

Annual Results 2023

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Topdanmark 

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Management's review

Shaping a full-service P&C insurance company with market-leading profitability

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

2023 was another eventful year for Topdanmark. In March, we announced the acquisition of Oona Health A/S, including the market-leading Danish health insurance provider Dansk Sundhedssikring. The timing of the acquisition was favourable, as we had completed the divestment of our life insurance operations just a few months earlier. After the divestment, Topdanmark had no market share or significant capabilities within health insurance and solutions - all of which Oona Health has in abundance. We see a strong strategic fit between Topdanmark and Oona Health as we see personal health solutions as a strategic focus area for any insurance company for many years to come, not least in terms of customer loyalty and market growth. Oona Health will continue to operate as a standalone company to best allow it to continue the innovative and high-growth journey that has characterised the company for many years. However, we will seek to reap all possible synergies between the two companies, including selling Oona Health's products to Topdanmark's existing customers and vice versa.

From a macroeconomic perspective, 2023 also turned out to be quite eventful. Geopolitical tensions remain elevated with continued Russian aggressions in Ukraine and the war between Israel and Hamas. In addition, rising inflation has been followed by rising wage growth, supporting higher interest rates which seem to remain for a prolonged period. However, interest rates fell sharply during the last months of the year. All of this has affected individuals, enterprises, and equity markets on a global scale. This macroeconomic uncertainty also affects Topdanmark, and consequently we have decided to de-risk our investment portfolio further through reducing our equity exposure by more than 40% during the year in addition to reducing our CLO exposure to zero.


In addition to this, 2023 was marked by a high level of weather-related and large-scale claims as well as a rising claims frequency within motor insurance. Further, reinsurance markets were hard, affecting both 2023 and future years. As a result, we reported a net profit of DKK 1,051m or DKK 898m before run-off, below our original expectation of DKK 1,050-1,310m before run-off at the beginning of 2023, fully explained by the higher amount of weather-related claims. Consequently, the Board of Directors will propose a dividend payment of DKK 11.5 per share for 2023. The combined ratio was 87.6 before run-off, above our original expectation of 83-86 before run-off. The adverse developments during the year call for actions across our entire organisation, and we will continue our efforts to improve profitability e.g. by way of efficiencies, procurement initiatives, and pricing actions. This way, we seek to consolidate our market-leading profitability within Danish P&C insurance.

As a fundamental part of our strategy, we seek to create long-term shareholder value through committed and motivated employees, who ensure first-class customer experiences, which in turn create satisfaction and loyalty to the benefit of our shareholders. Therefore, we are very pleased that we maintain our historically high employee satisfaction level of 81. Likewise, we continue to see a stable, high transactional net promoter score (tNPS). We actively work to strengthen our customer offerings in close collaboration with partners, and we have recently launched embedded cyber insurance with internet provided by Norlys.

Insurance companies have long played an important role in supporting the Danish labour market, and Topdanmark continues to strengthen its position as one of the leading companies within this field.



Peter Hermann
Group CEO



Ricard Wennerklint
Chairman of the Board



Prevention of injuries and illnesses is an important element of our business, and we continue to invest in the concept Topdanmark Recovery and Work Rehabilitation ensuring SME customers that they can retain their employees after an injury. A good example is the investment in exoskeletons as a part of the concept. In the past year, we have seen a 5% increase of severe injuries in workers' compensation. To address and counteract the negative development, we have been working with exoskeletons more intensively during 2023, as they are helpful for both customers having suffered an injury, and an effective means of prevention, as it can lessen the physical load on the body.

Topdanmark also continues to support the unique mobility in the Danish labour market. We are the first company to develop and launch insurance providing security for those who change jobs. This is an excellent example of a product that creates security for the employee while at the same time making it easier for an employer to attract candidates.

Climate change and increasingly extreme weather continued to affect our private, agricultural and commercial customers. In fact, 2023 became the wettest year ever in Denmark, and we have helped 94% more customers who have been affected by damage related to precipitation and cloudbursts compared to the average over the past five years. In this light, we continue to invest in and popularise several preventive measures to the benefit of our customers, society and us as a company. For example, we sent out warnings and advice specifically targeted at customers living in high-risk areas giving them the opportunity to prepare for the events.

2023 was yet another year of progress with our strategic agenda by preparing our new core IT system, Guidewire. The first implementation wave - agricultural customers - is now finalised, and we have already gone live with the first private customers as part of the second wave. Our overarching ambition is still to be able to solve 80% of all customer inquiries within 20 seconds. But our investments are also starting to affect the customer-facing processes as we launched our new app in December and are redesigning digital interfaces to provide even simpler and seamless customer experiences.

We have also seen continued good traction on our efficiency programme, which aims to improve our profitability by leveraging automation and digitalisation across the value chain, a best-in-class procurement setup, and a stringent focus on risk and pricing. In 2023, we delivered gross savings of DKK 430m in line with expectations, and we remain on track to reach DKK 650m of gross savings by 2025.

Lastly, the Board of Directors and the Group Executive Management would like to express their gratitude to all employees for their outstanding contributions throughout the year. In a year marked by our acquisition of Oona Health as well as continued efforts to hand over the life insurance company to Nordea, we sincerely appreciate your unwavering commitment to providing best-in-class experiences for our customers.

Highlights

2023

- Profit after tax, continuing operations of DKK 1,051m (2022: DKK 1,078m)
- EPS, continuing operations was DKK 11.9 (2022: DKK 12.2)
- Combined ratio: 85.6 (2022: 82.4)
- Combined ratio excluding run-off: 87.6 (2022: 83.9)
- Insurance revenue increased by 2.7% including Oona Health (2.1% excluding Oona)
- Net investment result was DKK 97m (2022: DKK -244m).

Q4 2023

- Profit after tax, continuing operations of DKK 157m (Q4 2022: DKK 497m)
- EPS, continuing operations was DKK 1.8 (Q4 2022: DKK 5.6)
- Combined ratio: 91.8 (Q4 2022: 81.2)
- Combined ratio excluding run-off: 93.9 (Q4 2022: 84.0)
- Insurance revenue increased by 5.1% including Oona Health (2.5% excluding Oona)
- Net investment result was DKK 110m (Q4 2022: DKK 193m).

Dividend distribution for 2023

- The Board of Directors will recommend to the AGM the distribution of a dividend of DKK 1,035m, representing DKK 11.5 per share, a pay-out ratio of 98.4 and a dividend yield of 3.6.
- Subject to the approval from the AGM, the distribution of dividend will take place immediately after the AGM on 23 April 2024.

Profit forecast model for 2024

- Organic growth in insurance revenue is assumed to be above 4.5%. Reported growth in insurance revenue will be above 11.5% due to the acquisition of Oona Health as of 1 December 2023.
- Combined ratio is assumed in the range of 82-85 including run-off. Please note that this represents a change in practice compared to previous years, where the profit forecast excluded run-off. The rapid decline in interest rates observed in December 2023 impacts our forecast negatively by approx. 70bps compared to the level at Q3 2023. As expected, the expense ratio will increase and reach its peak in 2024. Compared to 2023, the expense ratio is also negatively impacted by approx. 20bps from

the inclusion of Oona Health. Apart from the above, the assumptions are unchanged compared to the beginning of 2023 despite the observed headwinds from reinsurance (Catastrophe and Fire programmes) and higher loss frequencies. For these reasons, the profit forecast for 2024 amounts to DKK 1,150-1,425m after tax and including run-off.

Acquisition of Oona Health A/S

- On 27 October 2023, we received the final regulatory approval from the Danish Competition and Consumer Authority, and the acquisition was completed on 1 December 2023.
- As a result, Oona Health is included in Group results from 1 December 2023. The Q4 2023 result includes one-off costs of DKK 35m related to the transaction and booked on the new line item "special costs".

Efficiency programme

- In 2023, we continued the solid progress in our efforts to become more efficient.
- We realised gross efficiency gains of DKK 430m in 2023, in line with the expectations at the start of the year.
- The programme continues to target gross efficiency gains of DKK 650m in 2025, of which DKK 540m in 2024.

Conference call

A conference call will be held today at 11:00 (CET) 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 32 74 07 10

SE dial-in number: +46 8 505 246 90

UK dial-in number: +44 20 3481 4247

US dial-in number: +1 (646) 307 1963

(Conference ID 4725344)

10-15 minutes before the conference call - or listen to the [live transmission](#) of the call.

Please direct any queries to:



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Financial highlights

(DKKm)	2023	2022	2021	2020	2019	Q4 2023	Q4 2022
Insurance revenue	10,168	9,898	9,607	9,096	8,938	2,612	2,485
Claims incurred	-6,762	-6,296	-6,246	-6,034	-5,517	-1,879	-1,498
Expenses	-1,671	-1,555	-1,466	-1,471	-1,411	-455	-426
Reinsurance result	-228	-272	-100	-272	-226	-50	-86
Insurance service result	1,507	1,774	1,795	1,319	1,785	227	476
Net investment result	97	-244	599	30	198	110	193
Other items	-106	-90	-52	-46	-35	-70	-10
Profit on insurance	1,498	1,441	2,342	1,303	1,948	267	658
Special costs	-39	0	0	0	0	-39	0
Parent company etc.	-35	-59	-35	34	60	-15	-10
Profit before tax, continuing operations	1,424	1,382	2,307	1,336	2,007	213	648
Tax, continuing operations	-372	-305	-511	-301	-444	-56	-151
Profit after tax, continuing operations	1,051	1,078	1,796	1,035	1,563	157	497
Profit after tax, discontinued operations	0	1,102	248	54	64	0	879
Profit	1,051	2,179	2,045	1,089	1,627	157	1,376
Run-off profits, net of reinsurance	204	152	43	-26	431	56	71
Investment assets	15,414	19,269	114,314	103,608	93,497		
Reinsurance asset	587	591	692	553	665		
Provisions for insurance contracts	13,939	13,235	101,872	91,567	82,683		
Provisions for investment contracts	0	0	5,000	4,299	4,157		
Shareholders' equity	4,722	6,349	7,119	6,705	6,258		
Total balance	21,826	22,603	119,940	108,935	98,088		
Financial ratios							
Return on shareholders' equity after tax (annualised)	20.6	36.3	31.5	17.2	28.3	13.4	97.3
EPS continuing operations after tax (DKK)	11.9	12.2	20.4	11.9	18.0	1.8	5.6
EPS after tax (DKK)	11.9	24.7	23.3	12.5	18.7	1.8	15.6
Dividend per share issued, proposed (DKK)	11.5	31.0	34.5	20.0	8.5		
Net asset value per share, diluted (DKK)	52.9	71.4	80.9	76.5	71.6		
Listed share price end of period	322.4	365.4	367.0	264.2	328.4		
Number of shares end of period ('000)	88,751	88,518	87,978	87,491	87,067		
Average number of shares ('000)	88,686	88,206	87,703	87,266	86,824	88,773	88,401
Insurance ratios							
Gross claims ratio	66.7	63.7	65.1	66.5	61.9	72.1	60.3
Net reinsurance ratio	2.2	2.8	1.0	3.0	2.5	1.9	3.5
Claims ratio, net of reinsurance	68.9	66.5	66.2	69.5	64.4	74.0	63.8
Gross expense ratio	16.7	15.9	15.5	16.5	16.1	17.8	17.4
Combined ratio	85.6	82.4	81.6	85.9	80.4	91.8	81.2
Combined ratio excl. run-off profits	87.6	83.9	82.1	85.6	85.3	93.9	84.0

Comparatives for continued operations have been restated to new accounting policies.

For discontinued operations, comparatives for 2022 have been restated.

Results for 2023

Topdanmark's profit on continuing operations for 2023 was DKK 1,051m (2022: DKK 1,078m).

The insurance service result decreased by DKK 267m to DKK 1,507m. 2023 was 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.

The net investment result increased by DKK 341m to DKK 97m. 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 offset by a loss on the "matching" portfolio 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 includes education and development costs, rose by DKK 16m to DKK 106m. In Q1 2022, other items included a DKK 25m provision for a potential extraordinary contribution to the Danish Guarantee Fund for Non-life Insurers related to the bankruptcy of Gefion Insurance A/S, and in Q4 2023, this provision was increased by a further DKK 25m. In addition, the line includes one-off costs related to redundancies carried out in Q4 2023.

The P&L line "special costs" covers costs related to the acquisition of Oona Health, including amortisation of customer relations and brand rights as well as one-off costs related to the transaction and integration. In Q4 2023, special costs amounted to DKK 39m.

The net profit of DKK 1,051m is lower than assumed in the latest profit forecast model published in the

interim report for Q1-Q3 2023, showing a post-tax profit of DKK 1,100-1,210m. In continuation of our company announcement no. 15, one-off costs of DKK 35m related to the acquisition of Oona Health were booked in Q4. Moreover, a further DKK 25m related to the bankruptcy of Gefion Insurance A/S as well as one-off costs related to redundancies are included in the Q4 result. In addition to these one-offs, the result included more weather-related and large-scale claims than assumed, offset by a higher investment return and run-off profits.

Results for Q4 2023

The profit on continuing operations for Q4 2023 was DKK 157m (Q4 2022: DKK 497m).

The insurance service result decreased by DKK 249m to DKK 227m. The main driver of the lower insurance service result was a significantly higher level of weather-related claims in Q4 2023 compared with much more benign weather conditions in Q4 2022. In addition, large-scale claims and motor claims frequencies were higher.

The net investment result decreased by DKK 83m to DKK 110m, significantly above expectations. The decrease should be seen in light of the very strong result in Q4 2022 due to positive market developments. Q4 2023 saw positive contributions from equities, positive running yields and falling inflation expectations.

Insurance service result for 2023

Insurance revenue

Insurance revenue increased by 2.7% to DKK 10,168m, corresponding to an organic growth of 2.1% when adjusting for the acquisition of Oona Health. The private segment accounted for a 3.6% increase with the inclusion of Oona Health (and 2.2% excluding Oona), and the SME segment accounted for a 1.9% 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 (2022 restated)			Q4	Q4
	2023	2022	2023	2022
Claims ratio, net of reinsurance	68.9	66.5	74.0	63.8
Run-off	2.0	1.5	2.1	2.8
Weather-related claims	-5.1	-2.8	-9.5	-1.1
Large-scale claims	-1.8	-1.0	-2.5	-0.9
Discounting	2.7	2.0	2.3	2.8
Other	0.1	0.3	0.6	-0.2
Underlying (undiscounted) claims ratio, net of reinsurance	66.8	66.6	67.1	67.3

The gross claims ratio rose to 66.7 from 63.7 in 2022. The claims ratio, net of reinsurance, rose to 68.9 from 66.5 in 2022.

The run-off profit, net of reinsurance, was DKK 204m (2022: DKK 152m), largely in line with the level observed in recent years.

Weather-related claims amounted to DKK 517m (2022: DKK 276m), representing a 2.3pp 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.

The underlying claims ratio increased by 0.2pp to 66.8. 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 16.7, up from 15.9 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 85.6 (2022: 82.4). Excluding run-off, the combined ratio was 87.6 (2022: 83.9).

Insurance service result for Q4 2023

Insurance revenue increased by 5.1% to DKK 2,612m, corresponding to an organic growth of 2.5% when adjusting for the acquisition of Oona Health. The private segment accounted for a 9.4% increase with the inclusion of Oona Health (and 3.9% excluding Oona), and the SME segment accounted for a 1.2% increase.

The gross claims ratio increased to 72.1 (Q4 2022: 60.3). The claims ratio, net of reinsurance, increased to 74.0 from 63.8 in Q4 2022.

The quarter was marked by a very high frequency of weather-related claims including cloudbursts, storm surges, heavy precipitation, and the storm Pia. By comparison, weather conditions in Q4 2022 were significantly more benign. As a result, weather-related claims amounted to DKK 249m, significantly above the Q4 2022 level (DKK 27m) and the normalised modelled level of DKK 75m.

Large-scale claims amounted to DKK 64m, significantly higher than the level last year (DKK 23m) and the normalised modelled level of DKK 25m. Q4 2023 was affected by a few large fire-related claims in the commercial segment.

The discounting effect decreased by 0.5pp compared with Q4 2022 due to sharply falling interest rates during Q4 2023.

The run-off profit, net of reinsurance, was DKK 56m (Q4 2022: DKK 71m), representing a 0.7pp negative effect on the claims ratio. Run-off in Q4 2022 should be seen in conjunction with the other quarters of the year because of the transition from IFRS 4 to IFRS 17 notably affecting the treatment of workers' compensation.

The underlying claims ratio improved by 0.2pp to 67.1. Our pricing and efficiency measures continue to yield results, but these were largely offset by continued higher motor claims frequencies further fuelled by the winter weather experienced in December. In addition, Q4 2023 saw a higher frequency of fire-related claims after the very low level witnessed in Q3 2023. It is important to note that although the underlying claims ratio is, among other things, adjusted for large-scale claims and weather-related claims, the underlying claims ratio will by nature continue to be impacted by the inherent volatility of an insurance portfolio.

The expense ratio was 17.8 (Q4 2022: 17.4), in line with expectations. The increase compared to last year is a result of the sale of Topdanmark Liv Holding A/S, as expected, while expenses are seasonally high in Q4.

The combined ratio was 91.8 (Q4 2022: 81.2). Excluding run-off, the combined ratio was 93.9 (Q4 2022: 84.0).

Segment reporting

Private

Private (DKK m) (2022 restated)			Q4	Q4
	2023	2022	2023	2022
Insurance revenue	4,926	4,756	1,297	1,186
Claims incurred	-3,203	-3,086	-880	-786
Expenses	-813	-754	-228	-213
Net reinsurance	-54	-49	-9	-14
Insurance service result	856	868	180	173
Run-off profits, net of reinsurance	94	57	15	-8
Gross claims ratio	65.0	64.9	67.8	66.3
Net reinsurance ratio	1.1	1.0	0.7	1.2
Claims ratio, net of reinsurance	66.1	65.9	68.5	67.5
Gross expense ratio	16.5	15.9	17.6	17.9
Combined ratio	82.6	81.8	86.1	85.4
Combined ratio excl. run-off profits	84.5	83.0	87.3	84.8

The private segment services individual households in Denmark. As from now, the private segment also includes Oona Health.

Insurance revenue increased by 3.6% to DKK 4,926m in 2023 with the inclusion of Oona Health. Excluding Oona, insurance revenue grew by 2.2%.

The insurance service result was DKK 856m, a decrease of DKK 12m compared with 2022.

The claims ratio, net of reinsurance, rose by 0.2pp to 66.1. Weather-related claims amounted to DKK 260m (2022: DKK 133m), representing a 2.5pp deterioration of the claims ratio. 2023 was marked by a high frequency of weather-related events, and in particular, Q4 saw many events including cloudbursts, storm surges, storms, and heavy precipitation. Run-off was a profit of DKK 94m, DKK 37m above the 2022 level corresponding to a 0.7pp improvement of the claims ratio. The claims frequency in motor further increased in Q4 2023, fuelled by the winter weather, and we expect frequencies to remain at the level experienced throughout the year.

The expense ratio increased to 16.5 from 15.9 in 2022, mainly due to dissynergies related to the sale of Topdanmark Liv Holding A/S.

The combined ratio was 82.6 (2022: 81.8). Excluding run-off, the combined ratio was 84.5 (2022: 83.0).

SME

SME (DKKm) (2022 restated)			Q4	Q4
	2023	2022	2023	2022
Insurance revenue	5,252	5,153	1,317	1,302
Claims incurred	-3,582	-3,229	-1,006	-716
Expenses	-892	-822	-237	-220
Net reinsurance	-174	-224	-40	-71
Insurance service result	604	878	34	295
Run-off profits, net of reinsurance	110	95	40	78
Gross claims ratio	68.2	62.7	76.3	55.0
Net reinsurance ratio	3.3	4.3	3.1	5.5
Claims ratio, net of reinsurance	71.5	67.0	79.4	60.5
Gross expense ratio	17.0	16.0	18.0	16.9
Combined ratio	88.5	83.0	97.4	77.4
Combined ratio excl. run-off profits	90.6	84.8	100.5	83.4

The SME segment services Danish-based SMEs and agricultural businesses.

Insurance revenue increased by 1.9% to DKK 5,252m in 2023. Growth was lower than last year, primarily due to 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.

The insurance service result decreased by DKK 274m to DKK 604m.

The gross claims ratio rose by 5.5pp, while the claims ratio, net of reinsurance, rose by 4.5pp to 71.5.

Run-off profits were DKK 15m higher than the level last year, representing a 0.3pp improvement of the claims ratio.

Weather-related claims amounted to DKK 257m (2022: DKK 143m), causing a 2.1pp higher claims ratio than last year. Heavy precipitation, storms, and claims on crop insurances affected the claims trend in 2023.

Large-scale claims were 1.8pp above the level last year. Fire-related claims on both agricultural and SME properties as well as a single claim related to hail affected the claims ratio negatively.

In addition, the claims frequency in motor increased, including a few large claims.

The expense ratio increased to 17.0 from 16.0 in 2022, mainly due to diss synergies related to the sale of Topdanmark Liv Holding A/S.

The combined ratio increased to 88.5 (2022: 83.0). Excluding run-off, the combined ratio rose to 90.6 (2022: 84.8).

Investment result

Investment result (2022 restated)	Portfolio 31 Dec		Return 2023				Return 2022			
	2023	2022	(DKK) %		(DKK) %		Return Q4 2023		Return Q4 2022	
	(DKKbn)		(DKK)	%	(DKK)	%	(DKK)	%	(DKK)	%
Danish equities	0.1	0.2	15	12.4	-25	-12.2	8	7.0	26	16.9
Foreign equities	0.5	0.6	111	24.7	-168	-19.9	40	9.0	45	7.2
Unlisted equities and hedge funds*	0.3	0.3	14	5.2	14	3.9	-16	-6.0	11	2.9
Government and mortgage bonds	13.0	12.8	682	4.1	-1,069	-8.9	482	2.9	158	1.5
Credit bonds	0.3	0.2	28	11.2	-1	0.0	17	6.7	-1	0.0
Index linked bonds	0.7	0.7	20	3.1	14	2.6	20	3.1	38	7.2
CLOs	0.0	0.2	16	15.8	-115	-14.1	-2	-1.9	-1	-0.2
Properties	0.7	0.8	24	3.2	-16	-1.8	14	1.9	-36	4.1
Inflation swaps	0.0	0.1	-122	-	317	-	-95	-	120	-
Expenses, money markets etc.	0.6	3.8	38	1.3	8	0.2	28	1.0	-3	-0.1
Subordinated loan capital	-1.1	-1.1	-65	-5.9	-36	-1.9	-18	-1.7	-13	-0.7
Investment return	15.0	18.7	760	3.6	-1,076	-5.5	479	2.3	344	1.9
Insurance finance income and expenses			-591		853		-353		-145	
Net investment result			169		-223		126		199	

The investment result for 2023 includes income from insurance (DKK 97m), income from the parent company (DKK 25m, presented in the line "Parent company etc." in financial highlights), and profit on owner-occupied properties (DKK 47m, eliminated in the Group accounts and in financial highlights). Refer to Segment information in the accounts for further specification.

*For Q4 there has been a reclassification of assets from 'Unlisted equities and hedge funds' to 'Expenses, money markets etc.' compared to Q3.

In 2023, the net investment result amounted to DKK 169m (2022: DKK -223m). The net investment result was DKK 126m in Q4 2023 (Q4 2022: DKK 199m).

The net investment result in Q4 was supported by positive contributions from equities, positive running yields and falling inflation expectations. The DKK-EUR yield spread contributed negatively to the investment result during the quarter.

The predominant investment theme in the fourth quarter revolved around a significant fall in interest rates propelled by decreasing inflation expectations, coupled with explicit signals indicating central banks aim to ease monetary policies in 2024. This, along with still very resilient economies, has fostered an environment where risk assets, including equities and credit, are performing well. Moreover, declining interest rates resulted in a fragmented Danish mortgage bond market, with low coupon callable bonds exhibiting positive performance in spread terms, while the opposite was the case with higher coupon bonds.

The "free" portfolio, which consists of the remaining assets after matching liabilities, contributed positively to the overall investment return. The portfolio has been affected by several factors during the quarter. The equity part of the portfolio was the dominant return driver while credit and fixed income assets

contributed to a lesser extent to the investment return.

The equity return is primarily driven by the US market and to a lesser extent Europe and Denmark. At the sector level, Information Technology delivered the highest return contribution as falling interest rates supported the sector in Q4 2023.

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

Additionally, the property portfolio, consisting solely of owner-occupied properties, contributed positively to the overall investment return.

The overall asset allocation was approximately unchanged during the quarter. 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. Upon closing of the acquisition of Oona Health, the investment portfolio size has been reduced by an amount similar to the purchase price.

The "matching" portfolio contributed positively to the overall investment return.

On the asset side of the "matching" portfolio, running yields and spread tightening - especially evident on our low-coupon mortgage bonds - outweighed

the negative impact from widening of the DKK-EUR yield spread, resulting in a positive contribution to the investment return. The duration matching part, in which interest rate risk of insurance provisions are hedged using fixed-income assets, primarily Danish mortgage bonds and derivatives, has worked as intended. The net effect from duration on the investment result was negligible.

On the liability side, the decline in inflation expectations led to a decrease in the wage curve, impacting workers' compensation provisions downward, partly through the capitalisation factor. The effect from the wage curve on non-capitalised provisions was mitigated by inflation instruments and worked as intended throughout the quarter.

The lower wage curve can be predominately attributed to lower market-based inflation expectations, as realised inflation continued its downward trajectory throughout the quarter.

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

Solvency calculation and capital requirements

Solvency cover (DKKm)	30 Sep		2022	2021	2020	2019
	2023	2023				
Shareholders' equity	4,722	4,583	6,498	7,399	6,879	6,397
Proposed dividend	-1,035	0	-4,815	-3,105	-1,800	-1,530
Deferred tax on security funds	362	362	362	306	306	306
Profit margin	1,594	1,116	1,300	2,761	1,442	1,138
Intangible assets	-4,078	-1,540	-1,314	-1,641	-1,529	-1,291
Other	207	177	-10	-189	-169	-64
Tax effects	-44	-85	-105	-302	-41	-49
Subordinated loan tier 1	400	400	400	400	400	400
Subordinated loans tier 2	700	700	700	1,500	1,350	1,353
Own funds	2,828	5,714	3,016	7,129	6,839	6,660
Solvency requirement	1,468	1,411	1,518	3,495	4,016	3,773
Solvency cover (%)	193	405	199	204	170	177

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.

The solvency cover for the Group normalised and decreased to 193% at the end of Q4 2023 from 405% at the end of Q3 2023, mainly due to higher intangible assets upon closing of the acquisition of Oona Health and deduction from own funds of the full proposed dividend for 2023. Underlying, own funds were positively affected by earnings in the quarter and the seasonally high profit margin in Q4. The solvency capital requirement was slightly higher due to the inclusion of Oona Health and the higher symmetrical adjustment to equity exposures, partly offset by the final CLO exposure reduction.

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 24m to DKK -35m. A net interest expense of DKK 8m on a subordinated loan in 2022 has been replaced by a DKK 23m net interest income on intracompany receivables from Topdanmark Forsikring A/S in 2023 as part of the Oona Health transaction.

Taxation

The tax charge on continuing operations was DKK 372m of the pre-tax profit of DKK 1,424m, corresponding to an effective tax rate of 26.1% (2022: 22.1%). 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 primarily due to a non-deductible negative value adjustment of the property portfolio and permanent non-taxable items such as costs associated with the employee shares scheme.

Efficiency programme

The main focus areas of the efficiency programme are:

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

We made solid headway with the programme during 2023, and our efforts to become more efficient are progressing according to plan.

Within automation, digitalisation, and fraud detection, we delivered good progress. As in previous years, our fraud detection capabilities continue to increase substantially, for example by way of leveraging machine learning to pinpoint actionable leads. As a result, withheld claims reached index 168 compared with 2020.

Within risk and pricing, we continued to roll out our newest and improved products to the benefit of our customers e.g. within contents and motor insurance. This continues to provide a small pricing tailwind. We will continue our efforts to improve our products and optimise tariffs across the entire portfolio.

Within procurement and cost efficiency, our solid progress continued. We have carried out more than 200 different sourcing projects within claims, IT and indirect spend as part of the efficiency programme with measurable impacts. Furthermore, costs were reduced through focused efforts to reduce consultancy spend as well as organisational adjustments including redundancies. Cost efficiencies mainly stem from IT, staff, and back-office functions.

As a result of the above, we delivered DKK 430m gross efficiency gains in 2023, in line with our target. At the end of 2023, we have thus obtained 66% of the targeted gross efficiency gains. In 2024, we will continue our efforts to become more efficient, and gross efficiency gains are expected to reach DKK 540m. The efficiency programme continues to target DKK 650m in gross efficiency gains by 2025.

New IT systems

The process of implementing the new IT system made significant progress during 2023, and we have finalised Wave 1 of the implementation plan (agricultural customers). Furthermore, Wave 2 (private customers) is well under way with the first products already live. In 2024, we expect to make significant progress in Wave 2 and to take the first steps in initiating Wave 3 (commercial customers).

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

Profit forecast model for 2024

Profit forecast model 2024 (DKKm)	Forecast 2024			Results
	31 December 2023			2023
Insurance service result	1,760	–	2,090	1,507
Net investment result	35	–	60	97
Other items	-75	–	-70	-106
Profit on insurance	1,720	–	2,080	1,498
Special costs	-85	–	-80	-39
Parent company etc.	-60	–	-50	-35
Profit before tax	1,575	–	1,950	1,424
Tax	-425	–	-525	-372
Profit	1,150	–	1,425	1,051

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

Therefore, set out at www.topdanmark.com → 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

The profit forecast model is based upon the following assumptions among others:

- The automatic premium indexing in 2024, excluding any additional or extraordinary price increases, will be 3.4-3.6% in both the private segment and the SME segment. Approx. 70% of our insurance revenue is subject to this automatic premium indexing. Thus, the revenue effect of the automatic premium indexing on the insurance revenue is approx. 2.5%.
- Automatic premium indexing of workers' compensation insurance will be 4.5%.
- Solid organic growth in Oona Health including effects of automatic premium indexation.
- Continued positive underlying improvements, including effects from our inflation-related pricing initiatives as well as the efficiency programme.
- Weather related claims of DKK 315m.

- Large-scale claims (large-scale claims of a gross value exceeding DKK 5m) of DKK 110m, which is an increase compared to last year due to a harder reinsurance market.
- An expense ratio of around 17.5. As previously communicated, the expense ratio is expected to peak in 2024. The forecasted expense ratio is negatively impacted by amortisations related to changing and migrating core IT systems as outlined in the implementation plan mentioned above. Furthermore, the inclusion of Oona Health impacts our expense ratio for 2024 negatively by approx. 20bps as the expense ratio for Oona Health is significantly above the level of the existing Topdanmark portfolio. Finally, the expense ratio continues to be impacted by dissynergies related to the divestment of Topdanmark Liv Holding A/S. Our ongoing efficiency programme is progressing as planned with the clear target of bringing our expense ratio back to the level experienced before the sale of Topdanmark Liv Holding A/S, during 2025 and 2026.
- A level of interest rates corresponding to the interest rate curve on 31 December 2023. Note that the rapid decline in interest rates observed in December 2023 impacts our combined ratio forecast negatively by approx. 70bps compared to the level at Q3 2023.

As a result, the assumed organic insurance revenue growth is above 4.5%, while the reported insurance revenue growth will be above 11.5% due to the acquisition of Oona Health. The assumed combined ratio is 82-85 including run-off. Please note that this represents a change in practice compared to previous years, where the profit forecast excluded run-off.

The overall assumed pre-tax profit on insurance is DKK 1,720-2,080m including run-off.

Special costs

This line item covers costs related to the acquisition of Oona Health, including amortisation of customer relations and brand rights as well as one-off costs related to the transaction and integration.

The intangible asset "customer relations" amounts to DKK 535m and will be amortised over 15 years, while the intangible asset "brand rights" amounts to DKK 50m and will be amortised over 10 years. Therefore, a total amortisation of approx. DKK 41m will be expensed per annum. Please note that this is a non-cash item, and thus not affecting the solvency position.

In addition, DKK 40m out of the guided total one-off transaction and integration costs of DKK 100m are expected to be incurred during 2024 (DKK 35m was expensed in Q4 2023).

Parent company

The profit forecast model for the parent company assumes a normalised pre-tax loss of DKK 50-60m.

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. 27% in 2024 in accordance with the increased corporate tax rate for financial sector companies, the tax charge on continuing operations is expected to be DKK 425-525m.

Total Group profit

Topdanmark's overall post-tax profit according to the profit forecast model for 2024 is DKK 1,150-1,425m representing an operational EPS of DKK 13.6-16.7. The assumed profit includes run-off. The result of the profit forecast model corresponds to 78-96% of the current Group solvency requirement.

The profit forecast model for the insurance service result assumes an unchanged interest rate curve as at 31 December 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.

Distribution of dividend for 2023

Given Topdanmark's solid capital position, the Board of Directors will recommend to the AGM a distribution of an ordinary dividend of DKK 1,035m, representing DKK 11.5 per share, a pay-out ratio of 98.4 and a dividend yield of 3.6.

Subject to the approval from the AGM, the distribution of dividend will take place immediately after the AGM on 23 April 2024.

Annual General Meeting

The Annual General Meeting (AGM) will take place 23 April 2024 at 13:00 (CET), and it will be held as a fully virtual AGM.

The agenda for the Annual General Meeting will be published in the period from 18 March to 27 March 2024.

Financial calendar

2023 Annual Report	26 Feb 2024
Deadline for submitting items for the AGM agenda	11 Mar 2024
Q1 2024 Interim Report	16 Apr 2024
AGM	23 Apr 2024
2024 Half-year Report	12 July 2024
Q1-Q3 2024 Interim Report	11 Oct 2024

Disclaimer

This 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 statements for 2023 - Group

Income statement • Group

(DKKm) (2022 restated)	Note	2023	2022	Q4 2023	Q4 2022
Insurance revenue		10,197	9,898	2,640	2,485
Insurance service expenses		-8,462	-7,851	-2,363	-1,924
Reinsurance result		-228	-272	-50	-86
Insurance service result		1,507	1,774	227	476
Interest income and dividends etc.		475	321	132	70
Value adjustments		379	-1,320	382	307
Interest expenses		-88	-43	-35	-15
Expenses on investment activities		-53	-63	-12	-25
Total investment return		713	-1,105	466	338
Insurance finance income insurance contracts		-606	869	-362	-146
Insurance finance expenses reinsurance contracts		15	-16	9	1
Net investment result		122	-252	113	193
Other income		15	8	10	2
Other expenses		-220	-148	-138	-23
Profit before tax, continuing operations		1,424	1,382	213	648
Tax, continuing operations		-372	-305	-56	-151
Profit after tax, continuing operations		1,051	1,078	157	497
Profit after tax, discontinued operations	2	0	1,102	0	879
Profit		1,051	2,179	157	1,376
EPS continuing operations (DKK)		11.9	12.2	1.8	5.6
EPS continuing operations, diluted (DKK)		11.8	12.2	1.8	5.6
EPS (DKK)		11.9	24.7	1.8	15.6
EPS, diluted (DKK)		11.8	24.6	1.8	15.5

Statement of comprehensive income • Group

Profit	1,051	2,179	157	1,376
Items which cannot subsequently be reclassified as profit or loss:				
Deferred tax on security fund (change in the tax percentage)	0	-56	0	0
Revaluation / Reversed revaluation owner-occupied properties	0	0	0	-1
Other comprehensive income	0	-56	0	-1
Total comprehensive income	1,051	2,124	157	1,376

Assets • Group

(DKKm) (2022 restated)	Note	31 Dec 2023	31 Dec 2022	1 Jan 2022
Intangible assets		4,078	1,314	1,641
Operating equipment		120	67	91
Owner-occupied properties		754	765	810
Total tangible assets		874	832	902
Investment properties		0	0	2,927
Equity investments in associates and joint ventures		60	53	2,324
Total investments in associates		60	53	2,324
Equity investments		771	1,006	5,085
Unit trusts		0	0	16
Bonds		14,156	13,989	32,995
Loans guaranteed by mortgages		5	5	5
Deposits with credit institutions		295	4,044	2,620
Derivatives		127	171	193
Total other financial investment assets		15,354	19,215	40,914
Total investment assets		15,414	19,269	46,165
Investment assets related to unit-linked products		0	0	68,149
Reinsurance asset		587	591	692
Receivables from associates and joint ventures		0	0	227
Other receivables		146	185	311
Total receivables		732	776	1,230
Current tax assets		86	0	0
Deferred tax assets		27	49	62
Liquid funds		181	61	1,136
Other		20	16	14
Total other assets		314	126	1,212
Accrued interest and rent		120	99	423
Other prepayments and accrued income		293	188	218
Total prepayments and accrued income		413	287	641
Total assets		21,826	22,603	119,940

Shareholders' equity and liabilities • Group

(DKKm) (2022 restated)	Note	31 Dec 2023	31 Dec 2022	1 Jan 2022
Share capital		90	90	90
Revaluation reserve		0	0	2
Security fund		1,090	1,090	1,146
Other reserves		53	46	83
Total reserves		1,144	1,137	1,229
Profit carried forward		2,453	308	2,693
Proposed dividend		1,035	4,815	3,105
Total shareholders' equity		4,722	6,349	7,119
Other subordinated loan capital		1,100	1,100	1,900
Provisions for insurance contracts		13,939	13,235	101,872
Provisions for investment contracts		0	0	5,000
Pensions and similar commitments		20	20	28
Deferred tax liabilities		519	275	297
Other liabilities		215	361	0
Total provisions		753	656	325
Deposits received from reinsurers		0	0	11
Amounts due to credit institutions		70	171	451
Current tax liabilities		20	108	84
Derivatives		272	236	605
Other debt		881	698	2,468
Total debt		1,242	1,213	3,607
Accruals and deferred income		70	49	108
Total shareholders' equity and liabilities		21,826	22,603	119,940
Accounting policies	1			
Discontinued operations	2			
Acquisition of Oona Health A/S	3			
Financial assets and liabilities	4			
Contingent liabilities	5			
Related parties	6			

Cash flow statement • Group

(DKKm) (2022 restated)	2023	2022
Cash flow from operations		
Insurance revenue	9,965	9,830
Insurance service expenses	-8,115	-7,574
Reinsurance result	-209	-110
Cash flow from non-life insurance	1,641	2,146
Interest income etc.	421	233
Dividends	28	54
Interest expenses etc.	-141	-106
Corporation tax	-460	-176
Other items	-137	-137
Cash flow from operations, continuing operations	1,351	2,014
Cash flow from operations, discontinued operations	-168	2,448
Cash flow from operations	1,183	4,463
Cash flow from investments		
Intangible assets, operating equipment	-507	-337
Properties	-6	438
Sale of subsidiaries	0	3,860
Equity investments in subsidiaries	-1,916	0
Dividends from associates	0	19
Equity investments	387	-31
Bonds	448	-2,086
Derivatives	6	-127
Cash flow from investments, continuing operations	-1,588	1,737
Cash flow from investments, discontinued operations	0	-2,847
Cash flow from investments	-1,588	-1,111
Cash flow from financing		
Dividend paid	-2,748	-3,040
Shares bought back	-50	0
Exercise of share options	62	67
Redemption of subordinated loan capital	0	-1,200
Issue of subordinated loan capital	0	400
Amounts due to credit institutions	-549	-99
Cash flow from financing, continuing operations	-3,285	-3,873
Cash flow from financing, discontinued operations	0	2,591
Cash flow from financing	-3,285	-1,282
Change in cash and cash equivalents, continuing operations	-3,522	-122
Change in cash and cash equivalents, discontinued operations	-168	2,192
Cash and cash equivalents at beginning of period	4,105	3,756
Value adjustment of cash and cash equivalents	1	-5
Cash and cash equivalents in purchased subsidiary	59	0
Cash and cash equivalents, discontinued operations	0	-1,716
Cash and cash equivalents at end of period	476	4,105
Cash and cash equivalents comprise:		
Liquid funds	181	61
Deposits with credit institutions	295	4,044
Cash and cash equivalents	476	4,105

Statement of changes in equity • Group

(DKK m) (2022 restated)	Share capital	Revalu- ation reserve	Security fund	Other reserves	Profit carried forward	Proposed dividend	Total
2023							
Equity at beginning of period, previously stated	90	0	1,090	46	457	4,815	6,498
Effect of change in accounting policies					-149		-149
Equity at beginning of period, restated	90	0	1,090	46	308	4,815	6,349
Reduction of proposed dividend prior year					2,025	-2,025	0
Profit				7	9	1,035	1,051
Other comprehensive income							0
Total comprehensive income				7	9	1,035	1,051
Dividend paid						-2,790	-2,790
Dividend, own shares					42		42
Share buy-back					-50		-50
Share-based payments					68		68
Exercise of share options					55		55
Taxation on share-based payments					-4		-4
Transactions with owners					111	-2,790	-2,679
Shareholders' equity at end of period	90	0	1,090	53	2,453	1,035	4,722
2022							
Equity at beginning of period, previously stated	90	2	1,146	83	2,973	3,105	7,399
Effect of change in accounting policies					-280		-280
Equity at beginning of period, restated	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, restated	90	0	1,090	46	308	4,815	6,349

Segment information • Group

Income statement (DKKm) (2022 restated)	Private	SME	Eli- min- ated	Result from insurance	Parent etc.	Eli- min- ated	Group Financial highlights	Reclas- sification*	Group Income statement
2023									
Insurance revenue	4,926	5,252	-10	10,168			10,168	28	10,197
Gross claims	-3,203	-3,582	7	-6,778		16	-6,762	-28	-6,791
Operating costs	-813	-892	3	-1,703		32	-1,671		-1,671
Reinsurance result	-54	-174	0	-228			-228		-228
Insurance service result	856	604	0	1,460		47	1,507		1,507
Total investment return				735	25	-47	713		713
Insurance finance income and expenses				-591			-591		-591
Other items				-106	-99		-206		-206
Profit before tax				1,498	-74	0	1,424		1,424
Tax							-372		-372
Profit							1,051		1,051
Run-off result:									
Gross business	91	109		200			200		
Reinsurance ceded	3	1		4			4		
Run-off result, net of reinsurance	94	110		204			204		
2022									
Insurance revenue	4,756	5,153	-12	9,898			9,898		
Gross claims	-3,086	-3,229	10	-6,305		9	-6,296		
Operating costs	-754	-822	2	-1,575		20	-1,555		
Reinsurance result	-49	-224	0	-272			-272		
Insurance service result	868	878	0	1,745		29	1,774		
Net investment result				-1,068	-8	-29	-1,105		
Insurance finance income and expenses				853			853		
Other items				-90	-50		-140		
Profit before tax, continuing operations				1,441	-59	0	1,382		
Tax, continuing operations							-305		
Profit after tax, continuing operations							1,078		
Profit after tax, discontinued operations							1,102		
Profit							2,179		
Run-off result:									
Gross business	51	136		188			188		
Reinsurance ceded	6	-41		-36			-36		
Run-off result, net of reinsurance	57	95		152			152		

*IFRS requires contracts acquired to be classified based on the contractual terms and other factors at the date of acquisition. Claims provisions acquired will be presented as insurance revenue based on the expected cash flows as of the acquisition date. Purchase Price Allocations made before 1 January 2023 are fixed and no changes have been made to Shareholders' equity and goodwill.

Notes to the financial statements • Group

Note 1. Accounting policies

The announcement of the 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 P&C 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 hereof were divested, and the activity was reclassified to discontinued operations in the 2022 accounts.

Net result

As can be seen in the table below, the application of IFRS 17 and IFRS 9 did only have insignificant impact on the net result for the continuing business in P&C insurance.

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

Shareholders' equity

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

Effect of new accounting policies (DKKm)	Shareholders' equity		Result 2022
	1/1 2022	31/12 2022	
2022 accounting policies	7,399	6,498	2,049
P&C IFRS 17 / IFRS 9	-91	-104	-13
P&C 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

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.

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.

Notes to the financial statements • Group

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 the 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 P&C 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 accreted**

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 accreted.

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

Notes to the financial statements • Group

Life Group, 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 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, the Life Group 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 have been measured using the simplified model, PAA.

The insurance contracts are recognised at the earliest of the beginning of coverage period, or when the first payment is 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 is 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.

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.

Notes to the financial statements • Group

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.

Acquisition of subsidiaries

Topdanmark accounts for business combinations using the acquisition method when control is transferred to Topdanmark.

In determining whether an acquired set of activities and assets is a business, Topdanmark assesses whether the acquired set includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as they are incurred.

Intangible assets

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Customer relationships that are acquired by Topdanmark and have finite useful lives are measured at cost less amortisation and accumulated impairment losses. These assets include access to distribution networks and customer lists, and renewal rights for acquired portfolios of P&C insurance contracts.

Development projects which are clearly defined and definable are measured at cost less accumulated amortisation. Development projects under construction are subjected to an impairment test yearly.

Acquired software licences are measured at cost less accumulated amortisation.

Amortisation is calculated to write off the cost of intangible assets over their estimated useful lives and is recognised in profit or loss using the straight-line method.

- Customer relationships 15 years
- Development projects up to 10 years
- Software 3 years.

At each reporting date, Topdanmark reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

Ratios

For the calculation of financial and insurance ratios, see the Annual Report 2022.

Alternative Performance measures

In the interim report following alternative performance measures have been introduced:

Operational EPS, presented in Management's review, "Profit forecast model" is calculated as the forecasted profit for the year divided by the number of shares (average).

Special costs, presented in Financial highlights Cost related to the acquisition of Oona Health, including amortisation of customer relations and brand rights as well as one-off costs related to the transaction and integration.

Notes to the financial statements • Group

(DKKm)

11 months 2022

Note 2. Discontinued operations

Topdanmark Liv Holding Group

Income statement (DKKm)	IFRS 4	IFRS 17
Insurance revenue	9,646	1,815
Insurance service expenses	-9,954	-1,444
Reinsurance result	12	12
Insurance service result	-295	384
Total investment return	-8,900	-8,292
Insurance finance income and expenses	9,300	8,226
Net investment result	399	-66
Other income	2	19
Other expenses	-2	-95
Profit before tax Topdanmark Liv Holding Group	104	241
Net gain on sale before tax	957	872
Tax	27	-11
Profit after tax, discontinued operations	1,089	1,102

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

(DKKm)

Note 3. Acquisition of Oona Health A/S

On 1 December 2023, Topdanmark acquired Oona Health A/S, which owns Dansk Sundhedssikring A/S (DSS), PrimaCare A/S and DSS Hålsa AB.

DSS is an insurance company which offers health insurance to companies and their employees as well as private individuals in the Danish market. PrimaCare A/S is a network health care company providing physiotherapy, chiropractic and psychological help to insurance companies, including DSS, in the Danish market. DSS Hålsa AB is an insurance agency in Sweden providing health insurance products and administration in connection with the insurance policies.

The purchase price includes goodwill of DKK 1,770m which relates to the unique business model and operational setup of DSS.

The goodwill will not be deductible for income tax purposes.

The following table summarises the consideration paid for Oona Health and the assets acquired and liabilities assumed at the acquisition date.

	1 Dec 2023
Cash	1,916
Contingent consideration	87
Total purchase price	2,003
Acquisition-related costs (included in other costs in Topdanmark A/S' income statement for 2023).	35
Recognised amounts of identifiable assets acquired and liabilities assumed	
Investment assets	292
Cash and cash equivalents	62
Intangible assets	651
Other assets	80
Total assets	1,085
Provisions for insurance contracts	136
Other liabilities	716
Total liabilities	852
Total identifiable net assets	233
Goodwill	1,770
Purchase price	2,003

In accordance with the purchase agreement, Topdanmark A/S took over 97% of the shares of Oona Health A/S at closing and will acquire the remaining 3% at a purchase price which is variable and dependent on profit after tax in 2026.

The intangible assets include customer relations (DKK 535m), brand rights (DKK 50m).

The revenue included in the consolidated statement of comprehensive income since 1 December 2023 contributed by Oona Health A/S was DKK 93m. Oona Health A/S also contributed profit of DKK 14m over the same period.

Notes to the financial statements • Group

(DKKm)

2023

2022

Note 4. 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
Reclassification due to sale of life	0	-46
Value adjustments (unrealised)	-1	0
Value adjustments (realised)	0	3
	36	37

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

Note 5. Contingent liabilities

Capital commitments made to loan funds and private equity funds etc. 86 102

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 6. Related parties

Dividends

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.

Oona Health

Related to the Oona Health acquisition, the following intra-group transactions have been completed:

Loan from Topdanmark A/S to Topdanmark Bidco A/S, DKK 450m

Loan from Topdanmark Bidco A/S to Daytona Midco Limited, DKK 169m

Loan from Topdanmark Bidco A/S to Daytona Acquisition Limited, DKK 1,998m

Non-cash contribution of shares in Daytona Midco Limited from Topdanmark A/S to Topdanmark Bidco A/S, DKK 1,916m

Transfer of shares in Oona Health A/S from Daytona Acquisition Limited to Topdanmark Bidco A/S, DKK 2,273m

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 2023 - Parent company

Income statement • Parent company

(DKKm) (2022 restated)	2023	2022	Q4 2023	Q4 2022
Income from subsidiaries	1,096	2,217	184	1,490
Interest income and dividends etc.	29	3	8	2
Value adjustments	0	-1	0	0
Interest expenses	-5	-11	-4	-2
Total investment return	1,120	2,208	188	1,489
Other expenses	-95	-50	-54	-10
Profit before tax	1,025	2,158	134	1,479
Tax	9	10	3	2
Profit	1,033	2,168	137	1,481

Statement of comprehensive income • Parent company

Profit	1,033	2,168	137	1,481
Other comprehensive income from subsidiaries	0	0	0	-1
Other comprehensive income	0	0	0	-1
Total comprehensive income	1,033	2,168	137	1,480

Balance sheet • Parent company

(DKKm) (2022 restated)	Note	2023	2022
Assets			
Intangible assets		39	0
Operating equipment		3	3
Total tangible assets		3	3
Equity investments in subsidiaries		6,195	6,077
Loans to subsidiaries		450	0
Total investment in subsidiaries		6,645	6,077
Equity investments		0	1
Total other financial investment assets		0	1
Total investment assets		6,645	6,077
Receivables from subsidiaries		57	833
Other receivables		0	4
Total receivables		57	837
Current tax assets		82	0
Liquid funds		0	20
Total other assets		82	20
Total assets		6,826	6,936
Shareholders' equity and liabilities			
Share capital		90	90
Profit carried forward		3,931	1,796
Proposed dividend		1,035	4,815
Total shareholders' equity		5,056	6,701
Amounts due to subsidiaries		1,595	49
Current tax liabilities		0	108
Other debt		175	78
Total debt		1,770	235
Total shareholders' equity and liabilities		6,826	6,936

Accounting policies

1

Notes to the financial statements • Parent company

Note 1. Accounting policies

The annual financial statements of the parent company Topdanmark A/S have been prepared in accordance with the Danish Financial Business Act, including the executive order issued by the Danish FSA on financial reports for insurance companies and multi-employer occupational pension funds.

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.

Effect of changed accounting policies (DKK m)	Shareholders' equity		Result
	1/1 2022	31/12 2022	Year 2022
2022 accounting policies	7,705	6,860	2,049
Changes in subsidiaries	-278	-159	119
2023 accounting policies	7,427	6,701	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).

Danish FSA's executive order / IFRS (DKK m)	Shareholders' equity		Result
	31/12 2022	31/12 2023	Year 2023
Topdanmark A/S, DFSA's executive order	6,701	5,056	1,033
IAS 12 Deferred tax security funds	-362	-362	0
IFRS 17 / IFRS 9	10	28	18
Total	-352	-334	18
Topdanmark Group IFRS	6,349	4,722	1,051

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.

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