

## Q4 2017 Earnings Call

### Company Participants

- Lars Thykier, CFO & Acting CEO

### Presentation

#### Lars Thykier {BIO 16427122 <GO>}

Welcome to the presentation of Topdanmark's results for 2017. Profit was DKK 1,733,000,000, up from DKK 1,536,000,000 in 2016. The combined ratio improved from 85.1 to 82. Premiums increased 1.4% in nonlife and 11% in life. For 2018, the assumed combined ratio remains unchanged at between 90 and 91, excluding runoff. Similarly, we continue to assume positive growth in nonlife for 2018. The profit forecast model for 2018 is between DKK 950 million and DKK 1,050,000,000, excluding runoff.

Finally, the Board of Directors will recommend to the AGM a payment of dividends of DKK 1,710,000,000 for 2017. This corresponds to payout ratio of 99%. And a dividend yield of 7.4%. These are the main points in my presentation.

Pretax earnings increased DKK 293 million to DKK 2,235,000,000 in 2017. And technical nonlife profit increased DKK 302 million to DKK 1,622,000,000. The increase was due to an extraordinary favorable claims trend and efficiency improvements. Investment return decreased DKK 104 million to DKK 288 million. As in 2016, the investment return in 2017 were significantly higher than the level assumed in the forecast.

Profit in life insurance increased DKK 60 million to DKK 249 million, primarily due to high investment return and improved results of sales and administration.

The claims trend was 65.8, an improvement of 2.9percentage points compared to 2016. Adjusted for runoff gains, weather-related claims and large-scale claims, the claims trend improved by 2.7percentage points. The improved claims trend was, among other things, due to an improved trend in the SME segment and in theft as well as a favorable impact of Topdanmark's efficiency improvement program.

Premiums increased 1.4% in nonlife, reflecting a 1.4% increase in both the Personal and the SME segment.

2017 was characterized by a net increase in the number of customers in Personal, Agricultural and the SME markets. During 2017, we stated that the large -- last and large-scale customer had left at the end of 2016. This has had a negative impact of 0.6% in 2017 on premiums for the Topdanmark group.

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The average premiums in motor insurance declined 1.1%. Despite an increase in the number of cars insured, motor premiums declined, reducing Topdanmark's total premiums by 0.1%. For 2018, we continue to assume a positive premium growth.

As stated, the combined ratio was 82 in 2017, compared to 85.1 in the year before. For 2018, we continue to assume a combined ratio of between 90 and 91, excluding runoff. This still includes additional expenses of between 0.5 and 1 percentage point due to the investment in increased digitalization and automation.

Profit in the life company increased DKK 60 million to DKK 249 million, primarily due to a high investment return and improved results of sales and administration. For 2017, the assumed profit for the life insurance group is between DKK 240 million and DKK 270 million.

In life, company holds a good competitive position. This was reflected in an 11% increase in premiums, split between a 16% growth in single premiums and a 2.1% growth in the regular premiums. The termination of Topdanmark's distribution agreements with Nykredit and Sydbank within life insurance results in an assumed decline for 2018 in regular premiums of around 5%.

The investment return for the Topdanmark group, excluding life, was DKK 396 million. This included the results of Topdanmark's asset management company of DKK 130 million.

Despite the investment return in Q4 being DKK 82 million lower compared to Q4 last year, the investment return in Q4 this year was higher than usually assumed.

Based on a number of assumptions describing the Q4 report, the assumed post-tax profit for 2018 will be between DKK 950,000,00 and DKK 1,050,000,000, excluding runoff.

In Q1 report, the Board of Directors presented a new earnings distribution policy. It was stated that we will retain our disciplined approach of capital consumption and avoiding accumulation of unnecessary capital. It was also stated that the basis for the dividend scheme is a payout ratio of at least 70%. Given Topdanmark's solid funds, the Board of Directors will recommend to the AGM a dividend payment of DKK 1,710,000,000. The recommended dividend represents a payout ratio of 99% and a dividend yield of 7.4.

Thank you for taking the time to watch this presentation of Topdanmark's Q4 report. If you want to learn more about Topdanmark, you're welcome to contact me. Following the announcement for the Q4 results, we will hold a number of investor meetings. Today, we'll host a conference call at half past 3. You will find more details of our road show schedule in the events calendar on our website. Thank you. And goodbye.

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