, w hich is believed to be the most appropriate, in the form of indicative prices from banks/brokers. Assets of this type are, under normal market conditions, for example CLOs and CDOs. Valuation methods or other publicly available information are used to value listed securities, w here the closing price does not reflect the fair value.

Valuation methods are based on publicly available market data. If there is no active market for the financial instrument, depending on the nature of the asset or liability, the calculation is based on underlying parameters such as interest and foreign exchange rates, volatility or comparison w ith the market prices of corresponding instruments.

Level 3

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

Topdanmark continuously surveys the market situation and considers valuation methods. Due to COVID-19 and illiquidity in markets Topdanmark 31 March 2020 has changed classification and transferred CLOs of DKK 7,145m from level 2 to level 3 implying valuation models based on non observable inputs.

Of the CLO portfolio DKK 6.0bn is related to unit-linked products, DKK 0.6bn to w ith-profit contracts, and DKK 0.5bn to non-life.

Collateralised Loan Obligations (CLOs) are actively managed loan portfolios investing in Leveraged Loans. Each CLO contains different investment opportunities, ranging from the most secure AAA rated tranche to unrated Sub-Ordinated Notes (Equity). Topdanmark invests across the debt-stack and have investments w ithin Equity as w ell.

CLO investments are measured based on the present value of expected future cashflow . The cashflow s are estimated by modelling the collateral-pool in each CLO ensuring that the deal is in compliance w ith e.g. collateral quality tests on each payment date.

If such tests is breached; cashflow s for low er rated tranches are diverted to buy additional collateral and/or redeem tranches w ith the highest rating. Cashflow s are to be diverted as long as collateral tests are breached. Low er rated tranches might receive Paid-In-Kind coupons during such periods w hich are to be paid in full before cashflow s to unrated tranches are resumed.

Notes to the financial statements • Group

(DKKm)

Note 3. Financial assets and liabilities - continued

Most significant inputs 31 March 2020:

Discount rate	AAA	1.2%
	A & BBB	2.9%
	BBB and lower	7.0%
Expected recovery		65%
Reinvestment spread		85-99.5%
Constant default rate		10-2%

Sensitivities 31 March 2020:

Reasonably possible changes to most significant inputs:		Effect on market value
Discount rate	+1%	DKK 256m (loss)
Expected recovery	-1%	DKK 70m (loss)
Reinvestment price	-25bps	DKK 133m (loss)
Constant default rate	+0.5%	DKK 278m (loss)

	31 December 2019	31 March 2019	31 March 2020
Financial assets recorded at fair value based on non-observable input (level 3):			
1 January	469	469	371
Purchases	49	32	21
Transferred from level 2	0	0	7,145
Repayments	(150)	(24)	(90)
Foreign exchange adjustment	3	3	3
	371	480	7,450

Besides CLOs added to level 3 in Q1, the portfolio consists of construction financing of property projects (DKK 140m) and Vindmøllepark (wind farm) guaranteed by EKF (DKK 39m) and bonds (DKK 126m), for which current return depends on payment on life annuity contracts. The fair value of these positions are generally equivalent to the cost price in the transaction currency. No significant sensitivities are attached to these assets.

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

The accounting policies for financial assets and liabilities are stated in the latest Annual Report.

Note 4. Contingent liabilities

Contract liabilities	0	392	0
Adjustments to VAT liabilities	136	93	124
Other liabilities	4	5	3
Capital commitments made to loan funds and private equity funds etc.	398	537	383

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 from interest, royalties and dividend for companies concerned.

In connection with implementation of a new customer and core system, Topdanmark Forsikring A/S has undertaken to give support towards specific suppliers to fulfill Topdanmark EDB IV ApS' obligations in accordance with the contracts.

Note 5. Related parties

In 2019, Q2, Topdanmark A/S paid dividend of DKK 630m to Sampo plc. and received dividend of DKK 1,300m from Topdanmark Forsikring A/S.

There have been no other material transactions with related parties except from ordinary commercial trade between the companies in the Topdanmark Group.

Income statement • Parent company

(DKK)m	Full year 2019	Q1 2019	Q1 2020
Income from affiliates	1,587	449	(183)
Interest charges	(10)	(3)	(3)
Total investment return	1,577	446	(185)
Other expenses	(41)	(10)	(10)
PRE-TAX PROFIT	1,536	436	(195)
Taxation	11	3	3
PROFIT FOR THE PERIOD	1,547	439	(193)

Statement of comprehensive income • Parent company

Profit for the period	1,547	439	(193)
Other comprehensive income from affiliates	(14)	0	0
Other comprehensive income	(14)	0	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,533	439	(192)

Balance sheet • Parent company

(DKK)m	31 December 2019	31 March 2019	31 March 2020
Assets			
Operating equipment	3	3	3
TOTAL TANGIBLE ASSETS	3	3	3
Equity investments in affiliates	6,431	6,650	6,259
Total investment in affiliates	6,431	6,650	6,259
TOTAL INVESTMENT ASSETS	6,431	6,650	6,259
Receivables from affiliates	836	745	906
Other receivables	0	3	1
TOTAL RECEIVABLES	836	747	907
Current tax assets	0	0	62
Deferred tax assets	0	0	3
Liquid funds	3	3	1
TOTAL OTHER ASSETS	3	3	66
TOTAL ASSETS	7,274	7,402	7,235
Shareholders' equity and liabilities			
Share capital	90	90	90
Other reserves	2,682	2,901	2,510
Total reserves	2,682	2,901	2,510
Profit carried forward	2,401	2,487	3,182
Proposed dividend	1,530	1,350	765
TOTAL SHAREHOLDERS' EQUITY	6,703	6,827	6,547
OTHER SUBORDINATED LOAN CAPITAL	398	398	399
Amounts due to affiliates	139	161	283
Current tax liabilities	27	11	0
Other debt	7	6	7
TOTAL DEBT	172	177	289
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	7,274	7,402	7,235

Statement by Management

The Board of Directors and the Executive Board have today considered and adopted the interim report for Q1 2020 for Topdanmark A/S.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU, and the interim financial statements for the parent company are presented in accordance with the Danish Financial Business Act. Further, the interim report is presented in accordance with additional Danish disclosure requirements on interim reports for listed financial services companies.

In our opinion, the consolidated financial statements and the interim financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position as at 31 March 2020 as well as the result of the Group's and the parent company's activities and the Group's cash flows for the financial period from 1 January to 31 March 2020.

We believe that the management review contains a fair view of the development in the Group's and parent company's activities and financial position, together with a description of the most material risks and uncertainties by which the Group and the parent company can be affected.

Ballerup, 24 April 2020

Executive Board:

Peter Hermann
(CEO)

Thomas Erichsen

Brian Rothemejer Jacobsen

Lars Thykier

Board of Directors:

Ricard Wennerklint
(Chairman)

Jens Aaløse
(Deputy Chairman)

Elise Bundgaard

Anne Louise Eberhard

Mette Jensen

Cristina Lage

Ole Lomholt Mortensen

Petri Niemisvirta

Morten Thorsrud