

Y 2020 Earnings Call

Company Participants

- Steffen Heegaard, Head of IR

Presentation

Steffen Heegaard {BIO 1513480 <GO>}

Welcome to the presentation of TopDanmark Results for 2020. Profit for 2020 was DKK1.124 billion down from DKK1.547 billion in 2019, but better than between DKK750 million and DKK850 million, which was assumed for 2020 in the Q3 report. The combined ratio was 86.5 compared with 83.7, mostly caused by lower run-off profits and by a higher claims trend on house insurance. Premiums increased by 3.6% in non-life, but decreased by 1.1% in life. For 2021, the assumed combined ratio has been improved from around 90 to between 89 and 90, excluding run-off. The profit forecast for 2021 amounts to between DKK1 billion and DKK1.1 billion, excluding run-off.

As announced in the Q3 report, TopDanmark has upscale the efficiency program. The efficiency program is expected to generate annual gross efficiency gains of around DKK500 million in 2025.

Finally, the Board of Directors will recommend to the AGM a dividend of DKK1.8 billion, which -- this corresponds to DKK20 per share.

These are the main points of my presentation.

Pre-tax earnings decreased by DKK534 million to DKK1.453 billion. The technical non-life profit decreased by DKK218 million to DKK1.316 billion. The decrease was primarily due to lower run-off profits and higher claims trend on house insurance. COVID-19-related issues improved the technical result by DKK121 million.

The investment return decreased by DKK81 million to a loss of DKK15 million. The investment return was impacted by the turmoil in the Danish mortgage market during Q1, which resulted in a substantial spread widening that impacted the portfolio of Danish mortgage bonds used for hedging the provisions.

Profit in life insurance decreased by DKK210 million to DKK117 million, primarily due to a lower investment return.

The claims trend deteriorated by 2.5 percentage point to a 70.1. The claims trend was negatively impacted by lower run-off profits of 2.5 percentage point, as well as a deteriorated claims trend on house insurance of 1.9% percentage.

FINAL

Bloomberg Transcript

Based on the negative claims trend on house insurance TopDanmark is taking actions by with price -- risk-based price increases as well as increased focus on acceptance criteria and claims prevention.

The underlying claims trend, which is the claims trend adjusted for run-off profits, weather-related claims, large scale claims, discounting and COVID-19 related claims was 71.0, a 0.1 percentage point improvement compared with 2019. COVID-19 impacted the claims trend positively by 1.2% percentage points.

Premiums increased by 3.6% in non-life. The premium growth was split between 1.3% increase in the private segment and a 6.2% increase in the SME segment.

The good start to the distribution equivalent with Nordea continued into Q4, and number of customer needs in the private segment was -- has reached 89,000, well above the target for 2020. Accounting wise premium growth generated from the change of distribution partner from Danske Bank to Nordea had a negative impact of 1.1 percentage point in 2020. But in terms of portfolio of the switch distribution partner had a small positive impact already 2020. Consequently, we still expect that the premium income in 2021 from the inflow of Nordea customers will fully compensate for the terminated distribution agreement with Danske Bank. We continue to assume at premium growth of just above 3% in 2021.

As stated, the combined ratio was 86.5 in 2020, up from 83.7 in 2019. For 2021, we have improved the assumed combined ratio from around 90 to between 89 and 90, excluding run-off. Since the announcement of the Q3 report, the discounting has decreased representing a 0.5 percentage point deterioration of the combined ratio. On the other hand, further efficiency gains have improved the assumed combined ratio by 0.5 percentage point. Furthermore, the outbreak of the new COVID-19 rotation has had the positive impact on the 2021 assumptions of 0.3 percentage points. Finally, the actions taken to improve the claims trend on house insurance have improved by further 0.2 percentage points. Consequently, the assumed combined ratio for 2021 has been upgraded by 0.5 percentage point to between 89 and 90, excluding run-off.

Profit in life insurance decreased by DKK210 million to DKK117 million. The lower return was primarily due to a decrease in the investment return of DKK167 million, but also due to the lower sales and admin result as well as a lower result on the insurance risk.

For 2021 the assumed profit in life insurance is improved from between DKK50 million and DKK100 million to between DKK100 million and DKK150 million due to the assumed investment return being improved because of price increases and growth in the AUM.

Premiums in life -- in the life division decreased by 1.1% split between a 3% -- 3.6% growth in regular premiums and 3.1% decrease in single premiums. In the second half of the year premiums were negatively impacted by price increases on illness and accident insurance, which is the interim product selling pension schemes to the corporate market. We assume development in regular premiums in 2021 between minus 5 and several percent.

FINAL

Investment return of the Topdanmark group was DKK52 million. This includes the results of Topdanmark's asset management company of DKK94 million. In Q4, the investment return was DKK292 million, positively impacted by a good performance on equities.

As announced in Q3 report, Topdanmark has upscale investments in becoming more efficient. The efficiency program is expected to generate annual gross efficiency gains of DKK500 million in 2025. The gross efficiency gains in 2021 are expected to amount to DKK120 million. Compared with 2020, additional costs following the increased level of investments in the efficiency program will impact costs for 2021 negatively by DKK100 million.

In 2021, the net impact of the efficiency program has been improved from negative DKK30 million as assumed in the Q3 report to now positive DKK20 million in 2021.

Based on a number of assumptions described in the Q4 report, the assumed post-tax profit for 2021 is between DKK1 billion and DKK1.1 billion, excluding run-off representing earnings per share of DKK12.

The Board of Directors will recommend to the AGM that a dividend of DKK1.035 billion will be distributed for 2020. At the AGM, in 2020, it was described to -- decided to postpone pay-out of the second half of a dividend for 2019 until the AGM in 2021. The Board of Directors will recommend to the AGM that the remaining dividend of DKK8.5 per share or DKK765 million will be distributed as an extraordinary dividend.

Given the AGM approval, the total dividend distributed in connection with the AGM will be DKK1.8 billion or DKK20 per share

Thank you for taking the time to watch this presentation of TopDanmark's Q4 report. If you want to know about TopDanmark, you're welcome to contact me. In the next month, we will host a number of online investor meetings. Today, we will be hosting a conference call at 4 o'clock CET and the dial-in information is available on our website. You will find more information on our (inaudible) in the events calendar on our website. In August, after nearly 32 years in TopDanmark, I resigned from my position as Head of IR Communication and CSR. As of 1st March, I will be replaced by head of -- as Head of IR by Robin Lofgre.

Robin comes for my position as Chief IR Officer at Danske Bank, and he is looking forward to meeting you. It has been a real pleasure to work with you. And I would like to take the opportunity to take all of -- to thank you all of you for 32 years of good co-operation. Over the years, you have been a big part of my joy and work providing with the challenges, good discussions, the earning opportunities and frustrations. Thank you very much. I wish you all the best in the -- for the future.

This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of

Bloomberg Transcript

FINAL

any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.

Bloomberg Transcript