

Q2 2019 Earnings Call

Company Participants

- Steffen Heegaard, Group Communications, CSR & IR Director

Presentation

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Welcome to the presentation of Topdanmark's results for the first half of 2019. Profit for the first half was DKK 831 million, up from DKK 630 million in the first half last year due to an improved nonlife and life result. The combined ratio improved from 80.7% compared to 85.5% in the first half last year. Premiums increased by 2.6% in both life and nonlife.

For the full year 2019, the assumed combined ratio has improved from between 86% and 87% to between 85% and 86% excluding any runoff in the second half of the year.

The profit forecast model for 2019 remains unchanged between DKK 1.250 billion and DKK 1.350 billion, excluding runoff in the remainder of the year. These are the main points of my presentation.

Pretax earnings increased by DKK 287 million to DKK 1.066 billion. The technical nonlife profit increased by DKK 243 million to DKK 904 million. The improvement was due to a higher -- to higher runoff profits and a lower claims trend, especially on the SME and agricultural business. On the other hand, the discounting had a negative impact on the technical result due to a lower yield curve.

Investment return in the nonlife decreased by DKK 73 million to minus DKK 75 million. The negative investment result was accounting-wise impacted negatively by DKK 260 million due to a lower volatility adjustment component, primarily as a consequence of a change in the method of calculation.

Profit in life insurance increased by DKK 113 million to DKK 219 million due to a higher investment return and an improved risk result. The claims trend improved 4.7percentage points to 64.1% in the first half this year. Adjusted for runoff profits, weather-related claims, large-scale claims and other positions, including changes of risk margin, the claims trend improved by 1percentage points to 69%. The claims trend improved because of a lower level of claims in all major product lines, except house, illness and accident and workers' comp insurance.

Furthermore, the yield curve used for discounting the reserves was lower compared to the first half last year, having a negative impact on the claims trend of 0.5percentage point.

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Premiums increased by 2.6% in nonlife. The premium growth was split between a 1.2% increase in the private segment and a 4.2% increase in the SME segment. We continue to assume a premium growth for 2019 higher than the growth of 1.7% in 2018. As stated, the combined ratio was 80.7% in the first half of 2019, an improvement from 85.5% in the same period last year.

For the full year, we have adjusted the assumed combined ratio from between 86% and 87% to between 85% and 86%, excluding runoff in the second half of the year. This improvement is caused by the positive development in Q2, with runoff profits, a lower level of large-scale and weather-related claims than assumed.

Profit in life insurance increased DKK 113 million to DKK 219 million because of a higher investment return and an improved result on insurance risk. For 2019, the assumed profit on life insurance has been upgraded by DKK 50 million to between DKK 300 and DKK 330 million. In the life company, premiums increased 2.6%, split between a 9.1% growth in regular premiums and a 0.4% decline in single premiums.

Adjusted for the loss of the distribution agreement with Nykredit, premiums increased by 5.1%. Single premiums decreased in the first half of 2019 due to the implementation of a new IT platform, which, as planned, caused a temporary stop in the inflow of single premiums.

For 2019, the assumed growth in regular premiums continues to be around 10%. Excluding life and adjusted for revaluation and return on nonlife insurance provisions, the investment return for the Topdanmark Group was minus DKK 4 million. This includes the result of the Topdanmark's asset management company of DKK 42 million. The investment return was affected by the change in the method for calculation of the VA component and a market-based reduction in the VA component, which had a negative one-off effect of DKK 260 million. The changes in the VA component is solely an accounting issue and has no impact on the cash flow in Topdanmark.

Based on a number of assumptions described in the Q2 report, the assumed post-tax profit for 2019 remains unchanged between DKK 1.250 billion and DKK 1.350 billion, excluding runoff in the second half of the year, representing earnings per share of DKK 15.

Thank you for taking the time to watch this presentation of Topdanmark's Q2 report. If you want to know more about Topdanmark, you are welcome to contact me. Following the announcement of the Q2 results, we will host a number of investor meetings. Today, we will be hosting a conference call at 2:00 CET. You'll find more information on our roadshow schedule in the events calendar on our website. Thank you. And goodbye.

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