

Half-year report for 2023

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Topdanmark A/S • Borupvang 4 • DK-2750 Ballerup • Tel +45 44 68 33 11
CVR no. 78040017 • topdanmark@topdanmark.dk • www.topdanmark.com



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Contents

Management's review

5	Highlights
6	Financial highlights
7	Results for H1 2023
7	Results for Q2 2023
7	Insurance service result for H1 2023
9	Insurance service result for Q2 2023
11	Investment result
12	Solvency calculation and capital requirements
13	Parent company etc.
13	Taxation
13	Efficiency programme
13	Acquisition of Oona Health A/S
14	Profit forecast model
15	Financial calendar
15	Disclaimer

Financial statements for H1 2023

– Group

18	Income statement
18	Statement of comprehensive income
19	Assets
20	Shareholders' equity and liabilities
21	Cash flow statement
22	Statement of changes in equity
23	Segment information
24	Notes to the financial statements

Financial statements for H1 2023

– Parent company

32	Income statement
32	Statement of comprehensive income
33	Balance sheet
34	Notes to the financial statements
35	Statement by Management

Management's review

Highlights

H1 2023

- Profit after tax of DKK 633m (H1 2022: DKK 510m)
- EPS was DKK 7.1 (H1 2022: DKK 5.8)
- Combined ratio: 82.9 (H1 2022: 83.4)
- Combined ratio excluding run-off profits: 85.2 (H1 2022: 85.0)
- Insurance revenue increased by 2.0%
- Net investment result was DKK 24m (H1 2022: DKK -318m).

Q2 2023

- Profit after tax of DKK 260m (Q2 2022: DKK 349m)
- EPS was DKK 2.9 (Q2 2022: DKK 4.0)
- Combined ratio: 82.3 (Q2 2022: 75.3)
- Combined ratio excluding run-off: 84.5 (Q2 2022: 81.0)
- Insurance revenue increased by 1.4%
- Net investment result was DKK -82m (Q2 2022: DKK -322m).

Profit forecast model for 2023

- The assumed combined ratio for 2023 has been narrowed from 82.5-85.5 to 83.5-85.5, excluding run-off in H2.
- The profit forecast for 2023 has been lowered from DKK 1,150-1,410m to DKK 1,050-1,200m after tax, excluding run-off in H2. For modelling purposes, the announced acquisition of Oona Health A/S is still assumed to close as at 31 December 2023. As a result, no effects related to the acquisition have been included.
- The expected growth in insurance revenue is lowered from 2-3.5% to above 2%.

Acquisition of Oona Health A/S

- The approval process is progressing according to plan, and the Danish FSA has approved the transaction.
- We are still awaiting approval of the transaction from the Danish Competition and Consumer Authority, and we continue to expect the acquisition to be completed in the second half of 2023.

Conference call

A conference call will be held today at 13:00 (CEST) in which Peter Hermann, CEO, and Lars Kufall Beck, CFO, will be available for questions based on the results. The call will be conducted in English.

To participate in the conference call, please call:
DK dial-in number: +45 78 76 84 90
SE dial-in number: +46 4 0682 0620
UK dial-in number: +44 203 769 6819
US dial-in number: +1 646 787 0157
(Pin code for all callers: 587062)

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

Please direct any queries to:



Peter Hermann
Chief Executive Officer



Lars Kufall Beck
Chief Financial Officer



Robin Hjelgaard Løfgren
Head of Investor Relations
Direct tel.: +45 4474 4017
Mobile tel.: +45 2962 1691

Financial highlights

(DKKm)	H1 2023	H1 2022	Q2 2023	Q2 2022	Full year 2022
Insurance revenue	5,015	4,919	2,515	2,481	9,898
Claims incurred	-3,129	-3,244	-1,565	-1,438	-6,296
Expenses	-841	-772	-423	-384	-1,555
Reinsurance result	-164	-73	-73	-38	-272
Insurance service result	880	830	454	620	1,774
Net investment result	24	-318	-82	-322	-244
Other items	-24	-56	-12	-17	-90
Profit on insurance	881	456	360	282	1,441
Parent company etc.	-17	-32	-7	-17	-59
Profit before tax, continuing operations	864	424	353	264	1,382
Tax, continuing operations	-231	-91	-92	-53	-305
Profit after tax, continuing operations	633	333	260	211	1,078
Profit after tax, discontinued operations	0	177	0	138	1,102
Profit	633	510	260	349	2,179
Run-off profits, net of reinsurance	114	81	55	141	152
Investment assets	18,364	13,489			19,269
Reinsurance asset	512	748			591
Assets held for sale	0	92,488			0
Provisions for insurance contracts	14,534	14,856			13,235
Liabilities related to assets held for sale	0	86,441			0
Shareholders' equity	4,310	4,625			6,349
Total balance	21,772	109,391			22,603
Financial ratios					
Return on shareholders' equity after tax (annualised)	21.8	17.4	20.5	31.0	36.3
EPS continuing operations after tax (DKK)	7.1	3.8	2.9	2.4	12.2
EPS after tax (DKK)	7.1	5.8	2.9	4.0	24.7
Dividend per share issued, proposed (DKK)					31.0
Net asset value per share, diluted (DKK)	48.5	52.3			71.4
Listed share price end of period	335.2	369.4			365.4
Number of shares end of period ('000)	88,685	88,200			88,518
Average number of shares ('000)	88,642	88,107	88,663	88,162	88,206
Ratios non-life insurance					
Gross claims ratio	62.6	66.0	62.4	58.1	63.7
Net reinsurance ratio	3.3	1.5	2.9	1.5	2.8
Claims ratio, net of reinsurance	65.8	67.5	65.3	59.6	66.5
Gross expense ratio	17.1	15.9	17.0	15.7	15.9
Combined ratio	82.9	83.4	82.3	75.3	82.4
Combined ratio excl. run-off profits	85.2	85.0	84.5	81.0	83.9

Basis for financial ratios has been changed to Group from a parent company calculation.

Comparatives have been adapted to new accounting policies.

Results for H1 2023

Topdanmark's profit for H1 2023 was DKK 633m (H1 2022: DKK 510m).

The insurance service result increased by DKK 50m to DKK 880m. The increase should be seen in the light of a high level of weather-related claims in Q1 2022, mainly caused by the storms Malik and Nora, whereas weather-related claims were almost in line with the normalised modelled level in Q1 2023 and somewhat below the normalised modelled level in Q2 2023. Underlying, claims frequencies were higher due to a normalisation after COVID-19 as well as stochastic claims especially in Q2 2023. Offsetting this, we delivered continued progress on our efforts to become more efficient, including pricing initiatives.

The net investment result increased by DKK 342m to DKK 24m. This development should be seen in the light of the volatility in the financial markets during H1 2022 caused in part by the war in Ukraine. H1 2023 was impacted by rising equity markets and a higher running yield on short-term liquidity, largely offset by a loss on the "matching" portfolio in Q2 due to wage indexation of workers' compensation provisions. Wage expectations are set out by the Danish central bank and the Danish Economic Councils, and they are updated twice a year, after which our provisions are updated accordingly. It is important to note that normally there is a time lag between changes in inflation and wage expectations, and overall, we believe that we have an appropriate hedge in place.

Other items, which comprises education and development costs, improved by DKK 32m to DKK -24m. In H1 2022, other items included a DKK 25m provision for a potential extraordinary contribution to the Danish Guarantee Fund for Non-life Insurers related to the bankruptcy of Gefion Insurance A/S.

Results for Q2 2023

The profit for Q2 2023 was DKK 260m (Q2 2022: DKK 349m).

The insurance service result decreased by DKK 166m to DKK 454m. Q2 2022 saw a negative net effect of the swap hedging inflation indexation on workers' compensation. Under IFRS 17, this effect has been reclassified to net investment result, which increased

the historical insurance service result via higher run-off. The positive run-off result in Q2 2022 was an offset of the negative run-off result in Q1 2022, causing no material impact in H1 2022 as a whole.

Underlying, the insurance service result in Q2 2023 was impacted by a higher frequency of large fires in private houses, fire- and drought-related claims in agriculture, and a higher claims frequency in motor, including a few large commercial motor claims.

The net investment result increased by DKK 240m to DKK -82m. Q2 2023 was affected by a loss on the "matching" portfolio in Q2 due to wage indexation of workers' compensation provisions.

Insurance service result for H1 2023

Insurance revenue

Insurance revenue increased by 2.0% to DKK 5,015m. The private segment accounted for a 0.9% increase, and the SME segment accounted for a 2.9% increase. 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

Underlying claims ratio	H1	H1	Q2	Q2	Full year
	2023	2022	2023	2022	2022
Claims ratio, net of reinsurance	65.8	67.5	65.3	59.6	66.5
Run-off	2.3	1.6	2.2	5.7	1.5
Weather-related claims	-2.3	-3.7	-1.0	-0.8	-2.8
Large-scale claims	-1.5	-1.2	-2.0	-1.2	-1.0
Discounting	2.7	0.7	2.9	1.0	2.0
Other	-0.2	0.4	-0.3	0.4	0.3
Underlying (undiscounted) claims ratio, net of reinsurance	66.9	65.4	67.0	64.6	66.6

The gross claims ratio improved to 62.6 from 66.0 in H1 2022. The claims ratio, net of reinsurance, improved to 65.8 from 67.5 in H1 2022. The absence of large storms exceeding the retention level of our catastrophe reinsurance programme caused a lower gross claims ratio and a higher net reinsurance ratio.

The run-off profit, net of reinsurance, was DKK 114m (H1 2022: DKK 81m), which is marginally higher than the level experienced in recent years.

Weather-related claims amounted to DKK 115m (H1 2022: DKK 183m), representing a 1.4pp improvement of the claims ratio. Thus, the level of weather-related claims was DKK 15m below the normalised modelled level of DKK 130m. This was a result of an eventful Q1 which saw both rain, frost, and a storm whereas weather conditions regarding storm, cloudburst, and rain were more benign in Q2. In comparison, H1 2022 was affected by two larger storms in January and February.

Large-scale claims (claims exceeding DKK 5m by event after refund of reinsurance) amounted to DKK 73m, slightly higher than the level in H1 2022 (DKK 59m) and somewhat higher than the normalised modelled level of DKK 50m. Q2 2023 was affected by a higher 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. The discounting effect was 2.0pp higher compared with H1 2022.

The underlying claims ratio increased by 1.5pp to 66.9. Q1 2023 saw a higher claims frequency within motor, mainly as the northernmost parts of Denmark experienced high snow depths during March and such claims are not included in our weather-related claims. Q2 2023 saw higher frequencies within private house insurance (fires), agriculture (fires and drought),

and motor. In comparison, H1 2022 was impacted by lower claims frequencies within travel, personal accident, and motor, primarily due to COVID-19 lockdowns.

Expense ratio

The expense ratio was 17.1, up from 15.9 in H1 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 82.9 (H1 2022: 83.4). Excluding run-off, the combined ratio was 85.2 (H1 2022: 85.0).

Reinsurance

The catastrophe reinsurance programme has been renewed for one year as at 1 July 2023 and still covers claims up to DKK 5.1bn. The reinsurance market has toughened materially, and consequently we decided to increase our retention level from DKK 100m to DKK 150m. In addition, pricing increased substantially. In aggregate, the headwinds from the hardening in the reinsurance market were a little stronger than anticipated.

The higher retention level also caused us to reassess the normalised modelled level for weather-related claims net of reinsurance. Going forward, the normalised modelled level for weather-related claims in accordance with our internal model is DKK 315m p.a., of which DKK 90m in Q1, DKK 55m in Q2, DKK 95m in Q3 and DKK 75m in Q4.

We intend to pass the negative impact from the hardening reinsurance market onto our customers through price increases.

Insurance service result for Q2 2023

Insurance revenue increased by 1.4% to DKK 2,515m. The private segment accounted for a 1.2% increase, and the SME segment accounted for a 1.5% increase.

The claims ratio was 65.3, 5.7pp higher than the level in Q2 2022. Note that Q2 2022 saw a negative net effect of the swap hedging inflation indexation on workers' compensation. Under IFRS 17, this effect has been reclassified to net investment result, which increased the historical insurance service result via higher run-off. The positive run-off result in Q2 2022 is an offset of the negative run-off result in Q1 2022, causing no material impact in H1 2022 as a whole.

Weather conditions regarding storm, cloudburst, and rain were benign and related claims amounted to DKK 26m, thus largely unchanged compared with the Q2 2022 level (DKK 20m) but somewhat below the normalised modelled level of DKK 45m.

Large-scale claims amounted to DKK 50m, somewhat higher than the level last year (DKK 31m) as well as the normalised modelled level of DKK 25m. Q2 2023 was affected by a higher frequency of large fire-related claims as well as a single claim related to hail.

Segment reporting

Private

Private (DKKm)	H1 2023	H1 2022	Q2 2023	Q2 2022	Full year 2022
Insurance revenue	2,407	2,385	1,208	1,194	4,756
Claims incurred	-1,527	-1,547	-759	-749	-3,086
Expenses	-400	-366	-201	-182	-754
Net reinsurance	-34	-21	-20	-13	-49
Insurance service result	446	451	228	249	868
Run-off profits, net of reinsurance	66	52	18	23	57
Gross claims ratio	63.4	64.9	62.8	62.7	64.9
Net reinsurance ratio	1.4	0.9	1.7	1.1	1.0
Claims ratio, net of reinsurance	64.9	65.7	64.5	63.9	65.9
Gross expense ratio	16.6	15.4	16.7	15.3	15.9
Combined ratio	81.5	81.1	81.2	79.1	81.8
Combined ratio excl. run-off profits	84.2	83.3	82.7	81.0	83.0

The private segment offers policies to individual households in Denmark.

Insurance revenue increased by 0.9% to DKK 2,407m.

Increasing interest rates improved the claims trend by 1.9pp.

The run-off profit, net of reinsurance, was DKK 55m (Q2 2022: DKK 141m, affected by the abovementioned reclassification of the inflation swap to net investment result), representing a 3.5pp negative effect on the claims ratio.

The underlying claims ratio increased by 2.4pp to 67.0 due to a higher frequency of large fires in private houses, fire- and drought-related claims in agriculture, and a higher claims frequency in motor, including a few large commercial motor claims. In Q2 2023, the number of motor claims increased by more than 5pp compared with Q2 2022, and thus motor accounted for approx. half of the deterioration in underlying claims ratio.

The expense ratio was 17.0 (Q2 2022: 15.7). The increase was largely as expected given the sale of Topdanmark Liv Holding A/S.

The combined ratio was 82.3 (Q2 2022: 75.3). Excluding run-off, the combined ratio was 84.5 (Q2 2022: 81.0).

The insurance service result was DKK 446m, a decrease of DKK 5m compared with H1 2022.

The gross claims ratio improved by 1.5pp to 63.4, and the claims ratio, net of reinsurance, improved by

0.8pp to 64.9. Weather-related claims amounted to DKK 66m (H1 2022: DKK 75m), representing a 0.4pp improvement of the claims ratio. In addition, run-off was a profit of DKK 66m, DKK 14m above H1 2022 corresponding to a 0.5pp improvement of the claims ratio. Underlying, especially Q2 2023 saw higher claims frequencies across house insurance (fires) and motor.

The expense ratio increased to 16.6 from 15.4 in H1 2022, mainly due to dissynergies related to the sale of Topdanmark Liv Holding A/S.

The combined ratio was 81.5 (H1 2022: 81.1). Excluding run-off, the combined ratio was 84.2 (H1 2022: 83.3).

SME

SME (DKKm)	H1 2023	H1 2022	Q2 2023	Q2 2022	Full year 2022
Insurance revenue	2,613	2,540	1,309	1,290	5,153
Claims incurred	-1,614	-1,707	-811	-694	-3,229
Expenses	-459	-416	-227	-209	-822
Net reinsurance	-130	-52	-53	-25	-224
Insurance service result	410	364	218	361	878
Run-off profits, net of reinsurance	49	29	36	118	95
Gross claims ratio	61.8	67.2	62.0	53.8	62.7
Net reinsurance ratio	5.0	2.1	4.0	1.9	4.3
Claims ratio, net of reinsurance	66.7	69.3	66.0	55.8	67.0
Gross expense ratio	17.6	16.4	17.3	16.2	16.0
Combined ratio	84.3	85.7	83.3	72.0	83.0
Combined ratio excl. run-off profits	86.2	86.8	86.1	81.1	84.8

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

Insurance revenue increased by 2.9% to DKK 2,613m. The growth was lower than last year which was 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 high.

The insurance service result increased by DKK 46m to DKK 410m. Run-off was a profit of DKK 49m, representing a 0.8pp improvement of the claims ratio. Weather-related claims amounted to DKK 49m in H1 2023 (H1 2022: DKK 108m). Large-scale claims were 1.0pp above H1 2022.

Q2 2022 saw a negative net effect of the swap hedging inflation indexation on workers' compensation. Under IFRS 17, this effect has been reclassified to net investment result, which increased the historical insurance service result via higher

run-off. The positive run-off result in Q2 2022 was an offset of the negative run-off result in Q1 2022, causing no material impact in H1 2022 as a whole.

Fire-related claims on agricultural properties and crop insurance claims affected the claims ratio negatively in Q2 2023. In addition, the claims frequency in motor increased, including a few large claims.

For H1 2023, the gross claims ratio improved significantly, causing a higher net reinsurance ratio. Net of reinsurance, the claims ratio improved by 2.6pp to 66.7.

The expense ratio increased to 17.6 from 16.4 in H1 2022, mainly due to dissynergies related to the sale of Topdanmark Liv Holding A/S.

The combined ratio improved to 84.3 (H1 2022: 85.7). Excluding run-off, the combined ratio improved to 86.2 (H1 2022: 86.8).

Investment result

Investment result	Portfolio 30 June															
	2023	2022	(DKKbn)		Return H1 2023	(DKKm)	%	Return H1 2022	(DKKm)	%	Return Q2 2023	(DKKm)	%	Return Q2 2022	(DKKm)	%
Danish equities	0.1	0.2			12	8.7		-36	-17.2		3	2.2		-23	-11.6	
Foreign equities	0.5	0.7			81	16.5		-172	-20.3		33	6.1		-109	-13.9	
Unlisted equities and hedge funds	0.2	0.4			23	9.5		6	1.5		15	6.1		11	2.9	
Government and mortgage bonds	15.8	10.9			152	1.0		-838	-6.8		30	0.2		-432	-3.6	
Credit bonds	0.3	0.0			8	3.3		0	0.0		2	0.9		0	0.0	
Index linked bonds	0.7	0.6			8	1.2		3	0.5		-11	-1.6		6	1.1	
CLOs	0.1	0.4			17	11.9		-112	-16.3		7	5.0		-84	-13.0	
Properties	0.7	0.8			-1	-0.2		12	1.5		12	1.7		8	1.0	
Inflation swaps	0.1	0.0			-16	-11.2		142	-		-6	-4.6		-48	-	
Expenses, money markets etc.	0.3	4.1			14	0.4		11	0.3		0	0.0		3	0.1	
Subordinated loan capital	-1.1	-1.9			-29	-2.6		-14	-0.7		-16	-1.4		-7	-0.4	
Investment return	17.7	16.2			269	1.3	-999	-5.8			70	0.3	-675	-4.0		
Insurance finance income og expenses					-210			688			-136			358		
Net investment result					59		-310				-66		-317			

The investment result for H1 2023 includes income from insurance (DKK 24m), income from the parent company (DKK 11m, presented in the line “Parent company etc.” in financial highlights), and profit on owner-occupied properties (DKK 24m, eliminated in the Group accounts in financial highlights). Refer to segment reporting in the IFRS accounts for further specification.

The net investment result was DKK 59m in H1 2023 (H1 2022: DKK -310m). In Q2 2023, the net investment result was DKK -66m (Q2 2022: DKK -317m).

The negative net investment result in Q2 2023 was primarily driven by an upward adjustment of the wage indexation of workers' compensation provisions and, to a lesser extent, widening of spreads on Danish mortgage bonds.

Rising equity markets, higher running yields on short-term liquidity contributed positively to the net investment result.

The main macro theme in Q2 2023 was the resilience of the economies despite an increase in interest rates over the past year.

Despite the initial anticipation of economic growth decelerating, with the possibility of turning negative, both labour markets and retail consumption have surpassed expectations.

This development, seen from a central bank perspective, hinders the underlying inflation from falling towards their long-term inflation target. Toward the end of Q2, central banks have signalled the need for further interest rate increases exerting upward pressure on the short end of the yield curve.

The “free” portfolio, i.e. the remaining assets after matching our liabilities, positive sentiment on risk

assets continued in Q2, supporting equities (both public and private), high-yield and structured credit such as CLO's. The US equity allocation made the largest contribution on the equity side. To balance the portfolio against adverse shocks, we reduced the allocation to equities in Q2 and added fixed income securities. Additionally, the property portfolio, consisting solely of owner-occupied properties, contributed positively to the overall investment return.

Following the sale of Topdanmark Liv Holding A/S last year, we have shifted our equity exposure and strategy from single-stock picking to ETFs. Furthermore, we aim to further reduce CLO exposure over the coming quarters.

The “matching” portfolio contributed negatively to the overall investment return. The main negative impact from the duration part was spread widening on Danish mortgage bonds throughout the quarter. The spread widening, particularly on lower-coupon bonds, can be attributed to reduced buy-back activity from Danish homeowners and lower foreign investor demand due to increasingly attractive fixed income opportunities worldwide. These factors overshadowed the positive effects of higher running yields compared with the regulatory discounting curve and a lower EUR-DKK spread.

In the liability matching part of the investment portfolio, the duration risk between provisions and fixed income assets has been hedged using fixed

income assets, primarily Danish mortgage bonds and interest rate swaps.

The wage indexation of workers' compensation provisions contributed negatively to the net investment result. This negative contribution primarily stems from increased wage projections from The Danish central bank and The Danish Economic Councils (DØRS), reflecting finalised collective agreements in the Danish labour market. The wage projections are updated twice a year, and the latest update resulted in an upward adjustment in the front end of the wage curve. It is important to note that normally there is a time lag between changes in inflation and wage expectations, and overall, we believe we have an appropriate hedge in place. As a result, the insurance provisions increased, negatively impacting the net investment result in Q2.

Additionally, Danish monthly inflation numbers experienced the largest decrease in May during the

last 40 years, mainly due to a significant decrease in electricity prices. This decrease in actual inflation affected the short end of the inflation curve which resulted in a negative value adjustment on inflation swaps.

As from 1 January 2023, inflation swaps and the wage indexation of the insurance provisions on workers' compensation are reclassified to the investment result in accordance with IFRS 17.

"Expenses, money markets, etc." comprises in addition to money market deposits and currency positions, other returns and expenses not included in specified asset classes.

Short-term liquidity decreased in May due to the dividend payment from Topdanmark, leading to a reduction in interest income from short-term liquidity instruments compared with Q1 2023.

Solvency calculation and capital requirements

Solvency cover (DKKm)	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Jun 2022
Shareholders' equity	4,310	6,773	6,498	4,775
Proposed dividend	0	-2,790	-4,815	0
Deferred tax on security funds	362	362	362	362
Profit margin	1,269	1,409	1,300	2,356
Intangible assets	-1,463	-1,383	-1,314	-1,788
Other	192	198	-10	-143
Tax effects	-111	-168	-105	-191
Subordinated loan tier 1	400	400	400	400
Subordinated loans tier 2	700	700	700	1,408
Own funds	5,660	5,501	3,016	7,179
Solvency requirement	1,496	1,568	1,518	2,816
Solvency cover (%)	378	351	199	255

Potential dividend for the interim periods was not deducted.

Transition to new accounting policies 2023 has not affected the solvency position. Comparatives have not been adapted.

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 non-life risk.

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

The solvency cover for the Group increased to 378% at the end of Q2 2023 from 351% at the end of Q1 2023, mainly due to earnings in the quarter and a lower solvency capital requirement following further CLO sell-off and a further shift in investment portfolio from equities to fixed income in Q2. The solvency cover remains elevated as we continue to hold excess capital for the acquisition of Oona Health A/S, which is expected to close in H2 2023.

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.

Parent company etc.

The parent company, Topdanmark, does not perform any independent activities. The result of the parent company etc. includes, among other things, Group costs. The result of the parent company increased by DKK 15m to DKK -17m. An interest expense of DKK 5m on a subordinated loan in H1 2022 has been replaced by a DKK 10m interest income on intracompany receivables from Topdanmark Forsikring A/S in H1 2023.

Taxation

The tax charge on continuing operations was DKK 231m of the pre-tax profit of DKK 864m, corresponding to an effective tax rate of 26.7% (H1 2022: 21.5%). As at 1 January 2023, the statutory tax rate for Topdanmark Forsikring A/S increased to 25.2% (2022: 22%). The effective tax rate was higher than the statutory tax rate of 25.2% primarily due to a non-deductible negative value adjustment of the property portfolio.

Efficiency programme

The main focus areas of the efficiency programme are:

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

The annual gross efficiency gains are targeted to be DKK 650m in 2025 of which DKK 435m in 2023. Please refer to the Annual Report 2022 for details of the programme.

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

Acquisition of Oona Health A/S

As stated in company announcement no. 04/2023 dated 16 March 2023, Topdanmark has signed an agreement to acquire Oona Health A/S and all subsidiaries hereof from Daytona Holdings Limited and a number of minority shareholders.

Closing of the transaction is, among other things, subject to relevant regulatory approvals. The approval process is progressing according to plan, and the Danish FSA has approved the transaction. We are still awaiting approval of the transaction from the Danish Competition and Consumer Authority, and we continue to expect the acquisition to be completed in the second half of 2023.

Profit forecast model

Profit forecast model 2023 (DKKm)	Forecast 2023		Forecast 2023		Results 2022	
	30 June 2023	31 March 2023	30 June 2023	31 March 2023		
Insurance service result	1,500	–	1,700	1,475	–	1,775
Net investment result	25	–	40	200	–	225
Other items	-60	–	-55	-65	–	-90
Profit on insurance	1,465	–	1,685	1,610	–	1,940
Parent company etc.	-45	–	-40	-60	–	-59
Profit before tax, continuing operations	1,420	–	1,645	1,550	–	1,890
Tax, continuing operations	-370	–	-445	-400	–	-480
Profit after tax, continuing operations	1,050	–	1,200	1,150	–	1,410
Profit after tax, discontinued operations	-	–	-	-	–	-1,102
Profit	1,050	–	1,200	1,150	–	2,179

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

Therefore, as set out at www.topdanmark.com → Investors → Risk management, we provide additional information on how changes in the assumptions underlying the profit forecast model will affect the results.

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

Insurance

In the interim report for Q1 2023, we assumed insurance revenue growth of 2-3.5% and a combined ratio of 82.5-85.5 for 2023. The underlying assumptions can be found in the interim report for Q1 2023. Since this report, the following major changes to assumptions have occurred:

- In Q2 2023, there were run-off profits of DKK 55m, corresponding to a 0.5pp improvement of the combined ratio for 2023.
- Weather-related claims in Q2 2023 were DKK 19m below forecast, corresponding to a 0.2pp improvement of the combined ratio for 2023.
- Large-scale claims in Q2 2023 were DKK 25m above forecast, corresponding to a 0.2pp deterioration of the combined ratio for 2023.

- Increased claims frequency in Q2 2023 within motor, which is also expected to affect H2 2023.
- Higher claims frequency of a stochastic nature, including more large fires in private houses, and fire- and drought-related claims in agriculture, affected the claims picture in Q2 2023.
- In connection with the renewal of our catastrophe reinsurance programme on 1 July 2023, the headwinds from the hardening in the reinsurance market were a little stronger than anticipated.
- The net investment result in Q2 2023 was affected by a loss on the match portfolio due to wage indexation of workers' compensation provisions. The full-year impact of the change in wage expectations is included in the full-year assumed net investment results, which is lowered by approx. DKK 175m.

As a result, the assumed combined ratio is narrowed to 83.5-85.5, excluding run-off in H2 2023. This includes an unchanged expectation of an expense ratio a little higher than 16.5.

The assumed insurance revenue growth is lowered from 2-3.5% to above 2% based on developments in H1 2023 and the prevailing competitive dynamics in the Danish market.

For modelling purposes, the announced acquisition of Oona Health A/S is assumed to close as at 31 December 2023. As a result, no effects related to the acquisition have been included.

The overall assumed pre-tax profit on insurance is DKK 1,465-1,685m excluding run-off in H2.

Parent company

The profit forecast model for the parent company assumes a slightly improved pre-tax loss of DKK 40-45m.

Taxation

Due to non-deductible expenses, the effective tax rate will be higher than the statutory tax rate. Assuming an effective tax rate of approx. 26% in H2 2023 in accordance with the increased corporate tax rate for financial sector companies, the tax charge on continuing operations is expected to be DKK 370-445m.

Total Group profit

Topdanmark's overall post-tax profit according to the profit forecast model for 2023 is DKK 1,050-1,200m representing an EPS of DKK 11.8-13.5. The assumed profit is exclusive of run-off in H2. The result of the profit forecast model corresponds to 70-80% of the current Group solvency requirement.

The profit forecast model for the insurance service result assumes an unchanged interest rate curve as at 30 June 2023. For the liability matching part of the investment portfolio, the model assumes that the return on interest-bearing assets that hedge the discounted provisions exactly suffices to cover discounting and value adjustments of the provisions. For the "free" investment portfolio, the profit forecast model is based on the common return expectations for investments with a 1-5-year horizon as set out by the Council for Return Expectations.

Disclaimer

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

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

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

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

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

Financial calendar

We will publish our interim report for Q1-Q3 2023 on Tuesday 24 October 2023. The financial calendar for 2024 will be published at the end of the year.



Financial statements for H1 2023

– Group

Income statement • Group

(DKKm)	Note	H1	H1	Q2	Q2	Full year
		2023	2022	2023	2022	2022
Insurance revenue		5,015	4,919	2,515	2,481	9,898
Insurance service expenses		-3,971	-4,016	-1,988	-1,822	-7,851
Reinsurance result		-164	-73	-73	-38	-272
Insurance service result		880	830	454	620	1,774
Interest income and dividends etc.		238	179	121	100	321
Value adjustments		70	-1,148	-26	-761	-1,320
Interest expenses		-33	-19	-18	-9	-43
Expenses on investment activities		-29	-25	-15	-13	-63
Total investment return		245	-1,012	62	-683	-1,105
Insurance finance income insurance contracts		-214	698	-136	362	869
Insurance finance expenses reinsurance contracts		4	-10	0	-4	-16
Net investment result		35	-324	-74	-325	-252
Other income		3	2	1	0	8
Other expenses		-54	-85	-28	-31	-148
Profit before tax, continuing operations		864	424	353	264	1,382
Tax, continuing operations		-231	-91	-92	-53	-305
Profit after tax, continuing operations		633	333	260	211	1,078
Profit after tax, discontinued operations	2	0	177	0	138	1,102
Profit		633	510	260	349	2,179
EPS continuing operations, diluted (DKK)		7.1	3.8	2.9	2.4	12.2
EPS, diluted (DKK)		7.1	5.8	2.9	3.9	24.6

Statement of comprehensive income • Group

Profit	633	510	260	349	2,179
Items which cannot subsequently be reclassified as profit or loss:					
Deferred tax on security fund (change in the tax percentage)	0	-56	0	-56	-56
Revaluation / Reversed revaluation owner-occupied properties	0	1	0	0	0
Other comprehensive income	0	-55	0	-55	-56
Total comprehensive income	633	454	260	294	2,124

Assets • Group

(DKKm)	Note	30 June 2023	30 June 2022	31 December 2022
Intangible assets		1,463	1,184	1,314
Operating equipment		62	63	67
Owner-occupied properties		739	810	765
Total tangible assets		801	873	832
Equity investments in associates and joint ventures		57	57	53
Total investments in associates and joint ventures		57	57	53
Equity investments		740	1,075	1,006
Bonds		17,087	11,841	13,989
Loans guaranteed by mortgages		5	5	5
Deposits with credit institutions		318	406	4,044
Derivatives		158	105	171
Total other financial investment assets		18,307	13,432	19,215
Total investment assets		18,364	13,489	19,269
Reinsurance asset		512	748	591
Other receivables		212	186	185
Total receivables		724	933	776
Current tax assets		0	42	0
Deferred tax assets		26	33	49
Assets held for sale	2	0	92,488	0
Liquid funds		36	36	61
Other		12	11	16
Total other assets		75	92,610	126
Accrued interest and rent		103	66	99
Other prepayments and accrued income		242	235	188
Total prepayments and accrued income		346	301	287
Total assets		21,772	109,391	22,603

Shareholders' equity and liabilities • Group

(DKKm)	Note	30 June 2023	30 June 2022	31 December 2022
Share capital		90	90	90
Revaluation reserve		0	2	0
Security fund		1,090	1,090	1,090
Other reserves		50	84	46
Total reserves		1,140	1,174	1,137
Profit carried forward		3,080	3,359	308
Proposed dividend		0	0	4,815
Total shareholders' equity		4,310	4,625	6,349
Other subordinated loan capital		1,100	1,900	1,100
Liability for remaining coverage		3,500	3,715	2,254
Liability for incurred claims		11,034	11,140	10,981
Total provisions for insurance contracts		14,534	14,856	13,235
Pensions and similar commitments		20	23	20
Deferred tax liabilities		337	269	275
Other liabilities		287	25	361
Total provisions		644	317	656
Amounts due to credit institutions		152	305	171
Current tax liabilities		128	0	108
Liabilities relating to assets held for sale	2	0	86,441	0
Derivatives		232	303	236
Other debt		666	631	698
Total debt		1,178	87,681	1,213
Accruals and deferred income		7	12	49
Total shareholders' equity and liabilities		21,772	109,391	22,603
Accounting policies		1		
Discontinued operations		2		
Financial assets and liabilities		3		
Contingent liabilities		4		
Related parties		5		

Cash flow statement • Group

(DKKm)	H1 2023	H1 2022	Full year 2022
Cash flow from operations			
Insurance revenue	6,219	6,275	9,830
Insurance service expenses	-4,175	-3,929	-7,574
Reinsurance result	-82	-63	-110
Cash flow from non-life insurance	1,962	2,283	2,146
Interest income etc.	223	141	233
Dividends	8	32	54
Interest expenses etc.	-62	-44	-106
Corporation tax	-128	-252	-176
Other items	-105	-89	-137
Cash flow from operations, continuing operations	1,898	2,072	2,014
Cash flow from operations, discontinued operations	0	1,186	2,448
Cash flow from operations	1,898	3,258	4,463
Cash flow from investments			
Intangible assets, operating equipment	-197	-173	-337
Properties	0	438	438
Sale of subsidiaries	0	0	3,860
Dividends from associates and joint ventures	0	19	19
Equity investments	361	-60	-31
Bonds	-3,095	343	-2,086
Derivatives	7	-91	-127
Cash flow from investments, continuing operations	-2,924	476	1,737
Cash flow from investments, discontinued operations	0	-2,655	-2,847
Cash flow from investments	-2,924	-2,179	-1,111
Cash flow from financing			
Dividend paid	-2,748	-3,040	-3,040
Exercise of share options	43	43	67
Redemption of subordinated loan capital	0	0	-1,200
Issue of subordinated loan capital	0	0	400
Amounts due to credit institutions	-20	35	-99
Cash flow from financing, continuing operations	-2,725	-2,963	-3,873
Cash flow from financing, discontinued operations	0	1,121	2,591
Cash flow from financing	-2,725	-1,842	-1,282
Change in cash and cash equivalents, continuing operations	-3,751	-415	-122
Change in cash and cash equivalents, discontinued operations	0	-348	2,192
Cash and cash equivalents at beginning of period	4,105	3,756	3,756
Value adjustment of cash and cash equivalents	0	-3	-5
Cash and cash equivalents, discontinued operations	0	-2,549	-1,716
Cash and cash equivalents at end of period	354	442	4,105
Cash and cash equivalents comprise:			
Liquid funds	36	36	61
Deposits with credit institutions	318	406	4,044
Cash and cash equivalents	354	442	4,105

Statement of changes in equity • Group

(DKKm)	Share capital	Revaluation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Total
H1 2023							
Shareholders' equity at 31 December prior year	90	0	1,090	46	457	4,815	6,498
Effect of change in accounting policies					-149		-149
Shareholders' equity beginning of period according to new accounting policies	90	0	1,090	46	308	4,815	6,349
Reduction of proposed dividend prior year					2,025	-2,025	0
Profit				4	629		633
Other comprehensive income						0	0
Total comprehensive income				4	629		633
Dividend paid						-2,790	-2,790
Dividend, own shares					42		42
Share-based payments					35		35
Exercise of share options					43		43
Taxation on share-based payments					-2		-2
Transactions with owners					118	-2,790	-2,672
Shareholders' equity at end of period	90	0	1,090	50	3,080	0	4,310
H1 2022							
Shareholders' equity at 31 December prior year	90	2	1,146	83	2,973	3,105	7,399
Effect of change in accounting policies					-280		-280
Shareholders' equity beginning of period according to new accounting policies	90	2	1,146	83	2,693	3,105	7,119
Profit				0	509		510
Other comprehensive income		1	-56				-55
Total comprehensive income		1	-56	0	509		454
Dividend paid						-3,105	-3,105
Dividend, own shares					65		65
Share-based payments					42		42
Exercise of share options					43		43
Taxation on share-based payments					7		7
Transactions with owners					157	-3,105	-2,948
Shareholders' equity at end of period	90	2	1,090	84	3,359	0	4,625
2022							
Shareholders' equity at 31 December prior year	90	2	1,146	83	2,973	3,105	7,399
Effect of change in accounting policies					-280		-280
Shareholders' equity beginning of period according to new accounting policies	90	2	1,146	83	2,693	3,105	7,119
Profit		-2		-37	-2,597	4,815	2,179
Other comprehensive income			-56				-56
Total comprehensive income		-2	-56	-37	-2,597	4,815	2,124
Dividend paid						-3,105	-3,105
Dividend, own shares					65		65
Share-based payments					78		78
Exercise of share options					67		67
Taxation on share-based payments					2		2
Transactions with owners					211	-3,105	-2,894
Shareholders' equity at end of period	90	0	1,090	46	308	4,815	6,349

Segment information • Group

Income statement (DKKm)	Private	SME	Elimin- ated	Result from insurance	Parent etc.	Elimin- ated	Group
H1 2023							
Insurance revenue	2,407	2,613	-5	5,015			5,015
Gross claims	-1,527	-1,614	4	-3,137		8	-3,129
Operating costs	-400	-459	1	-857		16	-841
Reinsurance result	-34	-130	0	-164			-164
Insurance service result	446	410	0	856		24	880
Total investment return				258	11	-24	245
Insurance finance income and expenses				-210			-210
Other items				-24	-27		-51
Profit before tax				881	-17	0	864
Tax							-231
Profit							633
Run-off result:							
Gross business	66	52		118			118
Reinsurance ceded	0	-3		-3			-3
Run-off result, net of reinsurance	66	49		114			114
H1 2022							
Insurance revenue	2,385	2,540	-6	4,919			4,919
Gross claims	-1,547	-1,707	6	-3,249		4	-3,244
Operating costs	-366	-416	2	-780		9	-772
Reinsurance result	-21	-52	0	-73			-73
Insurance service result	451	364	2	817		13	830
Net investment result				-993	-6	-13	-1,012
Insurance finance income and expenses				688			688
Other items				-56	-27		-82
Profit before tax, continuing operations				456	-32	0	424
Tax, continuing operations							-91
Profit after tax, continuing operations							333
Profit after tax, discontinued operations							177
Profit							510
Run-off result:							
Gross business	51	41		92			92
Reinsurance ceded	1	-13		-12			-12
Run-off result, net of reinsurance	52	29		81			81

Notes to the financial statements • Group

Note 1. Accounting policies

The announcement of the H1 2023 results has been prepared in accordance with IAS 34 on interim reports for listed companies and additional Danish disclosure requirements on interim reports for listed financial services companies.

Changes in accounting policies

Topdanmark has applied IFRS 17 Insurance Contracts and IFRS 9 Financial instruments as from 1 January 2023.

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

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

Following the Premium Allocation Approach (PAA), accounting policies are for most parts in line with Topdanmark's accounting policies so far.

As at 1 December 2022 Topdanmark Liv Holding A/S and all subsidiaries were divested of, and the activity was reclassified to discontinued operations in the 2022 accounts.

Net result

As can be seen in the tables below for full year and H1 2022, the application of IFRS 17 and IFRS 9 did only have insignificant impact on the net result for the continuing business in non-life insurance.

Omission of the VA component affected the result for 2022 by DKK 131m (H1 2022: DKK 74m) due to a declining effect on the claims provisions over the year.

Throughout Q1-Q3 2022, the transition to IFRS 17 / IFRS 9 affected results from life operations positively. The activity was sold in Q4 2022, and the positive effects in Q1-Q3 2022 were absorbed by a lower gain on sale.

Shareholders' equity

Mainly due to an IFRS 17 Risk adjustment replacing the SII Risk margin and omission of the VA component on the interest rate curve for measuring the claims provisions, shareholders' equity was affected by DKK -280m in the opening balance 1 January 2022 and DKK -149m 31 December 2022 (DKK -150m end H1 2022).

Effect of new accounting policies (DKKm)	Shareholders' equity		
	1/1 2022	31/12 2022	Result 2022
2022 accounting policies	7,399	6,498	2,049
Non-life IFRS 17 / IFRS 9	-91	-104	-13
Non-life VA component	-176	-45	131
Life IFRS 17 / IFRS 9	-13	0	13
Net effect after tax	-280	-149	130
2023 accounting policies	7,119	6,349	2,179

Effect of new accounting policies (DKKm)	Shareholders' equity		
	1/1 2022	30/6 2022	Result H1 2022
2022 accounting policies	7,399	4,775	380
Non-life IFRS 17 / IFRS 9	-91	-93	-2
Non-life VA component	-176	-102	74
Life IFRS 17 / IFRS 9	-13	46	58
Net effect after tax	-280	-150	130
2023 accounting policies	7,119	4,625	510

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

Key accounting principles, income statement for the year 2022 and balance sheets beginning and end 2022 have been disclosed in the Annual Report 2022, note 44.

Notes to the financial statements • Group

Key accounting policies

IFRS 17 Insurance contracts

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

Under IFRS 17, an insurance contract is defined as a contract under which one party, the issuer, accepts significant insurance risk from another party, the policyholder. Insurance contract service is the service that an issuer provides to a policyholder for the coverage of an insured event. For most insurance contracts issued by Topdanmark, the insurance risk is considered to be significant.

IFRS 9 Financial instruments

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

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

The classification of financial assets into the categories is based on Topdanmark's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets (solely payments of principal and interest -criteria, SPPI).

The classification in fair value through profit or loss and amortised cost is basically unchanged from 2022 classification.

Presentation

Balance sheet

Presentation of the balance sheet under the new accounting policies is generally unchanged from previous years with the one exception that receivables and debt relating to insurance and reinsurance contracts now being part of the measurement of the insurance provisions and the reinsurance asset, and therefore no longer form independent line items. In addition, a number of accounting lines have changed names.

Below, the opening balance sheet 1 January 2022.

BALANCE SHEET (DKKm)	31 Dec 2021	1 Jan 2022	Change
INTANGIBLE ASSETS	1,641	1,641	0
INVESTMENT ASSETS	46,099	46,165	66
INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS	68,149	68,149	0
Reinsurance asset	677	692	15
Receivables from policyholders	313	0	-313
Receivables from insurance companies	105	0	-105
Receivables from associates and joint ventures	227	227	0
Other receivables	311	311	0
TOTAL RECEIVABLES	1,633	1,230	-403
OTHER ASSETS	1,302	1,212	-90
PREPAYMENTS AND ACCRUED INCOME	641	641	0
TOTAL ASSETS	120,368	119,940	-427
 SHAREHOLDERS' EQUITY	 7,399	 7,119	 -280
SUBORDINATED LOAN CAPITAL	1,900	1,900	0
PROVISIONS FOR INSURANCE CONTRACTS	101,695	101,872	177
PROVISIONS FOR INVESTMENT CONTRACTS	5,000	5,000	0
PROVISIONS	428	325	-103
DEPOSITS RECEIVED FROM REINSURERS	11	11	0
DEBT	3,829	3,607	-222
ACCRUALS AND DEFERRED INCOME	108	108	0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	120,368	119,940	-427

Income statement

The Income statement according to IFRS 17 is very much in line with presentation of non-life results used.

Compared with 2022 accounting policies, IFRS 17 requires only a few changes to recognition and measurement, and a limited number of reclassifications.

Notes to the financial statements • Group

Insurance revenue (Gross premium income):

Insurance revenue includes premiums receipts and expected premium receipts allocated to the period, generally based on the passage of time i. e. allocated straight line.

Recognition of insurance revenue is continued with three changes:

- **Bonuses and premium rebates**

Up to and including 2022, bonuses and premium rebates are presented in a separate line in the income statement but included in premium income when calculating the ratios for claims, costs, and the combined ratio. Under IFRS 17, bonuses and premium rebates are included in insurance service expenses.

- **Discounting effects and interest accrued**

Up to and including 2022, discounting of the premium provisions and accretion of interest on the profit margin have affected premium income and the investment result in opposite directions. Under IFRS 17, liability for remaining coverage (premium provisions and profit margin) is not discounted, except for loss components, and no interest is accrued.

- **Loss components**

Loss components for onerous contracts are part of liability for remaining coverage (premium provisions), and changes have been included in premium income. Under IFRS 17, in the income statement, loss components are included in insurance service expenses.

Insurance service expenses

Insurance service expenses comprises Claims incurred and Operations expenses.

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

Wage indexation of annuities and inflation swaps

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

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

Education and development of new products

Costs not attributable to the insurance portfolios have been reclassified from operating expenses to other expenses outside the insurance service result.

Insurance acquisition costs

Topdanmark will continue the current practice, and expense acquisition costs when incurred. However, an asset for acquisition costs has been recognised and deferred over the expected lifetime for a minor portfolio of multi-year contracts.

Income statement • Group (DKKm)	IFRS 4 H1 2022	IFRS 17 H1 2022	Change
Insurance revenue	4,890	4,919	29
Insurance service expenses	-3,979	-4,016	-37
Reinsurance result	-72	-73	-1
Insurance service result	839	830	-9
Interest income and dividends etc.	179	179	0
Value adjustments	-1,290	-1,148	142
Interest charges	-19	-19	0
Expenses on investment activities	-25	-25	0
Total investment return	-1,155	-1,012	142
Insurance finance income insurance contracts	711	698	-13
Insurance finance expenses reinsurance contracts	-9	-10	0
Net investment result	-453	-324	129
Other income	2	2	0
Other expenses	-56	-85	-28
Profit before tax, continuing operations	332	424	92
Tax, continuing operations	-71	-91	-20
Profit after tax, continuing operations	261	333	71
Profit after tax, discontinued operations	119	177	58
Profit	380	510	130

Notes to the financial statements • Group

Life insurance, discontinued operations

The discontinued operations in life insurance consists of life and savings contracts which by nature are long-term contracts, and a portfolio of short-term illness and accident contracts.

The life operation has been divested as at 30 November 2022. As a consequence, the results recognised will not change the overall effect of the divestment.

Products sold have been classified as insurance contracts when Topdanmark has accepted significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Savings contracts without insurance risks are measured using IFRS 9.

In addition to compensation for losses from insured risk, Life has issued insurance pensions savings contracts that allow policyholders to participate in investment returns with Life. Participating contracts meet the definition of insurance contracts with direct participating features if the following three criteria are met:

- The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items
- The Life Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns from the underlying items
- A substantial proportion of the cash flows that the Life Group expects to pay to the policyholder is expected to vary with the change in the fair value of the underlying items.

The contracts represent the majority of contracts issued and are measured using the variable fee approach (VFA).

The Life group has issued life and pensions contracts without the above-described features with long-term coverage. These are measured using the general measurement model.

Contracts with a coverage of 12 months or less has been measured using the simplified model, PAA.

The insurance contracts are recognised at the earliest of the beginning of coverage period, or the first payment are due, or when a group becomes onerous.

At initial recognition, contracts are segregated based on when they were issued. A cohort contains all contracts that were issued within a 12-month period. Each cohort is then further disaggregated into three groups of contracts:

- Contracts that are onerous on initial recognition
- Contracts that, on initial recognition, have no significant possibility of subsequently becoming onerous
- Any remaining contracts.

A group of contracts are measured on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary, and the contractual service margin representing the unearned profit in the contracts relating to services that will be provided under the contracts.

The time value of money and financial risk is measured separately from expected future cash flows with changes in financial risks recognised in profit or loss or contractual service margin at the end of each reporting period.

Expected future cash flows that vary based on the returns on any financial underlying items are discounted at rates that reflect this variability. Discounting has been applied using EIOPA interest rate with a volatility adjustment.

Insurance acquisition cash flows are included in the measurement of a group of insurance contracts if they are directly attributable to either the individual contracts in a group, the group itself or the portfolio of insurance contracts to which the group belongs.

An asset is recognised in respect of costs to secure a portfolio or group of insurance contracts, such as costs of selling and underwriting, when these costs are incurred before the recognition of the group of insurance contracts to which these costs relate.

Presentation

Insurance revenue consists of provided insurance services for a group of insurance contracts issued.

For groups of insurance contracts measured under the General Model and VFA, insurance revenue includes change in contractual service margin and risk adjustment for non-financial risks, and insurance service expenses incurred in the period and measured at beginning of the period.

Notes to the financial statements • Group

Insurance revenue also includes the portion of premiums that relate to recovering those insurance acquisition cash flows included in the insurance service expenses in each period. Both amounts are measured in a systematic way on the basis of the passage of time.

Transition approach applied

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

(DKKm)	H1 2022	11 months 2022
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Note 2. Discontinued operations

Topdanmark Liv Holding Group

Income statement

Insurance revenue	1,027	1,815
Insurance service expenses	-826	-1,444
Reinsurance result	4	12
Insurance service result	205	384
Total investment return	-10,704	-8,292
Insurance finance income and expenses	10,749	8,226
Net investment result	44	-66
Other income	6	19
Other expenses	-65	-95
Profit before tax Topdanmark Liv Holding Group	191	241
Net gain on sale before tax	0	872
Tax	-14	-11
Profit after tax, discontinued operations	177	1,102

30 June

2022

Balance sheet

Assets held for sale

Intangible assets	603
Tangible assets	16
Investment assets	29,203
Investment assets related to unit-linked products	60,911
Receivables	457
Other assets	895
Prepayments and accrued income	404
Total assets	92,488

Liabilities relating to assets held for sale

Shareholders' equity	1,757
Other subordinated loan capital	300
Provisions for insurance contracts	78,468
Provisions for investment contracts	4,686
Other provisions	441
Debt	6,768
Accruals and deferred income	68
Total shareholders' equity and liabilities	92,488
Total liabilities excl. group internal eliminations	86,441

At 1 December 2022 Topdanmark Forsikring A/S finalised the divestment of Topdanmark Liv Holding A/S and all subsidiaries hereof to Nordea Life Holding AB.

Following the announcement of the divestment, 18 March 2022, and with effect on comparatives, the result from the life insurance group has been presented as discontinued operations. Balance sheet items were presented as assets held for sale and liabilities relating to assets held for sale from the announcement.

Notes to the financial statements • Group

	30 June 2023	30 June 2022	31 December 2022
(DKKm)			

Note 3. Financial assets and liabilities

Fair value measurement

Fair value is the price which would be achieved on the sale of an asset or paid for the transfer of a liability in a normal transaction between the market players at the time of measurement.

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

Level 1

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

Level 2

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

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

Level 3

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

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

1 January	37	80	80
Reclassification due to sale of life	0	-46	-46
Value adjustments (unrealised)	-1	0	0
Value adjustments (realised)	0	4	3
	37	38	37

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

Note 4. Contingent liabilities

Capital commitments made to loan funds and private equity funds etc. 88 116 102

All companies in the Topdanmark Group and other Danish companies and branches in the Sampo Group are jointly taxed with Topdanmark A/S being the management company. Pursuant to the specific rules on corporation taxes etc. in the Danish Companies Act, the companies are liable for the jointly taxed companies and for any obligations to withhold tax on interest, royalties and dividend for companies concerned.

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

Note 5. Related parties

Transactions

In 2023, Q2, Topdanmark A/S paid dividend of DKK 1,354m (Q1 2022: DKK 1,501m) to Sampo plc. and received dividend of DKK 3,000m (Q1 2022: DKK 3,100m) from Topdanmark Forsikring A/S.

Subordinated loans

Q4 2022 redemption of subordinated notes DKK 800m held by If P&C Insurance Ltd.

Q4 2022 redemption of subordinated notes DKK 133m held by If P&C Insurance Ltd.

Q4 2022 issue of subordinated notes DKK 250m subscribed by If P&C Insurance Ltd.

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



Financial statements for H1 2023

– Parent company

Income statement • Parent company

(DKKm)	H1 2023	H1 2022	Q2 2023	Q2 2022	Full year 2022
Income from subsidiaries	651	477	272	334	2,217
Interest income and dividends etc.	11	0	8	0	3
Value adjustments	0	-1	0	-1	-1
Interest expenses	-1	-5	0	-3	-11
Total investment return	661	471	279	331	2,208
Other expenses	-27	-26	-15	-14	-50
Profit before tax	634	444	264	317	2,158
Tax	5	6	2	3	10
Profit	639	450	267	320	2,168

Statement of comprehensive income • Parent company

Profit	639	450	267	320	2,168
Other comprehensive income from subsidiaries	0	1	0	0	0
Other comprehensive income	0	1	0	0	0
Total comprehensive income	639	451	267	320	2,168

Balance sheet • Parent company

(DKKm)	Note	30 June 2023	30 June 2022	31 December 2022
Assets				
Operating equipment	3	3		3
Total tangible assets	3	3		3
Equity investments in subsidiaries	3,757	4,310		6,077
Total investment in subsidiaries	3,757	4,310		6,077
Equity investments	0	1		1
Total other financial investment assets	0	1		1
Total investment assets	3,757	4,311		6,077
Receivables from subsidiaries	1,177	1,141		833
Other receivables	0	0		4
Total receivables	1,177	1,141		837
Current tax assets	0	42		0
Liquid funds	1	1		20
Total other assets	1	44		20
Other prepayments and accrued income	10	0		0
Total prepayments and accrued income	10	0		0
Total assets	4,949	5,499		6,936
Shareholders' equity and liabilities				
Share capital	90	90		90
Other reserves	0	790		0
Total reserves	0	790		0
Profit carried forward	4,578	4,049		1,796
Proposed dividend	0	0		4,815
Total shareholders' equity	4,668	4,929		6,701
Other subordinated loan capital	0	400		0
Amounts due to subsidiaries	64	154		49
Current tax liabilities	128	0		108
Other debt	89	16		78
Total debt	281	170		235
Total shareholders' equity and liabilities	4,949	5,499		6,936

Accounting policies

1

Notes to the financial statements • Parent company

Note 1. Accounting policies

Accounting policies for the parent company, Topdanmark A/S, have been prepared in accordance with the executive order on financial reports presented by insurance companies and lateral pension funds issued by the Danish FSA.

As from 2023, Topdanmark Group has adopted IFRS 17 Insurance contracts, IFRS 9 Financial instruments, and the VA component has been omitted from the EIOPA interest rate curve.

The parent company, Topdanmark A/S, has adopted those changes to accounting policies applied by the Group, being compatible with the executive order on financial reports.

All changes relate to the subsidiary Topdanmark Forsikring A/S and that company's subsidiaries.

(DKKm)	Shareholders' equity			Result	
	1/1 2022	30/6 2022	31/12 2022	H1 2022	Year 2022
2022 accounting policies	7,705	5,137	6,860	380	2,049
Changes in subsidiaries	-278	-208	-159	70	119
2023 accounting policies	7,427	4,929	6,701	450	2,168

Comparatives have been restated.

Danish FSA's executive order / IFRS

The following reconciles Shareholders' equity and results between Topdanmark A/S (Danish FSA's executive order) and Topdanmark Group (IFRS).

(DKKm)	Shareholders' equity			Result		
	1/1 2022	30/6 2022	31/12 2022	30/6 2023	H1 2022	Year 2022
Topdanmark A/S, DFSA's executive order	7,427	4,929	6,701	4,668	450	2,168
IAS 12 Deferred tax security funds	-306	-362	-362	-362		
IFRS 17 / IFRS 9	-1	58	10	4	59	11
Total	-308	-304	-352	-358	59	11
Topdanmark Group IFRS	7,119	4,625	6,349	4,310	510	2,179
						633

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

Statement by Management

The Board of Directors and the Executive Board have today considered and adopted the half-year report for 2023 for Topdanmark A/S.

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

In our opinion, the consolidated financial statements and the interim financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position as at

30 June 2023 as well as the result of the Group's and the parent company's activities and the Group's cash flows for the financial period from 1 January to 30 June 2023.

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

There have been no events in the period from 30 June 2023 until the presentation of the consolidated financial statements which could change the assessment of the interim report for H1 2023.

Ballerup, 14 July 2023

Executive Board:

Peter Hermann
(CEO)

Lars Kufall Beck
(CFO)

Board of Directors:

Ricard Wennerklin
(Chairman)

Jens Aaløse
(Deputy Chairman)

Elise Bundgaard

Maria Hjorth

Mette Jensen

Cristina Lage

Michael Noer

Morten Thorsrud

Kjell Rune Tveita

Borupvang 4 • DK-2750 Ballerup
Tel +45 44 68 33 11 • CVR no. 78040017
topdanmark@topdanmark.dk • www.topdanmark.com

Topdanmark 