Topdanmark’s Equity Story

Share profile

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Focused strategy

- Danish player
- Stable insurance risks
- Low expense ratio
- Limited financial risk
- Synergy between life and non-life insurance
- Efficient capital management
- Limited 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

- Market share of 17% in non-life and 9% in life
  - Topdanmark's shares are non-life insurance shares with one of the assets in a life insurance company
  - Life generates a stable 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 70%
- The Danish market is a direct market
- No intention of carrying out business in other countries
  - Would destroy shareholder value as it is believed that the required return on Topdanmark’s shares would increase in the event of expansion into less disciplined markets like Sweden
- Topdanmark sees larger synergies from carrying out non-life and life insurance in Denmark than, for example, non-life insurance across borders
- No correlation between high efficiency and a multinational strategy
- Business model based on efficiency, risk-based prices and a strong sales foundation

Stable insurance risks

Primarily exposure in the personal, agricultural and SME segments

- 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
- Target of a CR of 90-91 excluding run-off, given the current level of interest rates

Low expense ratio

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

- Topdanmark's expense ratio for 2017 expected to be around 16
- Expense ratio of around 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

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

- 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 1,300m, around DKK 150-200m is generated by the investment return
- Low correlation between insurance risks and equity risks in other sectors
- Financial risks reduced by 50% since 2008
- A robust business model and relatively limited financial risk ensure high probability of profit even in years with devastating financial markets

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
- Unemployment insurance

Diversification advantages in respect of Solvency II

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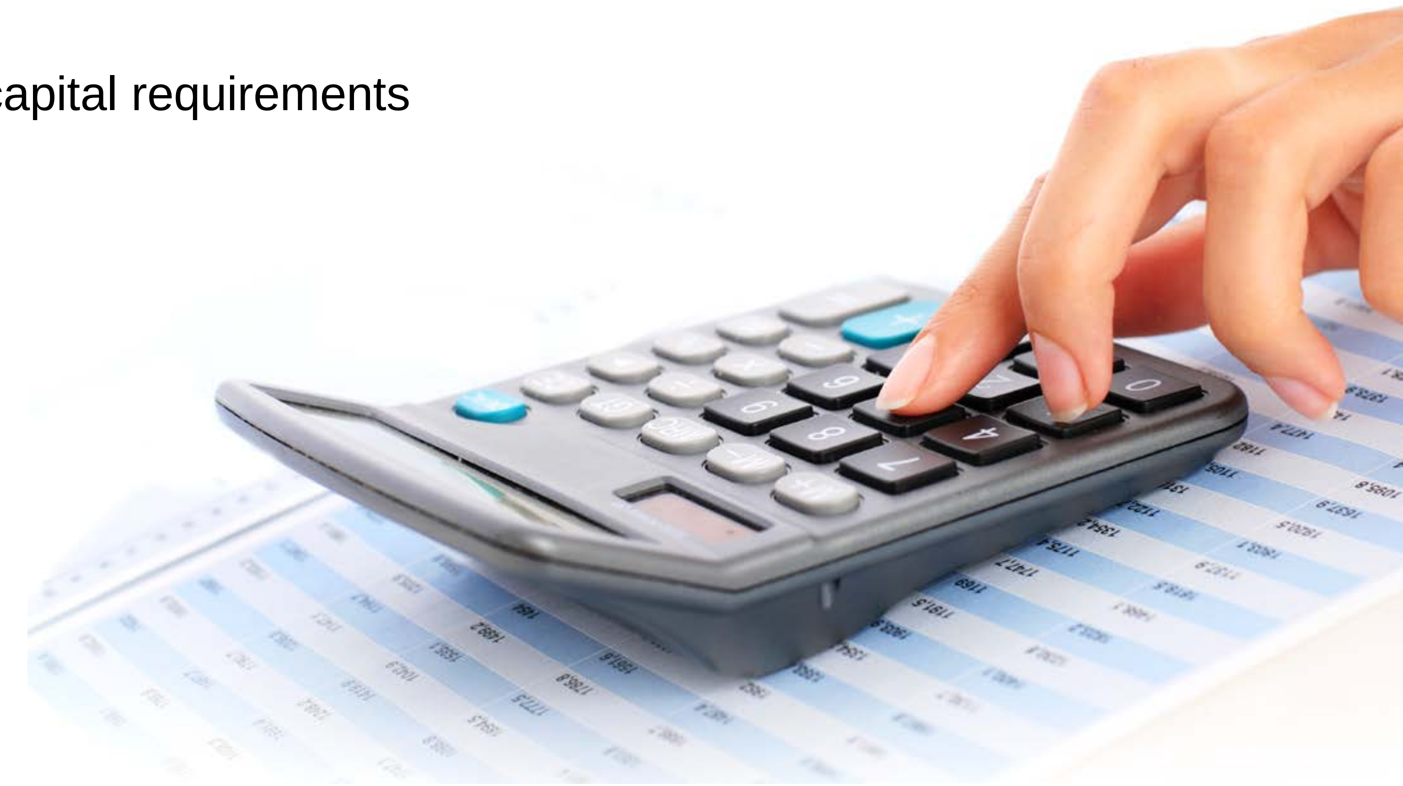
More synergies by conducting national life/non-life insurance business, rather than by conducting cross-border non-life insurance business

Efficient capital management

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

- However, Solvency II requires a somewhat higher capital base than risk requires
- Topdanmark is in place to meet the Solvency II capital requirements
- Topdanmark has a very solid capital base
- Target of a solvency ratio of 150-180



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 watering down the CR
- Operational goal of ensuring that growth in premiums is on par 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, such as Danske Bank, with their independent brands
- Investing in increased distribution power – but
- No prospect of a quantum leap in top-line growth

Profitable growth – in that order

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

- Topdanmark wishes to generate returns at both customer and product levels
  - If not we will be sensitive to price competition in lucrative segments
- Has lost 50% 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, price increases and more efficient processes in claims handling
- Topdanmark expects a CR of around 85 in 2017 excluding run-off
  - Incl. additional expenses of 0.5 to 1pp due to investment in future efficiency increase
- High ROI from investment programme, and it is expected that additional expenses and efficiency savings will be offset in 2018
- Therefore now increased focus on growth promoting measures

High net result

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Normalised profit

Assumptions:

CR: 91

Run-off gains: 1.7pp

Technical interest excl. discounting: 0%

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

Risk-free interest rate + 200bp

Return on equities: 7% p.a.

(DDKm)	
Non-life CR = 91 DKK 8.9bn x 9pp	800
Run-off (CR effect 1.7pp) DKK 8.9bn x 1.7pp	150
Life	150
Parent company etc.	50
Risk premium assets: DKK 5bn x 2%	100
Equities: DKK 0.8bn x 7%	70
Pre-tax profit	1,320
Tax	(290)
Post-tax profit	1,030

No protection against a take-over in the Articles of Association

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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 based on a fixed, basic salary and no cash bonus schemes, but a revolving share option programme based upon payment of 10% of the remuneration package
- Largest shareholder: Sampo (~ 46%)