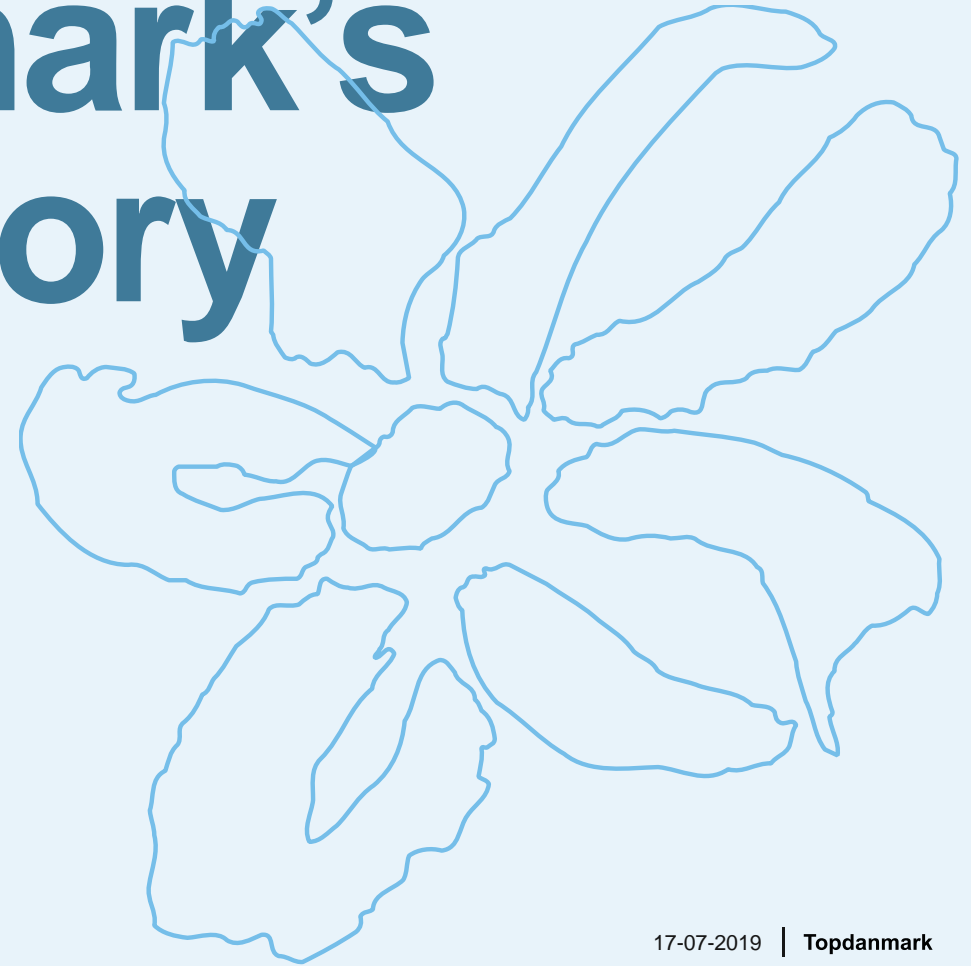


Topdanmark's Equity Story



[Share profile](#)

Focused Strategy

- Danish player
- Stable insurance risks
- Low expense ratio
- Limited financial risk
- Synergy between life and non-life
- Efficient top line growth
- Profitable growth – in that order
- High net result
- No protection against a take-over in the Articles of Association

The Topdanmark share is a value case – not a growth case



Danish Player

100% focused on non-life and life insurance in the Danish market

- Topdanmark is a non-life insurance company with one of the assets in a life insurance company
 - Life generates a return, higher than the required return on Topdanmark's shares
- The Danish insurance market is relatively disciplined
- The non-life insurance market is dominated by six players, all listed on the stock exchange representing a total market share of 72%
- The Danish market is a direct market
- No intention of carrying out business in other countries
 - It would damage shareholder value as we believe that the required return on Topdanmark's shares would increase in the event of expansion into less disciplined markets
- Topdanmark sees larger synergies from carrying out non-life and life insurance in Denmark than, for example, non-life insurance across borders
- Business model based on efficiency, risk-based prices and a strong sales foundation.



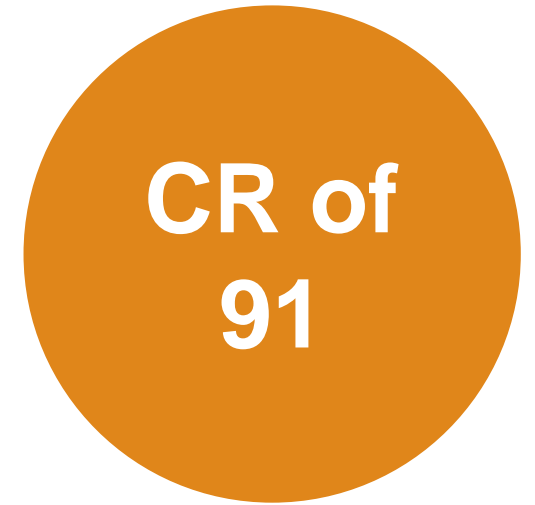
Market share in non-life:
17%

Market share in life:
9%

Stable Insurance Risks

Primarily exposure in the private, agricultural and SME business

- Segments with high frequency but low average claims
- Combined with risk-based prices (micro rating) and a significant reinsurance programme, this implies low volatility in earnings
- Goal of a CR of 91 excluding run-off, given the current level of interest rates

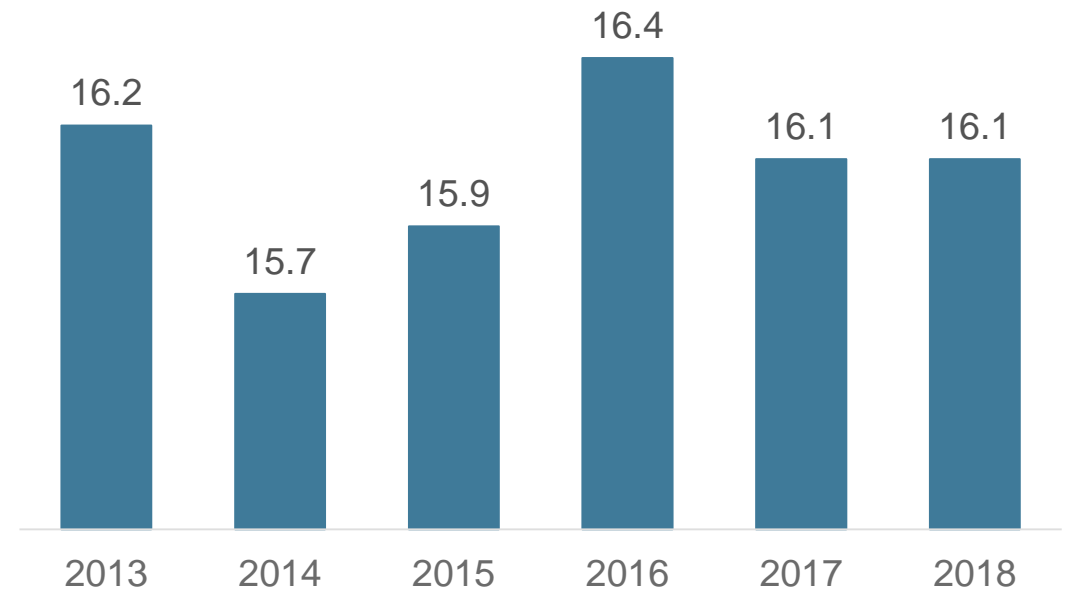


Expert in Risk
Management

Low Expense Ratio

Goal of an expense ratio lower than the general Danish market level

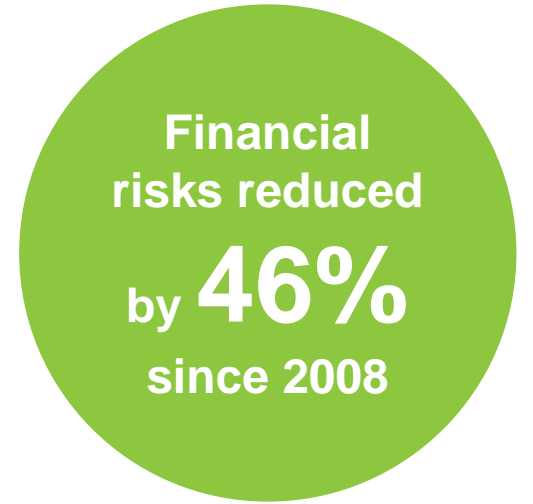
- Topdanmark's expense ratio was 16.1 in 2018
- Expense ratio of approx. 25 for major listed European insurance companies
- The low level of expenses in the Danish market is a barrier to access
- Topdanmark's cost advantage enables a combination of competitive prices for customers with a competitive return for shareholders.



Limited Financial Risk

Topdanmark's shares are insurance shares – not an investment trust

- We wish to create value to shareholders through calculated insurance risks – not through (high) investments risks
- Out of a normalised pre-tax profit of around DKK 1,500m, around DKK 150m is generated by the investment return
- Low correlation between insurance risks and equity risks in other sectors
- A robust business model and relatively limited financial risk ensure high probability of profit even in years with negative financial markets.



Expert in Risk Management

Synergy between Life and Non-life Insurance

Synergies within, for example

- Distribution
- IT
- Asset management

The life insurance company sells supplementary non-life products

- Disability insurance
- Health insurance
- Critical illness

Diversification advantages in respect of Solvency II



More synergies by conducting national life/non-life insurance business, rather than by conducting cross-border non-life insurance business



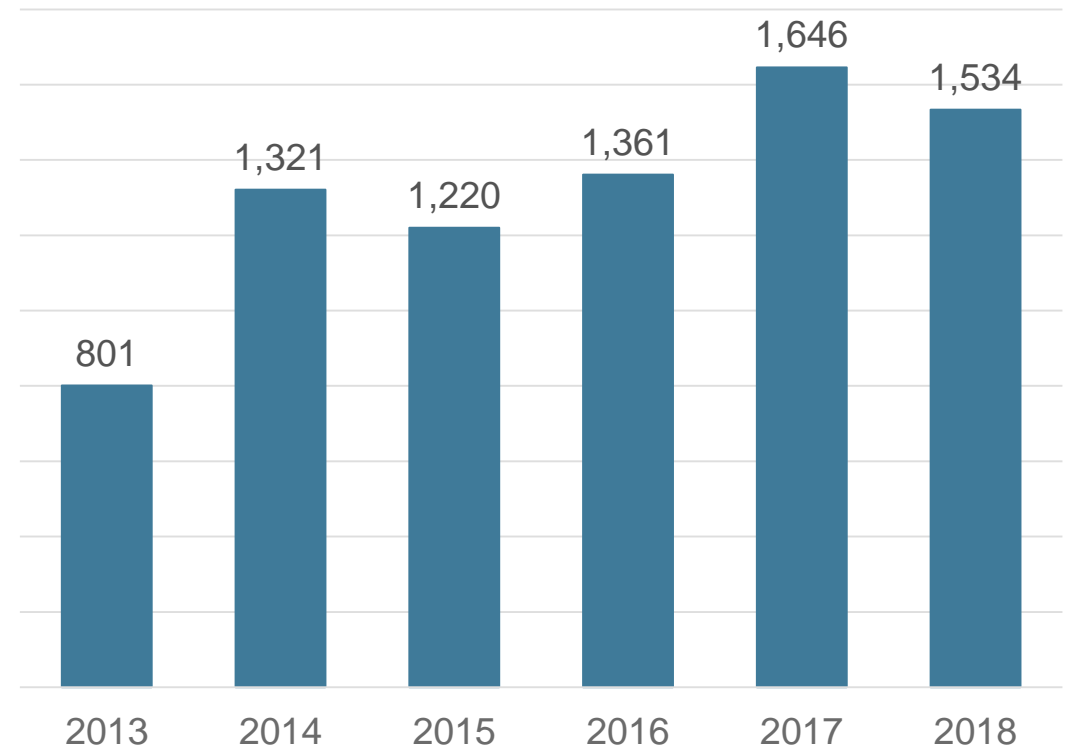
Non-life and Life
within One Group

Efficient Capital Management

Low capital requirement due to Topdanmark's low volatility in earnings

- However, Solvency II requires a somewhat higher capital base than what is necessary from a risk perspective
- Topdanmark has a solid capital base

Technical profit on non-life insurance (DKKm)



Limited Top-line Growth

For insurance companies nothing is easier than growing

- A company could just reduce its prices or reduce its acceptance criteria
- What is difficult is to grow without diluting down the CR
- Operational goal of ensuring that growth in premiums is in line with ordinary indexation, adjusted for any price changes
- Topdanmark has a multi-distribution strategy focusing on targeted sales for each customer segment through its own sales channels and distribution partners
- Investing in increased distribution power through organic growth, distribution partners and acquisitions.



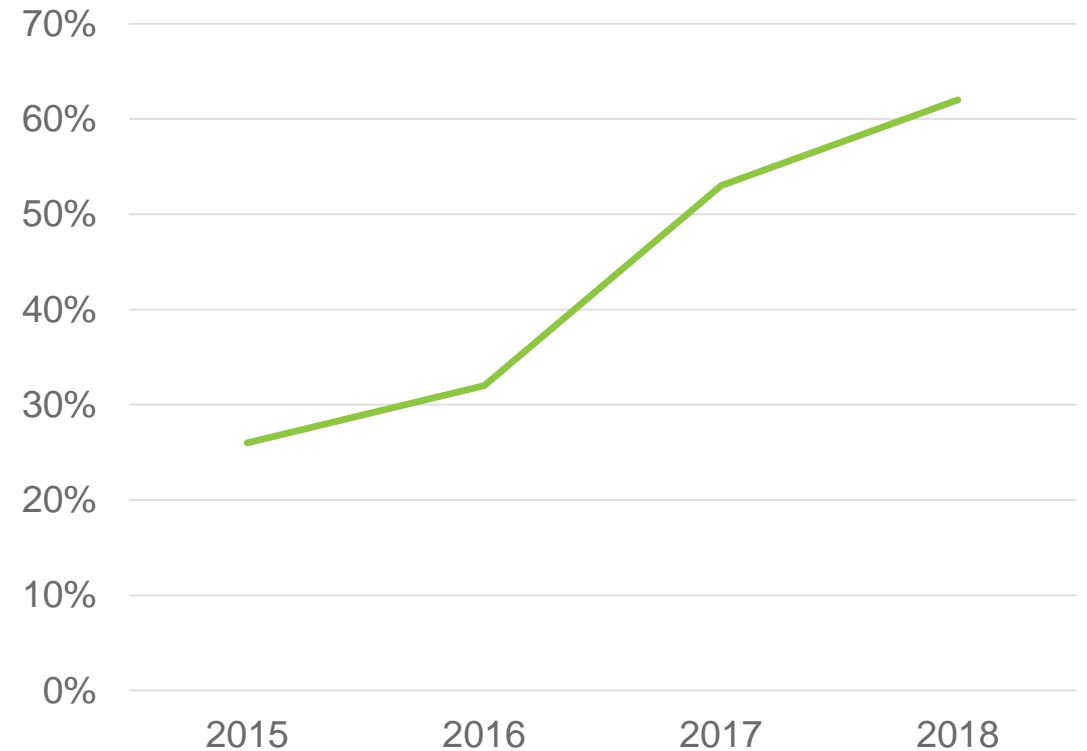
Strong Distribution
Power

Profitable Growth – in that order

Negative or limited premium growth in recent years due to Topdanmark's mantra of profitable growth

- Topdanmark wants to generate returns at both customer and product levels
 - If not we will be sensitive to price competition in lucrative segments
- Has lost 46% of premiums earned on workers' compensation since 2008
- Primarily in the industrial segment with very low or negative marginals
- Topdanmark has focused on increased profitability and implemented, among other things, risk based pricing and more automated claims handling

Trend in share of reporting claims online



High Net Result

(DKKm)	
Non-life CR = 90 DKK 9.5bn x 10pp	950
Run-off (CR effect 1.7pp) DKK 9.5bn x 1.7pp	160
Life	170
Parent company etc.	50
Risk premium assets: DKK 5bn x 2%	100
Equities: DKK 1.0bn x 7%	70
Pre-tax profit	1,500
Tax	(330)
Post-tax profit	1,170

Normalised profit

Assumptions:

Technical interest excl. discounting: 0%

Investment return on interest-bearing assets not included in "match" portfolio:

Risk-free interest rate + 200bp



No Protection Against a Take-over in the Articles of Association

In 2001, Topdanmark removed all protection against a take-over, set out in the Articles of Association

- No restrictions on ownership and voting rights or any other limitations to shares
- The only actual protection is a fair share price
- Topdanmark's incentive scheme is intended to ensure a long-term, stable share price
- The remuneration of management is mainly based on a fixed, base salary, and a revolving share option programme based upon payment of 10% of the remuneration package
- Largest shareholder: Sampo

