
Topdanmark Forsikring A/S

Annual Report 2023

CVR-nr. 78416114
Borupvang 4
2750 Ballerup

Contents

Management's review

- 3 Management's review
- 8 The duties of the Executive Board
- 9 The duties of the Board of Directors

Annual financial statements

- 10 Five-year summary
- 11 Income statement
- 11 Statement of comprehensive income
- 12 Assets
- 13 Shareholders' equity and liabilities
- 14 Statement of changes in equity
- 15 Notes to the financial statements

44 Statement by Management on the Annual Report

45 Independent auditor's report

Topdanmark Forsikring A/S
Borupvang 4
2750 Ballerup
Telefon 44 68 33 11
Telefax 44 68 26 68

E-mail: topdanmark@topdanmark.dk
Internet: www.topdanmark.com

Results for 2023

Topdanmark Forsikring's post-tax profit for 2023 was DKK 1,085m (2022: DKK 2,217m). 2022 included the result from the sale of Topdanmark Liv Holding of DKK 957m.

The result is lower than expected in the Annual Report 2022, impacted by a high frequency of weather-related events including storms, cloudbursts, heavy rainfall, and a hail event in Northern Italy. In fact, 2023 became the wettest year in Denmark, and thus weather-related claims exceeded budget by a clear margin. For context, weather-related claims have not exceeded budgeted levels since 2015. Underlying, claims frequencies in 2023 were higher due to a normalisation after COVID-19, and higher motor claims frequencies in general as well as stochastic claims especially in Q2 and Q4 2023. Offsetting this, we delivered continued progress on our efforts to become more efficient, including pricing initiatives.

Excluding the gain from the sale of Topdanmark Liv Holding the net investment result increased by DKK 441m to DKK 259m. 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. 2023 was impacted by rising equity markets, and a higher running yield on short-term liquidity.

Financial highlights		
(DKKm)		
(2022 restated)		
	2023	2022
Gross premiums earned	10,221	9,886
Claims incurred	-6,986	-6,214
Expenses	-1,761	-1,630
Net reinsurance	-243	-278
Technical result	1,231	1,765
Investment return after return and value adjustments of non-life provisions	259	775
Other items	-47	-33
Profit before tax	1,443	2,507
Taxation	-358	-290
Profit for the year	1,085	2,217
Run-off profits, net of reinsurance	-84	152
Gross claims ratio	68.4	62.9
Net reinsurance ratio	2.4	2.8
Claims ratio, net of reinsurance	70.7	65.7
Gross expense ratio	17.2	16.5
Combined ratio	88.0	82.1
Combined ratio excl. run-off	87.1	83.7

The Board of Directors proposes a dividend of DKK 1,000m will be distributed for 2023.

Premiums earned

Premiums earned increased by 3.4% to DKK 10,221m. Growth was slightly lower than last year, but this was as expected and primarily caused by lower indexation on workers' compensation, and the loss of a distribution

agreement for credit card-based travel insurance. In addition, competition remains at a high level in Denmark.

Claims ratio

The gross claims ratio rose to 68.4 from 62.9 in 2022. The claims ratio, net of reinsurance, rose to 70.7 from 65.7 in 2022.

The run-off result, net of reinsurance, was a loss of DKK 84m (2022: a gain of 152m).

Weather-related claims amounted to DKK 517m (2022: DKK 276m), representing a 2.4pp deterioration of the claims ratio. Thus, the level of weather-related claims was DKK 217m above the normalised modelled level of DKK 300m. This was a result of a very eventful year with multiple storms and cloudbursts, severe rainfall throughout the year and a hail event in Northern Italy during the summer. By comparison, frequencies were materially lower in 2022 when adjusting for the two storms Malik and Nora in Q1 2022. For context, please note that 2023 was the first year since 2015 to experience weather-related claims above the normalised level. Furthermore, the specific nature of the weather-related claims experienced in 2023 implied that, despite total claims significantly exceeding the normalised level, only a very small proportion was reclaimable through our reinsurance programme.

Large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) amounted to DKK 179m, significantly higher than the level in 2022 (DKK 96m) and the normalised modelled level of DKK 100m. 2023 saw a high frequency of large fire-related claims as well as a single claim related to hail.

The claims ratio was positively impacted by the higher interest rates despite the sharp decline in interest rates experienced in Q4 2023. The discounting effect was 0.7pp higher compared with 2022.

As expected, 2023 saw, a higher claims frequency within motor after several years with pandemic and post-pandemic frequency reductions. Frequencies in 2023 were further fuelled by snow-related claims in both March and December, and such claims are not included in our weather-related claims. Combined ratio on the motor product amounted to approx. 87 in 2023. In addition, especially Q2 and Q4 saw higher frequencies within private house insurance (fires) and agriculture (fires and drought). In comparison, 2022 was impacted by lower claims frequencies due to COVID-19 lockdowns at the start of the year, while frequencies normalised during the year. In addition, inflated energy and petrol prices caused lower mobility in society especially in Q2-Q3 2022. Partly offsetting these negative effects, our efforts to become

more efficient and pricing initiatives continue to yield positive results.

Expense ratio

The expense ratio was 17.2, up from 16.5 in 2022. The increase in the expense ratio was largely as expected and caused by dissynergies related to the sale of Topdanmark Liv Holding A/S.

Combined ratio

The combined ratio was 88.0 (2022: 82.1). Exclusive run-off, combined ratio was 87.1 (2022 83,7)

Investment activities

In 2023, the net investment result amounted to DKK 259m (2022: DKK 775m).

The net investment result was supported by positive contributions from equities. The equity return is primarily driven by the US market and to a lesser extent Europe and Denmark.

The investment result 2022 was significantly affected by a gain from sale of Topdanmark Liv Holding A/S of DKK 957m.

The “free” portfolio, which consists of the remaining assets after matching liabilities, contributed positively to the overall investment return.

The portfolio is exposed to different markets, sectors, and specific companies through equity ETFs.

Profit from affiliates mostly relates to the result from our domicile properties. In 2022 the result was affected by the mentioned gain from the sale of Topdanmark Liv Holding A/S.

The overall asset allocation was approximately unchanged. We terminated the remaining CLO exposure, and the asset class has now been removed from our overall asset allocation. The CLO portfolio delivered a positive result in 2023.

“Expenses, money markets, etc.” contributed positively primarily through running yields on deposits and money market operations.

The investment return in 2023 on the most significant asset classes is shown in the table below:

Investment return (2022 restated)	Portfolio 31 Dec		Return 2023		Return 2022	
	2023	2022	(DKKm)	%	(DKKm)	%
	(DKKbn)					
Danish equities	0.1	0.2	15	12.6	-25	-12.2
Foreign equities	0.5	0.6	111	24.7	-168	-19.9
Unlisted equities and hedge funds	0.2	0.3	11	5.6	14	3.9
Government and mortgage bonds	12.7	12.8	678	4.1	-1,069	-8.9
Credit bonds	0.3	0.2	28	11.2	-1	0.0
Index linked bonds	0.7	0.7	20	3.1	14	2.6
CLOs	0.0	0.2	16	15.8	-115	-14.1
Affiliates	1.1	1.1	29	2.6	1,043	40.6
Expenses, money markets etc.	2.7	3.5	28	0.7	11	0.3
Subordinated loan capital	-1.1	-1.1	-65	-5.9	-25	-1.7
Investment return	17.2	18.5	872	3.9	-320	-1.7
Return and value adjustments of non-life insurance provisions			-613		1,095	
Investment return after return on non-life insurance provisions			259		775	

Profit forecast model

Traditionally, Topdanmark Forsikring 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 Forsikring'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 investment return forecast model is not based on a specific estimate of the expected investment return for the rest of the year, but solely on a long-term standard assumption regarding the return.

Topdanmark Forsikring's overall post-tax profit according to the profit forecast model for 2024 is DKK 1,100-1,350m. The assumed profit is inclusive of run-off.

Risk management

Topdanmark Forsikring'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.

Topdanmark Forsikring'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 Forsikring has identified and reduced or eliminated the risks which could potentially cause losses exceeding what Topdanmark Forsikring considers to be acceptable. 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 Forsikring's risk management system, which supports Topdanmark Forsikring identifying, measuring, managing, monitoring and reporting risks that Topdanmark Forsikring 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 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, processed and approved at a board meeting in the autumn of 2023. After the authorities' approval of the acquisition of Oona Health A/S, the risk management function has performed an extraordinary ORSA. The board has processed and

approved the extraordinary ORSA at the board meeting in February 2024.

Topdanmark Forsikring's risk management function identifies, measures, manages, monitors and reports risks. It reports to the Risk Committee, which provides assessment and counselling on the risk policies, risk limits, solvency calculation, capital plans, Topdanmark's ORSA, and Topdanmark Forsikring's partial, internal model for insurance risks. The members of the Risk Committee comprise the Group CFO, the head of the compliance function, the head of investment risk and solvency, 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 provides suggestions and recommendations to the Board of Directors via the Executive Board. The Model Committee refers to the Risk Committee. The Model Committee is responsible for developing and operating Topdanmark's internal model for calculation of results, probabilities and risks of the 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 Forsikring'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.

Please refer to note 28 "Risk management".

Solvency calculation and capital requirements

Solvency II provides insurance companies with the opportunity to develop their own fully or partially internal risk model for solvency calculations. We use such a partially internal model developed in-house to calculate the insurance risk.

This model, approved by the Danish FSA, provides the basis for including insurance risks in our solvency calculations.

Topdanmark Forsikring A/S 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 22 December 2027. Further, Topdanmark Forsikring A/S has an outstanding subordinated tier 2 note of DKK 700m with maturity in 2031 and first call date in 2026.

The solvency cover increased to 298% from 270% end 2022.

Solvency cover					
(DKKm)	2023	2022	2021	2020	2019
Own funds	4,167	4,153	5,892	5,694	5,707
Solvency requirement	1,397	1,541	2,497	2,235	2,408
Solvency cover (%)	298	270	236	255	237

Corporate governance

For information on corporate governance, please see the [Statutory Report for Corporate Governance 2023](#).

Remuneration structure

Topdanmark's remuneration policy must contribute to optimisation of 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 for 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 → 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, other grade A and grade B+ managers as well as 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, including pension and company car, additional remuneration, 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, other grade A and grade B+ managers as well as other material risk takers is, in general, determined as a gross salary in which the employee bears the cost of pension and company car, and it is based on a specific assessment of each employee. i.a. based on the position, individual characteristics, and performance of the individual. The fixed basic remuneration for the Executive Board and other Grade A and Grade B+ managers is reassessed annually and is determined by individual negotiations with each individual on the basis of a framework set by the Board of Directors.

Topdanmark's LTI programme for the Executive Board and other 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) are 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 or grade B+ managers in the revolving part of the LTI programme, thus a fixed proportion of the employees' remuneration equivalent to 10% of (the cash salary + pension + company car value) are paid in the form of share options.

In addition to options paid to the Executive Board, other grade A and B+ managers, and certain other managers in accordance with the revolving share option scheme, the CEO 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 which is 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 other 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.

Members of the Executive Board appointed before August 2021 are not covered by requirements for mandatory pension schemes. The gross salary takes this into account. Consequently, Topdanmark does not have any pension-related obligations to the members of the Executive Board, and there will be no payment of pension on retirement.

Members of the Executive Board appointed after August 2021 are covered by a requirement for mandatory pension schemes to which a mandatory pension contribution of minimum 5% of the cash gross salary is made. The amount is paid to the pension supplier and consequently, all pension obligations are fully covered by the pension supplier.

Other grade A and grade B+ managers as well as other material risk takers, who are not covered by collective agreements, are covered under the requirement for mandatory pension schemes to which a mandatory pension contribution of minimum 5% of the cash gross salary is made. The amount is paid to the pension supplier and consequently, all pension obligations are fully covered by the pension supplier. Other Material Risk Takers, who are covered by collective agreements, are covered by the pension requirements in the collective agreement in force at any given time for the person concerned, and thus all pension obligations are fully covered by the pension supplier.

Reference is also made to the Topdanmark Group's [Remuneration Report 2023](#).

Severance pay

In order to ensure full loyalty, focus and performance for the Topdanmark Group during the period until a potential takeover is finalised, Topdanmark has agreed with a few grade A and grade B+ managers, that under certain circumstances, they will receive compensation in the form of an extended period of notice and increased severance pay, if they resign or are dismissed, or if their position is made redundant because Topdanmark and/or the company of the Topdanmark Group where the member 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 where the member is employed. The maximum amount of compensation will represent two years' remuneration.

In accordance with the rules in force from time to time, Topdanmark Group can sign agreements on severance pay with directors, other grade A and grade B+ managers as well as other material risk takers. For executive service agreements signed after November 2017, the total value of remuneration for the period of termination, including severance pay, cannot exceed two years' salary including all remuneration shares. For executive service agreements signed before November 2017, severance pay cannot exceed the value of the remuneration for the past two years.

For a previous member of the Executive Board and a Grade B+manager, it was agreed that, in continuation of Sampo Group's takeover of de facto control of Topdanmark in 2013, they would earn remuneration equivalent to six months' salary per vesting year over a period of three years. The vesting period is over and fully recognised as a liability in the accounts. The remuneration is regulated annually in accordance with the current salary level, and it will be paid when employment ends. For the previous member of the Executive Board, the remuneration was paid when employment ended in 2023.

Sustainability

Topdanmark A/S' (CVR: 78040017) 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 → Investors → Reports and presentations → [Sustainability reports](#).

The duties of the Executive Board

Peter Hermann

On the Executive Board for:

Topdanmark A/S
Topdanmark Forsikring A/S

Member of the Board of Directors for:

Topdanmark Invest A/S
Topdanmark BidCo A/S
Oona Health A/S
Forsikringselskabet Dansk Sundhedssikring A/S
Forsikring & Pension
KBC Insurance NV.

Lars Kufall Beck

On the Executive Board for:

Topdanmark A/S
Topdanmark Forsikring A/S

Member of the Board of Directors for:

TDP.0007 A/S
Topdanmark EDB ApS
Topdanmark EDB IV ApS
E. & G. Business Holding A/S
Topdanmark Invest A/S
Topdanmark BidCo A/S
Oona Health A/S
Forsikringselskabet Dansk Sundhedssikring A/S

In the above, the duties outside the Group, which have been authorised by management in accordance with Article 80 of the Danish Financial Business Act, are included.

The duties of the Board of Directors

Ricard Wennerklint

Member of the Board of Directors of:

If P&C Insurance Holding Ltd
Noba Group AB (publ.) (Sweden)
Hastings Group Holdings Ltd, UK (Chairman)

Member of:

The Audit Committee, Remuneration Committee and
Nomination Committee of Topdanmark

Elise Bundgaard

Member of the Board of Directors of:

Bjatola A/S.

Mette Jensen

Member of:

The Remuneration Committee of Topdanmark.

Cristina Lage

Member of the Board of Directors of:

Arbejdsmiljørådet (Chair)
LEO Fondet
C.L. Davids Fond
Det Obelske Familiefond
OK-Fonden (Deputy Chair).
C.W. Obel A/S.

Member of:

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

Kjell Rune Tveita

Member of the Board of Directors of:

If IT Services A/S (chairman)
If P&C Insurance AS Estonia
If Life Insurance.

Jens Aaløse

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.

Maria Hjorth

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.

Michael Noer

Morten Thorsrud

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.

Five-year summary

(DKKm)	2023	2022	2021	2020	2019
(Comparatives restated)					
Gross premiums earned*	10,298	9,977	9,636	9,132	8,958
Claims incurred	-6,986	-6,214	-6,025	-6,057	-5,545
Bonuses and rebates	-78	-92	-78	-8	-61
Insurance operating expenses	-1,761	-1,630	-1,547	-1,542	-1,469
Net reinsurance	-243	-278	-99	-272	-225
TECHNICAL RESULT	1,231	1,765	1,886	1,254	1,657
Profit on investment activities after transfer to technical result	259	775	677	90	334
Other items	-47	-33	2	-2	-4
PRE-TAX PROFIT	1,443	2,507	2,565	1,342	1,987
Taxation	-358	-290	-494	-279	-406
PROFIT FOR THE YEAR	1,085	2,217	2,071	1,063	1,581
Run-off profits, net of reinsurance	-84	152	255	-5	377
Provisions for insurance contracts	14,109	13,502	14,366	13,810	13,606
Total insurance assets	567	537	655	504	526
Total shareholders' equity	4,165	6,022	6,836	6,493	6,124
Total assets	20,807	23,117	25,070	24,726	24,498
Gross claims ratio	68.4	62.9	63.0	66.4	62.3
Net reinsurance ratio	2.4	2.8	1.0	3.0	2.5
Claims ratio, net of reinsurance	70.7	65.7	64.1	69.4	64.9
Gross expense ratio	17.2	16.5	16.2	16.9	16.5
Combined ratio (operating ratio)	88.0	82.1	80.3	86.3	81.4
Combined ratio excl. run-off profits	87.1	83.7	82.9	86.2	85.6
Relative run-off profits, net of reinsurance (%)	-0.8	1.4	2.5	-0.1	3.6
Return on shareholders' equity (%)	23.8	39.6	33.5	17.4	29.3

Income statement

(DKKm) (2022 restated)	Note	2023	2022
Gross premiums written	1	9,956	9,730
Ceded reinsurance premiums		-691	-657
Change in the provisions for unearned premiums	1	645	215
Change in profit margin and risk margin	1	-303	33
Change in the reinsurers' share of the provisions for unearned premiums		-14	-6
Premiums earned, net of reinsurance		9,593	9,314
Claims paid		-6,578	-6,049
Reinsurance cover received		360	400
Change in the provisions for claims		-412	-198
Change in risk margin		4	33
Change in reinsurers' share of the provisions for claims		13	-101
Claims incurred, net of reinsurance	2	-6,613	-5,915
Bonuses and rebates		-78	-92
Acquisition costs	3	-1,120	-1,100
Administrative expenses		-690	-740
Intra-group reimbursements		49	211
Reinsurance commission and share of profits		90	86
Insurance operating expenses, net of reinsurance		-1,671	-1,543
TECHNICAL RESULT	4	1,231	1,765
Income from affiliates	5	22	1,043
Income from associates		7	-4
Interest income and dividends etc.		490	327
Value adjustments	6	519	-1,590
Interest charges		-115	-35
Expenses on investment activities		-52	-61
Total investment return		872	-320
Return and value adjustments of non-life insurance provisions	7	-613	1,095
INVESTMENT RETURN AFTER RETURN AND VALUE ADJUSTMENTS OF TECHNICAL PROVISIONS		259	775
Other income		6	6
Other expenses	8	-53	-39
PRE-TAX PROFIT		1,443	2,507
Taxation	9	-358	-290
PROFIT		1,085	2,217
Proposed appropriation of profit for the year:			
Dividend		1,000	3,000
Transfer to net revaluation reserve at net asset value		29	1,040
Transfer from profit carried forward		55	-1,823
		1,085	2,217

Statement of comprehensive income

Profit	1,085	2,217
Other comprehensive income from affiliates	0	0
Other comprehensive income	0	0
TOTAL COMPREHENSIVE INCOME	1,085	2,217

Assets

(DKKm) (2022 restated)	Note	2023	2022
INTANGIBLE ASSETS	10	704	645
Operating equipment		4	6
TOTAL TANGIBLE ASSETS	11	4	6
Equity investments in affiliates	12	1,080	1,057
Equity investments in associates	13	60	53
Total investment in affiliates and associates		1,140	1,110
Equity investments		771	1,006
Bonds		13,862	13,989
Deposits with credit institutions		295	4,044
Derivatives		11	9
Total other financial investment assets	14	14,938	19,048
TOTAL INVESTMENT ASSETS		16,078	20,159
Reinsurers' share of the provisions for unearned premiums	15	100	99
Reinsurers' share of the provisions for claims	16	467	438
Total reinsurers' share of provisions		567	537
Receivables from policyholders		241	196
Receivables from insurance companies		214	262
Receivables from affiliates		2,414	626
Other receivables		118	156
TOTAL RECEIVABLES		3,553	1,777
Deferred tax assets	17	23	93
Liquid funds		41	39
Other		162	201
TOTAL OTHER ASSETS		226	333
Accrued interest and rent		117	99
Other prepayments and accrued income		125	99
TOTAL PREPAYMENTS AND ACCRUED INCOME		242	198
TOTAL ASSETS		20,807	23,117

Shareholders' equity and liabilities

(DKKm) (2022 restated)	Note	2023	2022
Share capital	18	101	101
Revaluation reserve		844	814
Security fund		1,452	1,452
Total reserves		1,452	1,452
Profit carried forward		768	655
Proposed dividend		1,000	3,000
TOTAL SHAREHOLDERS' EQUITY		4,165	6,022
OTHER SUBORDINATED LOAN CAPITAL	19	1,100	1,100
Provisions for unearned premiums	20	511	983
Profit margin, non-life insurance contracts	20	1,643	1,296
Provisions for claims	21	11,379	10,664
Risk margin, non-life insurance contracts		379	383
Provisions for bonuses and rebates		197	176
TOTAL PROVISIONS FOR INSURANCE CONTRACTS		14,109	13,502
Pensions and similar commitments		20	20
Other liabilities	22	211	361
TOTAL PROVISIONS		230	381
Debt relating to direct insurance operations		8	18
Debt relating to reinsurance operations		122	121
Amounts due to credit institutions		70	171
Amounts due to affiliates		130	944
Derivatives		272	236
Other debt		551	571
TOTAL DEBT		1,152	2,063
ACCRUALS AND DEFERRED INCOME		51	49
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		20,807	23,117

Statement of changes in equity

(DKKm)

(2022 restated)	Share capital	Revalu- ation reserve	Security fund	Profit carried forward	Proposed dividend	Total
2023						
Equity at beginning of period, previously stated	101	814	1,452	814	3,000	6,182
Effect of change in accounting policies				-159		-159
Equity at beginning of period, restated	101	814	1,452	655	3,000	6,022
Profit		29		55	1,000	1,085
Other comprehensive income from affiliates						0
Total comprehensive income		29		55	1,000	1,085
Dividend paid					-3,000	-3,000
Capital contribution from Topdanmark A/S (employee shares etc.)				61		61
Taxation on share-based payments				-4		-4
Transactions with owners		0		58	-3,000	-2,942
Shareholders' equity at end of period	101	844	1,452	768	1,000	4,165
2022						
Equity at beginning of period, previously stated	101	1,669	1,452	792	3,100	7,114
Effect of change in accounting policies				-278		-278
Equity at beginning of period, restated	101	1,669	1,452	514	3,100	6,836
Profit		1,040		-1,823	3,000	2,217
Other comprehensive income from affiliates						0
Total comprehensive income		1,040		-1,823	3,000	2,217
Dividends received from affiliates		-1,000		1,000		0
Dividend paid					-3,100	-3,100
Capital contribution from Topdanmark A/S (employee shares)				60		60
Taxation on share-based payments				2		2
Transfer		-883		883		0
Equity movements in affiliates		-11		19		8
Transactions with owners		-1,894		1,964	-3,100	-3,031
Shareholders' equity at end of period	101	814	1,452	655	3,000	6,022

Notes to the financial statements

Gross premiums earned	1
Claims incurred, net of reinsurance	2
Acquisition costs	3
Technical result	4
Income from affiliates	5
Value adjustments	6
Return and value adjustments of non-life insurance provisions	7
Other expenses	8
Taxation	9
Intangible assets	10
Tangible assets	11
Equity investments in affiliates	12
Equity investments in associates	13
Assets at fair values	14
Reinsurers' share of the provisions for unearned premiums	15
Reinsurers' share of the provisions for claims	16
Deferred tax assets	17
Share capital	18
Other subordinated loan capital	19
Provisions for unearned premiums and profit margin	20
Provisions for claims	21
Other liabilities	22
Staff costs	23
Related parties	24
Own funds	25
Contingent liabilities	26
Other disclosures	27
Risk management	28
Accounting policies	29

Notes to the financial statements

(DKKm)
(2022 restated)

2023 2022

Note 1. Gross premiums earned

Gross premiums written	9,956	9,730
Change in provisions for unearned premiums	645	215
Change in profit margin and risk margin	-303	33
Gross premiums earned	10,298	9,977
Gross premiums earned, direct business, by location of the risk:		
Denmark	10,295	9,974
Other EU-countries	3	2
Other countries	1	1
	10,298	9,977

Note 2. Claims incurred, net of reinsurance

Run-off result:		
Gross business	-87	188
Reinsurance ceded	4	-36
Run-off profit, net of reinsurance	-84	152

Specification of run-off result on lines in note 4.

Claims incurred include value adjustment of derivatives hedging the inflation risk in workers' compensation	-122	317
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Expenses for loss-prevention included in claims incurred amount to 0.3% (2022: 0.2%), split between Fire and property, Private, 0.1% (2022: 0.0) and Illness and accident 0.2% (2022: 0.2%).

Note 3. Acquisition costs

Commissions for directly written insurance policies	232	221
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Note 4. Technical result

	2023	2022	2023	2022
			Workers'	
			Illness and accident	compensation
Gross premiums written	1,143	1,095	880	881
Gross premiums earned	1,184	1,121	906	909
Claims incurred	-673	-737	-817	-501
Bonuses and rebates	-4	-4	-7	-6
Gross operating expenses	-210	-201	-133	-116
Net reinsurance	-4	-3	-2	-2
Technical result	293	175	-52	284
Gross claims ratio	57.0	66.0	90.8	55.5
Run-off result, net of reinsurance	37	17	-148	116
Claims provisions, net of reinsurance	1,311	1,257	5,979	5,673
Number of claims incurred ('000)	33	31	7	7
Average value of claim (DKK '000)	21	24	98	87
Frequency of claims (per thousand value)	31	29	128	127

Notes to the financial statements

(DKKm)
(2022 restated)

Note 4. Technical result - continued	2023	2022	2023	2022	2023	2022
	Motor third-party liability		Motor own damage		Fire and property Private	
Gross premiums written	449	457	1,880	1,918	1,992	1,914
Gross premiums earned	468	449	1,989	1,992	2,075	1,977
Claims incurred	-555	-572	-1,154	-1,049	-1,377	-1,211
Bonuses and rebates	-2	-2	-7	-7	-7	-7
Gross operating expenses	-108	-95	-298	-273	-341	-316
Net reinsurance	-2	-3	-4	-3	-50	-55
Technical result	-199	-223	526	660	300	389
Gross claims ratio	119.0	127.8	58.2	52.9	66.6	61.5
Run-off result, net of reinsurance	-21	-25	4	-20	47	93
Claims provisions, net of reinsurance	964	964	192	168	764	687
Number of claims incurred ('000)	22	21	109	107	94	87
Average value of claim (DKK '000)	24	26	11	10	15	15
Frequency of claims (per thousand value)	38	37	207	207	149	137
	Fire and property SME		Liability		Tourist assistance	
Gross premiums written	2,310	2,173	580	551	205	234
Gross premiums earned	2,320	2,187	586	552	215	236
Claims incurred	-1,535	-1,273	-352	-386	-134	-160
Bonuses and rebates	-28	-29	-19	-5	-1	-1
Gross operating expenses	-452	-432	-110	-99	-30	-29
Net reinsurance	-165	-182	-9	-27	0	0
Technical result	141	272	96	35	50	46
Gross claims ratio	67.0	59.0	62.0	70.5	62.7	68.1
Run-off profits, net of reinsurance	-18	3	15	-34	3	-5
Claims provisions, net of reinsurance	795	618	728	696	28	31
Number of claims incurred ('000)	26	26	6	9	15	17
Average value of claim (DKK '000)	58	51	64	42	9	9
Frequency of claims (per thousand value)	136	131	57	78	74	87
			Other insurance		Total	
Gross premiums written			517	507	9,956	9,730
Gross premiums earned			556	554	10,298	9,977
Claims incurred			-391	-325	-6,986	-6,214
Bonuses and rebates			-4	-30	-78	-92
Gross operating expenses			-79	-68	-1,761	-1,630
Net reinsurance			-6	-2	-243	-278
Technical result			76	128	1,231	1,765
Gross claims ratio			70.8	62.1	68.4	62.9
Run-off profits, net of reinsurance			-4	7	-84	152
Claims provisions, net of reinsurance			153	131	10,913	10,226
Number of claims incurred ('000)			107	98	419	402
Average value of claim (DKK '000)			4	4	16	16
Frequency of claims (per thousand value)			221	210	109	105

Notes to the financial statements

(DKKm)
(2022 restated)

2023 2022

Note 5. Income from affiliates

Topdanmark Liv Holding A/S	0	1,063
TDP.0007 A/S	14	-22
Topdanmark EDB A/S	8	3
Topdanmark EDB IV ApS	0	4
Other	0	-4
Income from affiliates	22	1,043

The result from Topdanmark Liv Holding A/S includes result for 2022 until the disposure 1 December of DKK 106m and net gain from the sale DKK 957m.

Note 6. Value adjustments

Equity investments	152	-192
Bonds	320	-1,104
Derivatives	45	-300
Other	1	5
Value adjustments	519	-1,590

Note 7. Return and value adjustments of non-life insurance provisions

Amortisation

Provisions for unearned premiums and profit margin	-205	-80
Reinsurers' share of provisions for unearned premiums	15	5
Provisions for claims	-286	-154
Risk margin	-9	0
Reinsurers' share of the provisions for claims	12	6
	-473	-223

Value adjustments

Provisions for unearned premiums and profit margin	0	8
Provisions for claims	-140	1,332
Risk margin	-4	0
Reinsurers' share of the provisions for claims	4	-22
	-140	1,318

Return and value adjustments of non-life insurance provisions -613 1,095

Note 8. Other expenses

Danish guarantee Fund for Non-life Insurers, the bankruptcy of Gefion Insurance A/S	25	25
Other	28	14
Other expenses	53	39

Note 9. Taxation

Current tax	344	278
Change in deferred tax	69	10
Prior year adjustment	-52	1
Tax for the year	362	289
Of which tax in shareholders' equity	-4	2
Tax	358	290
Pre-tax profit excl. income from affiliates	1,420	1,464
Calculated tax on profit for the year, 22%	312	322
Financial tax	44	-6
Non-deductible expenses/non taxable income	2	-27
Prior year adjustment	0	1
	358	290

Notes to the financial statements

(DKKm)
(2022 restated)

Note 10. Intangible assets

	Goodwill	Completed developm't projects	Developm't project under construction	Total
2023				
Cost at 1 January	441	157	61	659
Additions	0	0	76	76
Transferred	0	24	-24	0
Cost at 31 December	441	181	113	736
Impairment and amortisation at 1 January	0	-14	0	-14
Amortisation for the year	0	-17	0	-17
Impairment and amortisation at 31 December	0	-32	0	-32
Intangible assets 2023	441	149	113	704
2022				
Cost at 1 January	441	120	27	588
Additions	0	24	48	72
Transferred	0	13	-13	0
Cost at 31 December	441	157	61	659
Impairment and amortisation at 1 January	0	-1	0	-1
Amortisation for the year	0	-14	0	-14
Impairment and amortisation at 31 December	0	-14	0	-14
Intangible assets 2022	441	142	61	645

Goodwill and development projects under construction are subjected to an impairment test at the 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 amount of cover. Assumed premium growth rate 2% (2022: 2%) and combined ratio 84(2022 84).

The pre-tax discount rate is 11.5% (2022: 11.5%), and the post-tax rate 9.0% (2022: 9.0%).

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:

Development projects consists of the new customer and core system, of which the first elements were completed in 2021. The asset includes internal staff costs, while external costs, mainly consultancy costs, are recognised in the subsidiary Topdanmark EDB IV ApS. The expected life-time of the system is 10 years.

Development projects under construction were tested for impairment including the asset in the subsidiary Topdanmark EDB IV ApS. The impairment test was based on 10 years technical results, assuming 2% growth. The impairment test did not show any need for write-downs.

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

Notes to the financial statements

(DKKm)
(2022 restated)

	2023	2022
Note 11. Tangible assets		
Cost at 1 January	28	32
Disposals	-4	-4
Cost at 31 December	25	28
Impairment and amortisation at 1 January	-22	-22
Depreciation for the year	-2	-2
Reversal of total impairment and depreciation of assets sold or withdrawn from operations during the year	3	2
Impairment and depreciation at 31 December	-21	-22
Tangible assets	4	6

Note 12. Equity investments in affiliates

TDP.0007 A/S	759	745
Topdanmark EDB A/S	300	292
Topdanmark EDB IV ApS	20	20
Equity investments in affiliates	1,080	1,057

All companies are owned 100%.

Note 13. Equity investments in associates

Investments in associates comprise a 27% holding in Bornholms Brandforsikring A/S. The investment is not material to Topdanmark Forsikring A/S.

Note 14. Assets at fair values

	Quoted prices Level 1	Observable inputs Level 2	Non-observable inputs Level 3
2023			
Subsidiaries	0	0	759
Equity investments	604	167	0
Bonds	13,130	696	36
Deposits with credit institutions	0	295	0
Derivatives	0	11	0
	13,733	1,168	796
2022			
Subsidiaries	0	0	745
Equity investments	828	177	0
Bonds	12,773	1,179	37
Deposits with credit institutions	0	4,044	0
Derivatives	0	9	0
	13,601	5,410	782

Equity investments in subsidiaries include the real estate company TDP.0007 A/S, which holds the domicile properties of Topdanmark Forsikring A/S. 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. The expected return is based on the assumed net earnings for the year adjusted to reflect normal earnings, including the current market rent. The rate of return used is 5.5% (2022: 5.3%). An increase in the required rate of return of 0.5pp will reduce the fair value by DKK 62m (2022: DKK 66m). Value adjustment in 2023 amount to DKK -26m (2022: DKK -47m).

Notes to the financial statements

(DKKm)
(2022 restated)

2023 2022

Note 14. Assets at fair values - continued

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

1 January	37	80
Reclassification due to sale of life	0	-46
Value adjustments (unrealised)	-1	0
Value adjustments (realised)	0	3
	36	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.

Note 15. Reinsurers' share of the provisions for unearned premiums

1 January	99	99
Ceded reinsurance premiums	691	657
Earned reinsurance premiums	-705	-663
Amortisation	15	5
Reinsurers' share of the provisions for unearned premiums at 31 December	100	99
Net present value of expected future cashflows	-42	-7
Profit margin	142	106

Note 16. Reinsurers' share of the provisions for claims

1 January	438	555
Reimbursement of claims relating to prior years	-232	-262
Change in expected income relating to prior years (run-off)	4	-36
Reimbursement of claims relating to current year	-129	-138
Expected income relating to current year	369	335
Amortisation	12	6
Value adjustment	4	-22
Reinsurers' share of the provisions for claims at 31 December	467	438

Note 17. Deferred tax assets

Operating equipment	0	8
Liabilities provided	5	9
Insurance related provisions	0	53
Other	18	22
Deferred tax assets	23	93

Note 18. Share capital

Share denomination is distributed in shares of DKK 100,000 or multiple hereof.

Notes to the financial statements

(DKKm)
(2022 restated)

Note 19. Other subordinated loan capital

	Subordinated loan capital (redeemed 2022)	Subordinated loan capital (partially redeemed 2022)	Restricted Tier 1 capital note	
Principal	500	700	400	
Carrying value				
2023	-	700	400	
2022	-	700	400	
Fair value (level 2)				
2023	-	700	400	
2022	-	700	400	
Date of issue	December 2020	December 2021	December 2022	
Maturity	30 December 2030	16 December 2031	Perpetual	
If permitted by the Danish FSA, the borrower can give notice of termination from	30 December 2025	16 December 2026	22 December 2027	
Interest rate	Cibor 3 months +160bp	Cibor 3 months +125bp	Cibor 3 months +475bp	
			2023	2022
Interest charges			65	25
Costs of raising the loan capital			0	1
Costs of redeeming loan capital			0	5
Of the subordinated loan capital, DKK 1,100m (2022: DKK 1,100m) was included in the company's own funds (capital for solvency purposes).				

Note 20. Provisions for unearned premiums and profit margin

Provisions for unearned premiums at 1 January	983	1,246
Profit margin at 1 January	1,296	1,206
	2,279	2,452
Gross premiums written	9,956	9,730
Gross premiums earned	-10,298	-9,977
Change in risk margin	12	3
Amortisation and interest accreted	205	80
Value adjustment	0	-8
Provisions for unearned premiums at 31 December	511	983
Profit margin at 31 December	1,643	1,296
Provisions for unearned premiums and profit margin at 31 December	2,154	2,279

Notes to the financial statements

(DKKm)

(2022 restated)

2023

2022

Note 21. Provisions for claims

Gross

Provisions at 1 January	10,663	11,326
Claims paid relating to prior years	-2,991	-2,676
Change in expected claims payments relating to prior years (run-off)	87	-188
Claims paid relating to current year	-3,588	-3,373
Expected claims payments relating to current year	6,904	6,435
Inflation hedging	-122	317
Amortisation	286	154
Value adjustment	140	-1,332
Provisions for claims	11,379	10,664

Net of reinsurance

Provisions at 1 January	10,226	10,771
Claims paid relating to prior years	-2,759	-2,414
Change in expected claims payments relating to prior years (run-off)	84	-152
Claims paid relating to current year	-3,459	-3,236
Expected claims payments relating to current year	6,534	6,101
Inflation hedging	-122	317
Amortisation	274	149
Value adjustment	137	-1,310
Provisions for claims, net of reinsurance	10,913	10,226
Workers' compensation insurance	5,979	5,673
Average period of settlement	7 years	7 years

Notes to the financial statements

(DKKm)
(Restated)

Note 21. Provisions for claims - continued

Claims liabilities analysed by claims year

Gross	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	alt
End of year	6,266	6,174	5,995	5,443	5,885	5,906	6,124	6,318	6,608	7,177	61,139
1 year later	6,339	6,247	5,987	5,566	5,990	6,074	5,950	6,252	6,563		
2 years later	6,283	6,136	5,886	5,511	6,064	6,084	5,845	6,308			
3 years later	6,225	6,124	5,807	5,580	6,099	6,067	5,886				
4 years later	6,097	6,086	5,682	5,538	6,075	6,068					
5 years later	5,955	5,946	5,708	5,524	6,103						
6 years later	5,872	5,909	5,695	5,566							
7 years later	5,865	5,926	5,688								
8 years later	5,879	5,909									
9 years later	5,871										
Less paid incl. inflation hedging	5,561	5,582	5,391	5,157	5,516	5,400	5,046	5,089	4,792	3,588	51,121
Provisions before discounting at 31 December	310	327	297	408	587	669	841	1,219	1,771	3,589	10,017
Discounting	-34	-39	-28	-42	-67	-87	-105	-131	-154	-200	-887
	276	287	269	366	520	582	736	1,088	1,618	3,389	9,130
Provisions relating to previous years at 31 December											2,249
Gross provisions at 31 December 2023											11,379

Net of reinsurance

End of year	5,908	5,799	5,561	5,261	5,501	5,660	5,843	5,887	6,267	6,799	57,756
1 year later	5,961	5,857	5,583	5,361	5,600	5,809	5,670	5,822	6,223		
2 years later	5,918	5,758	5,480	5,308	5,673	5,818	5,580	5,868			
3 years later	5,860	5,742	5,400	5,380	5,704	5,803	5,622				
4 years later	5,733	5,663	5,271	5,341	5,676	5,798					
5 years later	5,581	5,598	5,270	5,325	5,705						
6 years later	5,499	5,568	5,269	5,367							
7 years later	5,522	5,592	5,271								
8 years later	5,536	5,575									
9 years later	5,528										
Less paid incl. inflation hedging	5,220	5,248	4,986	4,959	5,128	5,140	4,799	4,730	4,539	3,459	48,207
Provisions before discounting at 31 December	308	328	285	408	577	658	824	1,138	1,685	3,340	9,550
Discounting	-33	-39	-27	-42	-67	-86	-104	-127	-151	-195	-872
	275	288	258	366	510	572	720	1,011	1,534	3,144	8,678
Provisions relating to previous years at 31 December											2,245
Other											11
Provisions, net of reinsurance, at 31 December 2023											10,913

Notes to the financial statements

(DKKm)

(2022 restated)

2023 2022

Note 22. Other liabilities

Other liabilities at 1 January	361	0
Provisions made during the year	25	361
Provisions used during the year	-176	0

Other liabilities	211	361
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Provisions for expected unwinding costs and other contractual obligations related to the divestment of Topdanmark Liv Holding Group amount to DKK 169m.

A provision of DKK 42m is related to the bankruptcy of Gefion Insurance A/S.

Note 23. Staff costs

Salaries	1,437	1,417
Pensions	244	232
Social security costs	39	38
Payroll tax	262	255
Employee shares	52	54
Share options	6	8
STI-bonus	2	4
	2,041	2,008

Average number of full-time employees	2,158	2,135
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Employee shares

The parent company Topdanmark A/S has allotted shares to Topdanmark Forsikring's employees at a value of DKK 54m (2022: DKK 56m) for a salary cut. The shares are provided free of charge by the parent company. Hence the value of the allotted shares is included in the equity as capital injection.

Share options programme (LTI)

Topdanmark's long-term option-based LTI-programm comprises the Executive Board and senior executives. The strike price has been fixed at 110% of the market price on the last trading date, the year before (avg. 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.

The options are acquired from Topdanmark A/S at fair value on the date the options are granted.

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.

Notes to the financial statements

(DKKm)
(2022 restated)

Note 24. Related parties

Topdanmark Forsikring A/S is 100% owned by Topdanmark A/S, Ballerup. The financial statement for Topdanmark Forsikring A/S is included in full consolidation in the financial statement for Topdanmark A/S.

Possessing an ownership interest of 49.61% 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.

Key management personnel and their related parties

Remuneration

Directors' fees adopted by the AGM were DKK 6,458 m (2022: DKK 6,458 m).

Of the total fee, DKK 318 thousand (2022: DKK 318 thousand) concern Topdanmark Forsikring A/S.

The board comprises nine members.

	Number of persons	Share-based		Total
		Base Salary	variable remuneration	
2023				
Board of Directors	10	6.5	0.0	6.5
Executive board	2	14.0	2.4	16.4
Material risk-takers	18	41.2	8.2	49.4
	30	61.7	10.6	72.2
Retired				
Executive board, severance pay	2	4.0	16.2	20.2
2022				
Board of Directors	11	6.5	0.0	6.5
Executive board	3	17.6	5.0	22.6
Material risk-takers	28	53.3	13.1	66.4
	42	77.4	18.1	95.5
Retired				
Executive board, severance pay	3	13.6	11.8	25.4
	3	13.6	11.8	25.4
		2023	2022	
	Premiums	Claims	Premiums	Claims
Board of Directors	0.2	0.3	0.4	0.5
Executive board	0.1	0.1	0.1	0.0
Number of shares held by the Board of Directors and the Executive Board		2023	2022	
Notified on 31 December				
Board of Directors		11,503	10,046	
Executive Board		25,693	21,425	

Notes to the financial statements

(DKKm)
(2022 restated)

2023 2022

Note 24. Related parties - continued

Affiliates

Paid to Group companies:

IT	453	284
Rent	55	53
Asset management	-	14
Share-based payments	7	9
Reimbursements from Group companies	49	211
Dividend paid	3,000	3,100
Dividend received	0	1,000
Interest income	25	18
Interest expenses	83	28

Average effective interest rate on balances is 3.04% (2022: 0.37%).

Other

Viking Assistance A/S, road assistance services	51	-
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Note 25. Own funds

Shareholders' equity	4,165	6,181
Profit margin	1,501	1,300
Intangible assets	-1,657	-1,314
Proposed dividend	-1,000	-3,000
Risk adjustment, change	240	-10
Tax effects	-180	-105
Usable share, subordinated notes	1,099	1,100
Own funds	4,167	4,153

2022 has not been restated to changed accounting policies.

Note 26. Contingent liabilities

Rental commitments, yearly rent:		
Subsidiary	55	60
External lessors	4	4
Capital commitments made to loan funds and private equity funds etc.	86	102
Minimum rental payments to subsidiary:		
not later than one year	55	60
later than one year and not later than five years	217	241
later than five years	658	837

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

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.

Note 27. Other disclosures

The financial statement for Topdanmark Forsikring A/S is included in full consolidation in the financial statement of Topdanmark A/S, Ballerup as the lowest company and in the financial statement of Sampo plc, Fabianinkatu 27, Helsinki, Finland, as the highest company.

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.

There have been no events in the period from 31 December 2023 until the presentation of the financial statements which could change the assessment of the Annual Report.

Note 28. Risk management

Topdanmark Forsikring's policy is to hedge against risks arising from the Company's activities or to limit such risks to a level that allows the Company to maintain normal operations and implement its planned measures even in the case of highly unfavourable events in the operating environment. Because of this policy, for several years, the Company has identified and reduced or eliminated the risks which could potentially cause losses exceeding what Topdanmark considers to be acceptable. The Board of Directors determines the overall risk policies and limits. The internal auditors report to the Board of Directors and report on, among other things, the observance of these risk policies and limits.

The responsibility to identify, evaluate, control, and manage risks lies within the line organisation.

Topdanmark Forsikring's Risk Management Function consolidates the risk picture, manages the ORSA and produces Solvency Capital Requirement and capital plans. It reports to the Risk Management Committee, which provides assessment and counseling on the risk policies, risk limits, solvency calculation, capital plans, Topdanmark Forsikring's ORSA, and Topdanmark Forsikring's partial, internal model for insurance risks. The members of the Risk Management Committee are the CFO of the Group, the head of the Compliance Function, the head of the Risk Management Function and representatives of the primary risk areas, which are: Asset Management and Statistical Services. Furthermore, the DPO and the head of Group Security (CISO) participates. The Risk Management Committee reports and recommends to the Board of Directors via the Executive Board.

Risk scenarios

Topdanmark Forsikring'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 Forsikring's expected risks but are shown only as examples which could be used as a basis for assessing its exposure to the risks mentioned.

Risk scenarios			2023	2022
(DKKm) after corporate tax				
Insurance risk				
<i>Underwriting risk</i>				
Combined ratio – 1pp increase				
Gross of reinsurance			-75	-74
Net of reinsurance			-70	-70
<i>Reserving risk</i>				
1% error in claims assessment				
Gross of reinsurance			-87	-82
Net of reinsurance			-82	-78
Storm claims up to DKK 5,100m (Plus reinstatement premium etc.)			-111	-75
Market risk				
Effective interest rate			-35	-8
Interest-bearing assets	1pp increase		-319	-254
Liability for incurred claims	in effective interest rate		284	247
Index-linked bonds	5% loss		-24	-25
Equities	10% loss		-63	-69
High yield bonds / CLOs < AA	10% loss		-21	-33
Properties	10% loss		-75	-75
Annual currency loss with an up to 2.5% probability (VaR)			-2	-2

Below the different types of risk inside Topdanmark's risk model and how they are handled.

P&C insurance Personal, liability and property insurance for the private, SME, and agricultural markets.		
Most important risks	Risk preferences	Risk reducing activities
Underwriting risk <ul style="list-style-type: none"> • Acceptance policy • Follow-up policy. Reserving risk: <ul style="list-style-type: none"> • Provisions for outstanding claims • Provisions for unearned premiums. Catastrophe risks: <ul style="list-style-type: none"> • Storm and cloudburst • Fire • Terrorism • Personal accident / Workers' compensation. 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.

Market		
Most important risks	Risk preferences	Risk reducing activities
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 Investment.	To obtain efficient and secure reinsurance cover, which is price competitive, a certain level of counterparty concentration is required. A certain level of counterparty risk is accepted as an element of generation of return.	Counterparty risk is mainly limited by buying hedging from reinsurance companies which, as a minimum, have a rating of A-. 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
ICT and Cyber Risk Errors in internal processes, human errors, insurance fraud and deceit.	Generally, operational risks must be reduced to an acceptable level.	Group Security function. 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.

Pandemic		Special department for insurance fraud and deceit. Incident register. Digitalisation/automation. Contingency plan in the event of a pandemic escalating. The contingency plan concerns both Topdanmark internally and in relation to changed risk factors for insurance and market risk.
Model risk.		Established processes and procedures when using models.

Compliance		
Most important risks	Risk preferences	Risk reducing activities
<p>Insufficient knowledge of current or future legislation and rules</p> <p>Violation of legislation and rules</p> <p>Violation of the rules in personal data legislation.</p>	Generally, the area of compliance risks is to be reduced to an acceptable level.	<p>The compliance function issues rules for identification, management and control of compliance risks.</p> <p>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.</p> <p>Activities initiated through Topdanmark's DPO.</p> <p>Business procedures regarding personal data.</p> <p>Implementation of new governance for GDPR with the establishment of 'Center of GDPR'.</p>

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.

Underwriting risk

Acceptance policy

Topdanmark Forsikring'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 Forsikring's pricing has been aligned with the individual markets and types of customers. 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 to ensure 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 Forsikring 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.

Reserving risk

Liability for incurred 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, comprehensive motor insurance and medical expense. Long-tail lines relate to personal injury and liability such as workers' compensation, accident, motor third-party insurance and commercial liability.

Composition of Topdanmark Forsikring's overall provisions for outstanding claims:

Liability for incurred claims net of reinsurance (2022 restated)	2023			2022		
	DKKbn	%	Duration	DKKbn	%	Duration
Short-tail	2,0	20	1	1,7	18	1
Annuity provisions in workers' compensation	2,6	23	11	2,6	25	10
Other claims provisions in workers' compensation	3,4	30	3	3,1	30	2
Accident	1,3	12	3	1,3	13	3
Motor personal liability	0,9	8	3	0,9	8	2
Commercial liability	0,7	7	2	0,7	7	2
	10,9			10,2		

The much higher reserving 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 compensation 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 10 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 reserving 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.

Catastrophe risks

Topdanmark Forsikring 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 150m. 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 150m. 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 125m 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 Forsikring'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.

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 Forsikring's Board of Directors. In practice, Topdanmark Forsikring'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>Interest rate risk Topdanmark Forsikring is exposed to an interest rate risk due to provisions for outstanding claims in P&C 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>Equity risk Topdanmark Forsikring is exposed to an equity risk from direct investments as well as investments made via derivatives.</p>	<p>The equity risk is mitigated by trade in the market and by derivatives.</p>
<p>Property risk Topdanmark Forsikring 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 Forsikring is only exposed through the ownership of well-situated owner-occupied properties around Copenhagen and Aarhus.</p>
<p>Credit spread risk Topdanmark Forsikring 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 mitigated by focusing predominantly on bonds etc. with very high creditworthiness and by proper diversification on counterparties.</p>
<p>Concentration risk 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>Currency risk Topdanmark Forsikring's currency risk relates in practice only to investments.</p>	<p>The currency risk is mitigated by derivatives.</p>
<p>Inflation risk Future inflation is implicitly included in a number of the models Topdanmark Forsikring 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>Liquidity risk In insurance companies the liquidity risk is very limited as premiums are paid prior to the beginning of the risk period. Topdanmark Forsikring's liquidity risk is therefore primarily related to the parent company.</p>	<p>Topdanmark Forsikring performs ongoing monitoring of the liquidity risk based on scenario-based stress reporting.</p>

Liquidity risk

Expected cash flows (DKKm)	Carrying amount	Cash flows						
		2024	2025	2026	2027	2028	2029-38	2039-
2023								
Assets								
Financial assets (non-derivatives)	13,561	3,000	3,142	2,392	1,268	1,072	3,736	841
Derivatives	11	-1	0	2	2	1	7	2
Reinsurer's share of incurred claims	467	309	67	33	20	13	30	0
Receivables	3,553	3,553	0	0	0	0	0	0
Liabilities								
Financial liabilities (non-derivatives)	1,100	66	53	752	428	0	0	0
Derivatives	272	7	21	15	14	15	239	26
Liability for incurred claims	11,379	4,505	1,810	1,330	858	647	2,258	1,374
Other debt	1,152	1,152	0	0	0	0	0	0
2022 (Restated)								
Assets								
Financial assets (non-derivatives)	17,229	7,841	4,576	1,791	728	440	3,050	341
Derivatives	171	2	0	0	84	0	59	104
Reinsurer's share of incurred claims	438	286	66	32	19	13	30	0
Receivables	1,777	1,777	0	0	0	0	0	0
Liabilities								
Financial liabilities (non-derivatives)	1,100	65	67	63	763	432	0	0
Derivatives	237	13	23	19	18	18	206	3
Liability for incurred claims	10,664	4,188	1,686	1,164	871	623	2,237	1,348
Other debt	2,063	2,063	0	0	0	0	0	0

The expected cash flows of the financial assets 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.

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 Forsikring 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 Forsikring 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 Forsikring may suffer losses due to its counterparties' inability to meet their obligations on financial contracts. The majority of Topdanmark Forsikring's interest bearing assets comprise of Danish mortgage bonds. In order to minimise the risk to a single debtor, Topdanmark Forsikring 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	2023		2022	
	%	DKKbn	%	DKKbn
Bonds				
>A+	89	12.6	66	11.8
A+, A, A-	2	0.2	5	0.9
<BBB-	7	1.0	8	1.4
Money market deposits A and AA	2	0.3	21	3.7

To limit the counterparty risk of financial 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.

Derivatives serve as instruments for risk management.

Derivatives	2023		2022	
	Nom.	Fair value	Nom.	Fair value
Interest derivatives	1,200	-170	151	-208
Exchange rate derivatives	145	2	169	0
Inflation derivatives	1,574	24	2,036	142
Total derivatives	2,918	-144	2,356	-66
Due after less than one year	145	2	169	0
Due within 1 to 5 years	500	51	500	74
Due after more than 5 years	2,274	-198	1,687	-140

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 Forsikring 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 Forsikring'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 Forsikring'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 Forsikring's Compliance and Risk Management departments.

Topdanmark Forsikring'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 Forsikring 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 Forsikring also conducts ongoing vulnerability assessments, and tests new systems for weaknesses before they are put into production.

Outsourcing is used in Topdanmark Forsikring. Consequently, Topdanmark Forsikring investigates and evaluates the information security with new cooperation and service partners. Topdanmark Forsikring 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 Forsikring 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 Forsikring has a comprehensive contingency plan that ensures that the business can be re-established as quickly as possible. Topdanmark Forsikring also requires external data processors to implement sufficient security measures. This requirement also applies to other external business partners.

Digitalisation/automation

Topdanmark Forsikring 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. In addition to implementing robots Topdanmark Forsikring 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 Forsikring 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 Forsikring 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 Forsikring'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 Topdanmark's 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 Forsikring 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 Forsikring 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 Forsikring 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 such as COVID-19 escalating, Topdanmark Forsikring will operate with an effective contingency plan. The contingency plan concerns both Topdanmark Forsikring internally and the changed risk factors for insurance and market risks.

Compliance risk

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

Compliance risk is the risk that Topdanmark Forsikring does not have sufficient knowledge of current or future rules. Additionally, compliance risk is the risk of contravening rules and the losses this might cause Topdanmark Forsikring and Topdanmark Forsikring'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 Forsikring'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 Forsikring.

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

General Data Protection Regulation (GDPR)

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

Topdanmark Forsikring'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 processing. 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 Forsikring has 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 Forsikring 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.a. as a result of the local authorities' efforts against floods. Overall, the company has hedged the climate risks satisfactorily. The investment policies include an exclusion list which i.a. includes companies with activities within the production of fuel from tar sands and thermal coal. Investment in equities take place through ETFs (investment associations), where, among other things, ESG screening is carried out.

Overall, Topdanmark Forsikring has the necessary focus on climate condition.

Note 29. Accounting policies

The annual financial statements of Topdanmark Forsikring 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 Annual Report has 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 pensions funds.

Changes in accounting policies

From 2023 Topdanmark Group has implemented IFRS 17 Insurance contracts and IFRS 9 Financial instruments. Furthermore, the interest rate curve was changed from the EIOPA curve including volatility adjustment (VA) to the EIOPA curve without VA.

Of those changes Topdanmark Forsikring A/S has implemented the ones being compatible with the Danish Financial Business Act.

The most significant changes are:

Risk margin

The risk margin has been changed from a SII risk margin to an IFRS 17 compatible Risk adjustment derived through a confidence level technique based on Cost of

Capital as the mathematical argumentation for the chosen confidence level at 75%.

Interest rate curve

The interest rate curve used for discounting of the insurance liabilities has been changed from the EIOPA curve including a volatility adjustment component (VA) to the EIOPA curve without VA.

Recognition of financial investment assets and liabilities.

From 2023 the initial recognition of financial instruments in Topdanmark Forsikring 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.

Change Accounting policies Effect on 2022 DKKkm	Shareholders' equity		Result Year 2022
	1/1 2022	31/12 2022	
2022 accounting policies	7,114	6,181	2,098
Effect of changes after tax:			
VA component	-176	-45	131
Risk margin change	-116	-114	2
Other	14	0	-14
Net effect	-278	-159	119
2023 accounting policies	6,836	6,022	2,217

Accounting estimates and judgements

Preparation of the financial statements, 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 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 reserving 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.

Profit margin, non-life insurance contracts

Generally, provisions for unearned premiums must be seen in connection with the profit margin, as an increase in the estimated cashflow will result in an increase in the provisions for unearned premiums, and a corresponding reduction of the profit margin.

For business lines where premiums are insufficient for covering expected payments and a risk margin, the profit margin will be zero, and the expected loss will be provisioned for in the provisions for unearned premiums.

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.

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

Topdanmark Forsikring writes contracts which transfer insurance risk.

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. Insurance risk is always considered to be significant.

Currency

As the predominant rule, DKK is the Company's 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 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 Forsikring has established an employee share scheme implying a pay cut. The scheme is based on Topdanmark shares. The value of the shares is included as staff costs in the income statement with a set-off against shareholders' equity.

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

amortisation and revaluation is transferred to Return and value adjustments non-life insurance provisions. Value adjustment of derivatives partially hedging the provisions for workers' compensation and annuities in illness and accident insurance 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

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 affiliates is included in the income statement under income from affiliates 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 affiliated companies is included directly in other comprehensive income items and shareholders' equity respectively.

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

Return and value adjustments of non-life insurance provisions

Return and value adjustments of non-life insurance provisions includes amortisation and revaluation of premium provisions, claims provisions, profit margin and risk margin, net of reinsurance.

Other income and expenses

Income and expenses that do not relate to 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.

The parent company 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.

Topdanmark Forsikring does not provide for deferred tax on security funds, unless it is probable that a situation creating such a tax liability will arise within the foreseeable future.

Assets

Intangible assets

Goodwill relates to the acquisition of companies prior to 2004 and is recognised at the carrying amount on the date of transition to IFRS. Goodwill is not amortised but subjected to an impairment test at the end of the financial year and written down to a lower recoverable amount.

Development projects under construction are subjected to an impairment test end of year. The carrying amount is written down to a lower recoverable amount.

Tangible assets

Operating equipment

Operating equipment, mostly cars, 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 end of year, and the carrying amount is written down to a lower recoverable amount.

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.

Subsidiaries

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.

Associates

Associates are companies which are not subsidiaries, and over which the Group has substantial influence through a significant shareholding and representation on the board of the company.

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 included in "Other financial investments assets" are measured at fair value with any value adjustment through profit and loss.

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

Revaluation reserve

Revaluation reserve comprises a reserve at net asset value relating to subsidiaries and associates.

Security fund reserves

Prior to 1989, security funds reserves 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.

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 contracts

Provisions for unearned premiums

Premium provisions are calculated as the best estimate of expected payments of 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 Forsikring'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 on underwriting year.

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 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 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 Forsikring'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 Forsikring, 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 Forsikring has purchased derivatives partially hedging the provisions for workers' compensation against changes in future wage and price indexation. The revaluation of these derivatives is included in claims incurred.

The provisions for claims include the amounts that are expected to be included 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).

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.

The risk margin is calculated through a confidence level technique based on Cost of Capital as the mathematical argumentation for the chosen confidence level at 75%.

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 liabilities

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 calculation includes the expected staff turn-over based on own experiences. The liability is measured at present value by discounting the expected future payments using the interest rate structure.

Corporation tax and deferred tax

Current tax liabilities and tax receivable, 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. 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 transferred or the company ceases to conduct insurance business.

Ratios

Gross claims ratio

$$\frac{\text{Gross claims incurred} * 100}{\text{Gross premiums earned}}$$

Net reinsurance ratio

$$\frac{\text{Reinsurance result} * 100}{\text{Gross premiums earned}}$$

Gross expense ratio

$$\frac{\text{Gross operating expenses} * 100}{\text{Gross premiums earned}}$$

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", "Acquisition costs" and "Intra Group reimbursements". Reinsurance result comprise 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.

Other liabilities

A provision has been recognized for unwinding costs in connection with the divestment of the Topdanmark Liv Holding Group to cover 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.

Other loans 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.

Combined ratio

Gross loss ratio + net reinsurance ratio + gross expense ratio

Relative run-off, net of reinsurance (%)

$$\frac{\text{Run-off on own account} * 100}{\text{Claims provisions on own account 1 January}}$$

Return on shareholders' equity (%)

$$\frac{\text{Profit for the year} * 100}{\text{Shareholders' equity (average)}}$$

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 Forsikring A/S for 2023.

The Annual Report is presented in accordance with the Danish Financial Business Act.

In our opinion, the annual financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2023 as well as the result of the company's activities for the financial year 1 January to 31 December 2023.

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

We recommend the Annual Report for adoption at the Annual General Meeting.

Ballerup, 26 February 2024

Executive Board:

Peter Hermann
(CEO)

Lars Kufall Beck

Board of Directors:

Ricard Wennerklint
(Chairman)

Jens Aaløse
(Deputy Chairman)

Elise Bundgaard

Maria Hjorth

Mette Jensen

Cristina Lage

Michael Noer

Morten Thorsrud

Kjell Rune Tveita

Independent auditor's report

To the shareholders of Topdanmark Forsikring A/S

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023. The 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 Forsikring A/S' financial statements for the financial year 1 January – 31 December 2023 comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies. The 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 Company 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 Forsikring 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 26 April 2023 for the financial year ending 31 December 2023.

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 2023 financial year. These matters were addressed in the context of our audit of the 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**Measurement of provisions for insurance contracts*****Subjective measurement and inherent uncertainty***

Provisions for insurance contract provisions represent the largest liability for the Company.

- Total provisions for insurance contracts amount to DKK 14,109 million at 31 December 2023 (2022: DKK 13,502 million).

The measurement of the main parts of these provisions are highly judgmental because it requires a number of management estimates to be made and are associated with a high level of estimation uncertainty related to the expected future cash flows.

The expected future cash flows include, among other things, the following significant assumptions:

- 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.
- Expected future cash flows in relation to insurance events after the balance sheet date, including direct and indirect costs related to these contracts which were entered into before the balance sheet date.

The selection of the methods and models is also significant for the estimation output and is based on management's assessment of best suitability on the individual lines of businesses.

The yield curve applied in measuring the provisions for insurance contracts also have a significant impact on the measurement of the provisions.

The selection and application of the methods, models and performance of the calculations are also complex.

Based on the above we consider the audit of the following parts of the provisions for insurance contracts to be a key audit matter:

- Provisions for claims (excluding claims handling provision)
- Risk margin.
- Provisions for unearned premiums
- Profit margin

Information on provisions for insurance contracts is disclosed in notes 20 and 21.

In addition, specified risks, assumptions, etc., related to the estimates of provisions for insurance contract are described in the section "Reserving risk" in note 28, Risk Management and in the section "Accounting policies requiring managements judgement and key sources of estimation uncertainties" in note 29, Accounting policies.

Completeness and accuracy of data

The measurement of the provisions for insurance contracts depends on complete and accurate data covering the volume, amount and pattern of current and historical claims since they are often used to form

How our audit addressed the key audit matter

With the assistance of our actuarial specialists, our procedures included:

Assessment of control environment

We have obtained an understanding of the insurance provisioning process, including the governance hereof. Our understanding has included, among other things, assessment of the qualifications and experience of those responsible for reviewing the provisions and examining the output of the reviews and assessing the scope and depth of these reviews.

Our evaluation of the methods and models and, key assumptions for the most significant and subjective provisions has also supported our assessment of the quality of the Company's provisioning process.

Test of controls

We have evaluated the design and implementation and tested the operating effectiveness of key controls that ensure the accuracy and completeness of the data used in the actuarial provisioning process including both current and prior years' data used.

Substantive audit procedures

We have developed independent re-projections of the gross claims provisions covering the lines of business related with the most material risks.

The independent re-projection were performed by calculating the level of the provisions using KPMG's own parameters and assumptions.

We have tested individual provisions for claims on a sample basis to appropriate documentation in order to assess the accuracy of individual claims provisions.

We have re-calculated the risk margin, provisions for unearned premiums and profit margin on a sample basis.

We have assessed the consistency of the methods and models applied as well as challenged the methods and models and significant assumptions applied.

Sector experience and benchmarking

Using our sector knowledge and experience we assessed the Company's applied provisioning methods and assumptions by comparing with the Company'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 reconciled the claims data recorded in the insurance systems and tested the data used in the actuarial provision calculations on a sample basis to ensure completeness and accuracy of data used.

Key audit matter

expectations about future claims provisions. If the data used in calculating insurance provisions, or for forming judgements of key assumptions, is not complete and accurate, then material misstatements to the valuation of insurance liabilities may arise.

IT - general system, data and operational security**Completeness and accuracy of financial data**

Preparation of financial information is highly dependent on financial IT applications. Design and implementation of general IT controls (change management and access controls) and application controls are essential for creating an adequate control environment, and the operational effectiveness of these controls is important for generating reliable financial data.

Due to the complexity of the entity's IT infrastructure and systems and the continued IT transformation activities during 2023, we consider the audit of the general IT controls a key audit matter

How our audit addressed the key audit matter

With the assistance of our IT audit specialists, our procedures included testing of the design and implementation and the operating effectiveness of general IT controls on system access, change management and computer operations within specific applications pertinent to the financial statements by assessing if appropriate policies and controls are in place and adhered to and by inspecting supporting evidence and performing additional procedures like data analyses.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the 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 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 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 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 financial statements that give a true and fair view in accordance with the Danish Financial Business Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, Management is responsible for assessing the 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 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 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 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 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 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 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 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the 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.

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 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.

Copenhagen, 26 February 2024

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Anja Bjørnholt Lütchke
State Authorised
Public Accountant
mne26779

Kim Moeslund Schmidt
State Authorised
Public Accountant
mne34552